Interim Report

2018

上諭集團控股有限公司

SHEUNG YUE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1633

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Lap Wai Gary
Mr. Chan Lap Chuen Edmond
Ms. Chan Chin Ying Amanda

Non-executive Director

Mr. Chan Sau Man Simon

Independent Non-executive Directors

Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Cheng Chi Hung
Mr. Wong Yip Kong

AUDIT COMMITTEE

Mr. Cheng Chi Hung
Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Wong Yip Kong

REMUNERATION COMMITTEE

Mr. Wong Yip Kong
Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Cheng Chi Hung

NOMINATION COMMITTEE

Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Cheng Chi Hung
Mr. Wong Yip Kong

AUTHORISED REPRESENTATIVES

Mr. Chan Lap Wai Gary
Mr. Lui Shun Wa Alexander

COMPANY SECRETARY

Mr. Lui Shun Wa Alexander

AUDITOR

BDO Limited

LEGAL ADVISER

D. S. Cheung & Co.

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Dah Sing Bank Limited
Wing Lung Bank Limited

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 103-105, 1/F
New East Ocean Centre
9 Science Museum Road
Tsimshatsui East
Kowloon
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

WEBSITE

www.simonandsons.com.hk

STOCK CODE

1633

The board (the "**Board**") of directors (the "**Directors**") of Sheung Yue Group Holdings Limited (the "**Company**") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2018 (the "**Period**"), together with the comparative figures for the corresponding period in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group was engaged in the provision of foundation works in Hong Kong and Macau. The scope of foundation works undertaken by us mainly includes piling construction (such as driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services).

As at 30 September 2018, there were eight projects on hand with total contract sum amounting to approximately HK$488.7 million. Three projects are expected to be completed in the forthcoming financial year.

PROSPECTS

There has been a keen market competition in the foundation works industry in Hong Kong, with increasing number of market players, and reducing projects available in the market due to the filibustering in the Legislative Council causing delays in funding approval for public works projects. Apart from the keen industry competition, the escalating labour cost and the increase of other construction cost are also factors adversely affecting the Group's gross profit and profit margin. In order to maintain our market share in the foundation works industry, the Group will keep track of the market condition and adjust our business strategies in response to any change of market trend. Riding on the Group's reputation in the foundation works industry and our experienced management team, our Directors believe that the Group is able to maintain the competitiveness among our competitors in the foundation works industry.

The Group will continue to exercise due care in the pursuance of its existing core business and to explore other business opportunities, including but not limited to the provision of general building works services, from time to time in order to broaden the revenue stream of the Group.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Period was approximately HK$115,557,000 (six months ended 30 September 2017: approximately HK$156,757,000), representing a decrease of approximately 26.3% over the six months ended 30 September 2017. The decrease was due to the delay in commencement of our works in a foundation works project with a contract amount of approximately HK$198.0 million.

Gross Profit Margin

The Group's gross profit margin during the Period was approximately 4.9% (for the six months ended 30 September 2017: approximately 16.1%). The decrease in gross profit margin was mainly due to the decline in revenue and the relatively lower profit margin of the projects during the Period.

General and Administrative Expenses

The Group's administrative expenses for the Period were approximately HK$33,010,000 (for the six months ended 30 September 2017: approximately HK$12,714,000), representing an increase of approximately 159.6% over the corresponding period in 2017. This was mainly due to the provision of impairment of contract assets during the Period.

Income Tax Credit/Expense

The Group's income tax credit for the Period was approximately HK$4,651,000 (income tax expense for the six months ended 30 September 2017: approximately HK$2,461,000).

Net Loss/Profit

For the Period, the Group recorded a net loss of approximately HK$22,128,000 (net profit for the six months ended 30 September 2017: approximately HK$11,426,000).

Liquidity, Financial Resources and Capital Structure

As at 30 September 2018, the Group had bank balances of approximately HK$39.5 million (as at 31 March 2018: approximately HK$50.1 million). The interest-bearing debts of the Group as at 30 September 2018 was approximately HK$1.2 million (as at 31 March 2018: approximately HK$2.3 million). The gearing ratio is calculated based on the amount of total interest-bearing debts divided by total equity. The gearing ratio of the Group as at 30 September 2018 was approximately 0.6% (as at 31 March 2018: approximately 1.0%), as a result of the partial repayment of interest-bearing debts during the Period.

Pledge of Assets

The Group's plant and machinery with an aggregate net book value of approximately HK$3.1 million and HK$6.3 million as at 30 September 2018 and 31 March 2018, respectively, were held under finance leases.

As at 30 September 2018, banking facilities were secured by the Group's bank deposits amounting to approximately HK$19,629,000 (as at 31 March 2018: HK$18,126,000).

Foreign Exchange Risk

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Period.

Employees and Remuneration Policy

As at 30 September 2018, the Group employed 97 employees. Total remuneration costs including Directors' emoluments for the Period, amounted to approximately HK$19.1 million (for the six months ended 30 September 2017: approximately HK$23.8 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the six months ended 30 September 2018, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

Capital Commitments

The Group had no capital commitments as at 30 September 2018 (as at 31 March 2018: Nil).

Contingent Liabilities

As at 30 September 2018, the Group did not have any significant contingent liabilities (as at 31 March 2018: Nil).

Use of Proceeds from Initial Public Offering

The net proceeds of the share offer received by the Company in relation to the Listing were approximately HK$95.3 million, after deduction of underwriting fees and commissions and expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future plans and use of proceeds" in the prospectus of the Company dated 31 October 2016. The below table sets out the proposed applications of the net proceeds and usage up to the date of this report :

	Planned use of proceeds	**Actual usage up to the date of this report**
	HK$'000	*HK$'000*
Purchase of machinery and equipment	67,048	23,399
Taking out surety bond	19,466	19,466
Expansion of workforce	7,299	7,299
General working capital	1,512	1,512
	95,325	51,676

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 September 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which have been notified to the Company and The Stock Exchange of Hong Kong (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), notified to the Company and the Stock Exchange were as follows:

Interests in Share of the Company

Name of Director	Capacity/Nature	Number of Shares held/interest	Percentage of interest
Chan Lap Wai Gary *(Notes 2 and 3)*	Interest of controlled corporation	495,000,000 (L) *(Note 1)*	72.29%

Notes:

1. The letter "L" demonstrates long position in such securities.

2. Mr. Chan Lap Wai Gary beneficially owns 45% of the issued shares of Creative Elite Global Limited which in turn held 495,000,000 Shares. Therefore, Mr. Gary Chan is deemed to be interested in 495,000,000 Shares held by Creative Elite Global Limited for the purpose of the SFO.

3. On 1 December 2016, the Over-allotment Option was exercised by the bookrunner, C.P. Securities International Limited, whereby an aggregate of 24,750,000 Shares were issued on 2 December 2016. Thus, the percentage of shareholding of Creative Elite Global Limited in the Company was changed from 75% (before the exercise of the Over-allotment Option) to 72.29%.

Interests in associated corporations

Name of Director	Name of associated corporation	Number of Shares held/interest	Percentage of interest
Chan Lap Wai Gary	Creative Elite Global Limited	45	45%
Chan Lap Chuen Edmond	Creative Elite Global Limited	28	28%
Chan Chin Ying Amanda	Creative Elite Global Limited	18	18%

Rights to purchase shares or debentures of Directors and chief executive

No arrangements to which the Company, any of its subsidiaries, its holding company or a subsidiary of its holding company (if any) is or was a party to enable the Directors and the chief executive of the Company to acquire benefits by means of acquisitions of shares in or debentures of the Company or any other body corporate subsisted at the end of the Period or at any time during the Period.

Substantial shareholders' and others' interests and short positions in Shares and underlying shares

As at 30 September 2018, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which fell to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Director	Capacity/Nature	Number of Shares held/interest	Percentage of interest
Creative Elite Global Limited *(Note 2)*	Beneficial owner	495,000,000 (L) *(Note 1)*	72.29%
Vane Siu Ling Linda *(Note 3)*	Family interest	495,000,000 (L) *(Note 1)*	72.29%

Notes:

1. The letter "L" demonstrates long position in such securities.

2. On 1 December 2016, the Over-allotment Option was exercised by the bookrunner, C.P. Securities International Limited, whereby an aggregate of 24,750,000 shares were issued on 2 December 2016. Thus, the percentage of shareholding of Creative Elite Global Limited in the Company was changed from 75% (before the exercise of the Over-allotment Option) to 72.29%.

3. Ms. Linda Vane is the spouse of Mr. Chan Lap Wai Gary who beneficially owns 45% of the issued shares of Creative Elite Global Limited. Therefore, Ms. Linda Vane is deemed to be interested in 495,000,000 Shares held by Creative Elite Global Limited for the purpose of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, sale or redemption of the Company's listed securities

No purchase, sale or redemption of the Company's listed securities was made during the Period and up to the date of this report.

Share option scheme

The shareholders of the Company have adopted a share option scheme (the "Scheme") on 24 October 2016.

A summary of the Scheme is set out as below:

(i) The Scheme became effective for a period of 10 years commencing from the date on which Scheme is adopted.

(ii) Under the Scheme, a subscription price shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of our shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of our shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

(iii) An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made.

(iv) The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of our Company (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our shares in issue as at the listing date.

No options have been granted since the adoption of the Scheme.

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2018.

Compliance with the corporate governance code

The Group is committed to uphold high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial to the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of the shareholders of the Company.

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Period and up to the date of this report.

Compliance with the Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). In response to a specific enquiry by the Company, all Directors have confirmed that they complied with the requirements of the Model Code during the Period and up to the date of this report.

Audit Committee

The Company has an audit committee (the "**Audit Committee**") in accordance with the requirements of the Listing Rules with terms of reference aligned with the provision of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee is to serve as a focal point for communication between other Directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, be satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits. The Audit Committee comprises three independent non–executive Directors, namely Mr. Cheng Chi Hung (chairman), Mr. Li Hon Hung, *BBS, MH, JP* and Mr. Wong Yip Kong.

Review of Interim Results

The Group's unaudited condensed combined interim results and financial report for the Period have been reviewed and approved by the Audit Committee.

Publication of Interim Results Announcement and Interim Report

The interim results announcement of the Company has been published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.simonandsons.com.hk. The interim report will be despatched to the shareholders of the Company and is available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our management and staff members for their dedication and contribution to the Group. In addition, I would like to thank all our Shareholders and investors for their support and our customers for their patronage.

By order of the Board
Sheung Yue Group Holdings Limited
Chan Lap Wai Gary
Chairman

Hong Kong, 28 November 2018

As at the date of this report, the Board comprises Mr. Chan Lap Wai Gary (Chairman), Mr. Chan Lap Chuen Edmond and Ms. Chan Chin Ying Amanda as executive Directors, Mr. Chan Sau Man Simon as non-executive Director and honorary chairman, and Mr. Li Hon Hung, BBS, MH, JP, Mr. Cheng Chi Hung and Mr. Wong Yip Kong as independent non-executive Directors.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended 30 September	
	Notes	**2018** ***HK$'000*** **(Unaudited)**	2017 *HK$'000* (Unaudited)
Revenue	5	**115,557**	156,757
Cost of services		**(109,938)**	(131,533)
Gross profit		**5,619**	25,224
Other income	5	**748**	557
Other gains and losses	5	**(88)**	1,059
Administrative expenses		**(33,010)**	(12,714)
Operating (loss)/profit	6	**(26,731)**	14,126
Finance costs	7	**(48)**	(239)
(Loss)/profit before income tax expense		**(26,779)**	13,887
Income tax credit/(expense)	8	**4,651**	(2,461)
(Loss)/profit for the period		**(22,128)**	11,426
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of investment in a life insurance policy		**–**	8
Exchange differences on translating a foreign operation		**29**	(269)
Other comprehensive income for the period, net of tax		**29**	(261)
Total comprehensive income for the period		**(22,099)**	11,165
		HK cents	*HK cents*
(Loss)/earnings per share – Basic and diluted	10	**(3.23)**	1.67

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	**As at 30 September 2018 HK$'000 (Unaudited)**	As at 31 March 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**40,311**	45,808
Prepayment	12	**–**	383
Investment in a life insurance policy		**2,527**	2,488
Deferred tax assets		**2,953**	–
		45,791	48,679
Current assets			
Inventories		**8,521**	6,963
Contract assets		**83,876**	–
Amounts due from customers for contract work		**–**	78,908
Trade and other receivables	12	**60,240**	49,467
Pledged bank deposits	13	**19,629**	18,126
Cash and cash equivalents	13	**39,491**	50,091
Tax recoverable		**6,724**	6,724
		218,481	210,279
Current liabilities			
Trade and other payables	14	**53,918**	23,683
Finance lease payables		**1,221**	1,754
Current tax liabilities		**2,949**	2,979
		58,088	28,416
Net current assets		**160,393**	181,863
Total assets less current liabilities		**206,184**	230,542

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	**As at 30 September 2018 HK$'000 (Unaudited)**	As at 31 March 2018 HK$'000 (Audited)
Non-current liabilities			
Finance lease payables		**–**	561
Deferred tax liabilities		**–**	1,698
		–	2,259
NET ASSETS		**206,184**	228,283
Equity			
Share capital	16	**6,848**	6,848
Reserves		**199,336**	221,435
TOTAL EQUITY		**206,184**	228,283

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Capital reserve *HK$'000*	Available-for-sale financial asset reserve *HK$'000*	Foreign exchange reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
As at 1 April 2017 (audited)	6,848	98,111	10,010	3,446	(409)	187	135,769	253,962
Profit for the period	–	–	–	–	–	–	11,426	11,426
Other comprehensive income for the period:								
Changes in fair value of investment in a life insurance policy	–	–	–	–	8	–	–	8
Exchange differences on translating a foreign operation	–	–	–	–	–	(269)	–	(269)
Total comprehensive income for the period	–	–	–	–	8	(269)	11,426	11,165
As at 30 September 2017 (unaudited)	6,848	98,111	10,010	3,446	(401)	(82)	147,195	265,127
As at 1 April 2018 (audited)	**6,848**	**98,111**	**10,010**	**3,446**	**(402)**	**217**	**110,053**	**228,283**
Impact of adopting HKFRS 9 *(Note 3a)*	**-**	**-**	**-**	**-**	**402**	**-**	**(402)**	**-**
As at 1 April 2018 (restated)	**6,848**	**98,111**	**10,010**	**3,446**	**-**	**217**	**109,651**	**228,283**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(22,128)**	**(22,128)**
Other comprehensive income for the period:								
Exchange differences on translating a foreign operation	**-**	**-**	**-**	**-**	**-**	**29**	**-**	**29**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**29**	**(22,128)**	**(22,099)**
As at 30 September 2018 (unaudited)	**6,848**	**98,111**	**10,010**	**3,446**	**-**	**246**	**87,523**	**206,184**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	**(8,282)**	15,649
Net cash used in investing activities	**(1,176)**	(5,857)
Net cash used in financing activities	**(1,141)**	(1,830)
Net (decrease)/increase in cash and cash equivalents	**(10,599)**	7,962
Cash and cash equivalents at beginning of period	**50,091**	70,592
Effect of exchange rate changes on cash and cash equivalents	**(1)**	(288)
Cash and cash equivalents at end of period	**39,491**	78,266

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 March 2016, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Units 103-105, 1st Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (together referred to as the "Group") are principally engaged in the provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau.

In the opinion of the Directors, the Company's immediate and ultimate holding company is Creative Elite Global Limited, a company incorporated in the British Virgin Islands.

The unaudited condensed consolidated interim financial statements have neither been audited nor reviewed.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The unaudited condensed consolidated interim financial statements of the Group are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated. Each entity in the Group maintains its books and records in its own functional currency.

The preparation of the unaudited condensed consolidated interim financial statements in compliance with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31 March 2018. The unaudited condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of annual financial statements prepared in accordance with HKASs, Hong Kong Financial Reporting Standards and interpretations (collectively the "HKFRSs") and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2018.

3. PRINCIPAL ACCOUNTING POLICIES AND ADOPTION OF NEW AND REVISED HKFRSs

The unaudited condensed consolidated interim financial statements have been prepared under historical cost basis except for investment in a life insurance policy, which is measured at fair value.

The unaudited condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2018, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2018. The Group has applied, for the first time, the following revised HKFRSs issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The Group has not applied any amendment, new standard or interpretation that is not yet effective for the current accounting period, except for the Amendments to HKFRS 9, Prepayment features with negative compensation which has been adopted at the same time as HKFRS 9.

Other than the below on the adoption of HKFRS 9 and HKFRS 15, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The adoption of HKFRS 9 and HKFRS 15 does not have a material impact on the Group's results and financial positions for the current or prior periods. Details of the changes in accounting policies are discussed in Note 3(a) for HKFRS 9 and Note 3(b) for HKFRS 15.

(a) HKFRS 9, Financial instruments, including the Amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell nonfinancial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. Cumulative effect of initial application of HKFRS 9 has been recognised as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39 and thus may not be comparable with the current period.

The adoption of HKFRS 9 has impacted the following:

For available-for-sale financial asset under HKAS 39 has been reclassified as financial asset at fair value through profit or loss under HKFRS 9. Fair value changes previously accounted for in other comprehensive income has transferred to the opening balance of retained profits as at 1 April 2018.

In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 April 2018):

	Carrying amount as at 31 March 2018 under HKAS 39	Reclassification	Carrying amount as at 1 April 2018 under HKFRS 9
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Available-for-sale financial asset	2,488	(2,488)	–
Financial asset at fair value through profit or loss	–	2,488	2,488

The following table summarises the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained profits:

	Impact of adopting HKFRS 9 on opening balance
	HK$'000
Retained earnings	
Reclassification from available-for-sale financial asset to financial asset at fair value through profit or loss	(402)
Impact at 1 April 2018	(402)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification and measurement

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

At the date of initial application of HKFRS 9, the Group has reassessed the classifications of all of its financial assets based on the business model of which a financial asset is held.

The Group previously classified its investment in life insurance policy as available-for-sale investments under HKAS 39. With the adoption of HKFRS 9, the investment in life policy is re-classified as financial assets measured at FVPL as the investment is held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest.

Once designation as investment in insurance life policy at FVPL has taken place, all fair value gains or losses previously recognised in other comprehensive income will be recycled to profit or loss on disposal of the investment in life insurance policy.

The Group classified all its remaining financial assets, including trade receivables, other receivables and bank balance and cash as loans and receivables under HKAS 39. With the adoption of HKFRS 9, they are re-classified as financial assets measured at amortised cost.

The classifications for all financial liabilities of the Group remain the same, i.e. measured at amortised cost, with the adoption of HKFRS 9.

The carrying amounts for all financial assets and financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the incurred loss accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including bank balance and cash, contract assets and trade and other receivables). Financial assets measured at fair value, including investment in life insurance policy, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expect to receive). The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– contract assets, trade and other receivables and fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Impact of ECL model

(1) Impact on trade receivables, retention receivables and contract assets

The Group has elected to measure loss allowances for trade receivables and retention receivables using simplified approach HKFRS 9 and calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on reasonable and supportable information that is available without undue cost or effort at the reporting date, including historical credit loss experience, shared credit risk characteristics and the number of days past due, adjusted for forward-looking factors specific to the debtors and the economic environment.

Contract assets are related to unbilled work in progress which have substantially the same risk characteristics as the trade receivables for the same type of contract. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The adoption of the ECL model under HKFRS 9 does not have material impact on the carrying amounts of the Group's trade receivables as at 1 April 2018.

(2) Impact on the remaining financial assets at amortised cost

The remaining financial assets at amortised cost of the Group include other receivables and bank balance and cash. No changes have been made to loss allowance upon the transition to HKFRS 9 as of 1 April 2018 and no further increase of loss allowance during the six months ended 30 September 2018 for such balances are recorded as there are no significant change in credit risk and therefore the amount of additional impairment measured under the ECL model is immaterial.

(b) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 April 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018.

In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 April 2018):

	Carrying amount as at 31 March 2018 under HKAS 18	Reclassification	Carrying amount as at 1 April 2018 under HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Amounts due from customers for contract work	78,908	(78,908)	–
Contract assets	–	78,908	78,908

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows.

4. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

All of the Group's revenue was derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

5. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

The Group's revenue represents amount received and receivable from contract work performed.

An analysis of the Group's other income and other gains and losses recognised during the respective periods are as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income on		
– Bank deposits	**33**	14
– Investment in a life insurance policy	**–**	50
Total interest income on financial assets that are not at fair value through profit or loss	**33**	64
Interest income in a life insurance policy that are at fair value through profit or loss	**52**	–
Fair value gain in life insurance policy	**12**	–
Machinery rental income	**651**	85
Income from sale of scrap materials	**–**	10
Imputed interest on retention receivables	**–**	398
	748	557
Other gains and losses		
Foreign exchange (loss)/gain, net	**(8)**	298
Loss on deregistration of a joint venture	**–**	(36)
(Loss)/gain on disposal of property, plant, and equipment	**(80)**	797
	(88)	1,059

6. OPERATING (LOSS)/PROFIT

The Group's operating (loss)/profit is arrived at after charging:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Auditors' remuneration	**350**	360
Depreciation	**5,123**	6,384
Operating lease rentals in respect of:		
– Land and buildings	**1,498**	1,189
– Plant and equipment	**417**	848
Employee benefit expenses	**19,094**	23,774
Impairment of contract assets	**19,807**	–

7. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on finance lease payables	**40**	101
Interest on bank overdrafts	**7**	4
Imputed interest expense on retention payables	**1**	134
	48	239

8. INCOME TAX CREDIT/(EXPENSE)

The amount of income tax credit/(expense) in the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – Hong Kong profits tax – charge for the period	**–**	(1,876)
Deferred tax credit/(expense)	**4,651**	(585)
Income tax credit/(expense)	**4,651**	(2,461)

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the respective periods.

9. DIVIDENDS

The Company does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company	**(22,128)**	11,426

	Number of shares	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**684,750**	684,750

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share because the Group has no dilutive potential ordinary shares during the respective periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group did not incur any capital expenditures.

During the six months ended 30 September 2017, the Group incurred capital expenditures of approximately HK$10,676,000 in plant and machinery, approximately HK$17,000 in furniture and equipment, and HK$900,000 in motor vehicles.

Items of property, plant and equipment with net book value amounting to approximately HK$374,000 were disposed of during the six months ended 30 September 2018 (six months ended 30 September 2017: approximately HK$1,106,000), resulting in a loss on disposal of approximately HK$80,000 (six months ended 30 September 2017: gain on disposal of approximately HK$797,000).

12. TRADE AND OTHER RECEIVABLES

		As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Trade receivables *(note (a))*		**22,349**	17,058
Retention receivables *(note (b))*		**24,323**	19,224
Other receivables		**4,263**	2,438
Prepayments and deposits		**9,305**	11,130
		60,240	49,850
Less:	Non-current portion		
	Prepayment	**–**	(383)
Current portion		**60,240**	49,467

Note:

(a) Trade receivables were mainly derived from provision of foundation works, including piling construction, ELS works, pile cap construction, site formation and ancillary services, and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

A credit period of less than 60 days is granted by the Group to its trade customers of contract work. Application for progress payments of contract works is made on a regular basis.

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Less than 1 month	**12,554**	13,309
1 to 3 months	**6,414**	3,726
More than 3 months but less than one year	**3,381**	–
More than one year	**–**	23
	22,349	17,058

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 30 September 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Neither past due nor impaired	**17,446**	15,543
Less than 1 month past due	**1,522**	–
1 to 3 months past due	**–**	1,492
More than 3 months but less than one year past due	**3,381**	–
More than one year	**–**	23
	22,349	17,058

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

(b) Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Retention receivables as at 30 September 2018 and 31 March 2018 were neither past due nor impaired. These related to customers for whom there was no recent history of default.

13. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Cash and bank balances	**39,491**	50,091
Short-term deposits	**19,629**	18,126
	59,120	68,217
Less: pledged bank deposits	**(19,629)**	(18,126)
Cash and cash equivalents	**39,491**	50,091

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one to three months, and earn interest at the respective short-term deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

The Group has pledged its short-term deposits as securities for its banking facilities.

14. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Trade payables *(note)*	**33,350**	9,447
Retention payables	**14,008**	8,078
Other payables and accruals	**6,560**	6,158
	53,918	23,683

Note:

An ageing analysis of trade payables, based on the invoice dates, is as follows:

	As at 30 September 2018 ***HK$'000*** **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Current or less than 1 month	**12,899**	3,730
1 to 3 months	**17,426**	4,171
More than 3 months but less than one year	**2,925**	1,447
More than one year	**100**	99
	33,350	9,447

The Group's trade payables are non-interest bearing and generally have payment terms of 7 to 60 days.

15. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leased its office premises under operating lease arrangements which were negotiated for terms ranging from one to two years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	As at 30 September 2018 ***HK$'000*** **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Not later than one year	**2,982**	3,000
Later than one year and not later than two years	**548**	1,983
	3,530	4,983

16. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2018 and 30 September 2018	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 March 2018 and 30 September 2018	684,750,000	6,848

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group's investment in a life insurance policy is measured at fair value at the end of reporting period. The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
As at 30 September 2018 (unaudited)				
Financial assets at fair value through profit or loss	**–**	**–**	**2,527**	**2,527**
As at 31 March 2018 (audited)				
Available-for-sale investments	–	–	2,488	2,488

During the six months ended 30 September 2018, there was no transfer between level 1 and level 2 fair value hierarchy or transfer into or out of level 3.

18. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of Directors and other members of key management for the six months ended 30 September 2018 were approximately HK$5,147,000 (six months ended 30 September 2017 were approximately HK$5,662,000).

19. LITIGATIONS

At the end of the reporting period, there were a number of labour claims arising from the normal course of business being lodged against the Group and no specific claim amount has been specified in the applications of these claims. In the opinion of the Directors, the possibility of any outflow of resources in settling these claims were remote and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

20. APPROVAL OF THE INTERIM REPORT

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 were approved and authorised for issue by the board of directors on 28 November 2018.