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SHEUNG YUE GROUP HOLDINGS LIMITED

上諭集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1633)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 2016 (the “**Period**”), together with the comparative figures for the corresponding period in 2015. The information as stated in this announcement should be read in conjunction with the prospectus (the “**Prospectus**”) of the Company dated 31 October 2016.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2016 amounted to approximately HK\$147.4 million (for the six months ended 30 September 2015: approximately HK\$204.0 million).
- Profit attributable to owners of the Company for the six months ended 30 September 2016 amounted to approximately HK\$14.5 million (for the six months ended 30 September 2015: approximately HK\$17.2 million).
- Basic and diluted earnings per share for the six months ended 30 September 2016 amounted to approximately HK cents 2.66 (for the six months ended 30 September 2015: approximately HK cents 3.16).
- The Board does not declare any interim dividend for the six months ended 30 September 2016.

CONDENSED COMBINED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

		Six months ended	
		30 September	
	<i>Notes</i>	2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	6	147,398	203,951
Cost of services		(119,808)	(175,070)
Gross profit		27,590	28,881
Other income	6	5,172	2,206
Other losses	6	(189)	(514)
Share of loss of a joint venture		(4)	(969)
Administrative expenses		(13,890)	(8,135)
Operating profit	7	18,679	21,469
Finance costs	8	(443)	(361)
Profit before income tax expense		18,236	21,108
Income tax expense	9	(3,722)	(3,895)
Profit for the period		<u>14,514</u>	<u>17,213</u>
Items that may be reclassified			
subsequently to profit or loss			
Changes in fair value of investment in a life insurance policy		11	12
Exchange differences on translating a foreign operation		(2)	(268)
Other comprehensive income for the period, net of tax		9	(256)
Total comprehensive income for the period		<u>14,523</u>	<u>16,957</u>
Earnings per share – basic and diluted (<i>HK cents</i>)	11	<u>2.66</u>	<u>3.16</u>

CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

		As at	As at
		30 September	31 March
		2016	2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	12	52,503	53,958
Interest in a joint venture		37	41
Investment in a life insurance policy		2,353	2,303
		<u>54,893</u>	<u>56,302</u>
Current assets			
Amounts due from customers for contract work		72,664	49,890
Trade and other receivables	13	43,902	64,663
Amounts due from directors		–	19,773
Pledged bank deposits	14	14,028	14,007
Cash and cash equivalents	14	55,019	52,722
		<u>185,613</u>	<u>201,055</u>
Total assets		<u>240,506</u>	<u>257,357</u>
Current liabilities			
Trade and other payables	15	44,827	43,818
Dividend payables	10	40,000	–
Borrowings	16	7,824	4,794
Finance lease payables		2,986	3,269
Current tax liabilities		11,261	7,371
		<u>106,898</u>	<u>59,252</u>
Net current assets		<u>78,715</u>	<u>141,803</u>
Total assets less current liabilities		<u>133,608</u>	<u>198,105</u>

CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 SEPTEMBER 2016

		As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Finance lease payables		3,607	2,003
Deferred tax liabilities		6,337	6,961
		<u>9,944</u>	<u>8,964</u>
Total liabilities		<u>116,842</u>	<u>68,216</u>
NET ASSETS		<u>123,664</u>	<u>189,141</u>
Equity			
Share capital	18	10,010	10,010
Reserves		113,654	179,131
TOTAL EQUITY		<u>123,664</u>	<u>189,141</u>

CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to owners of the Company				
	Share capital (Note 18) 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 2015	10,010	(431)	241	139,373	149,193
Profit for the period	–	–	–	17,213	17,213
Other comprehensive income for the period:					
Changes in fair value of investment in a life insurance policy	–	12	–	–	12
Exchange differences on translating a foreign operation	–	–	(268)	–	(268)
Total comprehensive income for the period	–	12	(268)	17,213	16,957
As at 30 September 2015 (unaudited)	<u>10,010</u>	<u>(419)</u>	<u>(27)</u>	<u>156,586</u>	<u>166,150</u>
As at 1 April 2016	10,010	(419)	226	179,324	189,141
Profit for the period	–	–	–	14,514	14,514
Other comprehensive income for the period:					
Changes in fair value of investment in a life insurance policy	–	11	–	–	11
Exchange differences on translating a foreign operation	–	–	(2)	–	(2)
Total comprehensive income for the period	–	11	(2)	14,514	14,523
Dividend (Note 10)	–	–	–	(80,000)	(80,000)
As at 30 September 2016 (unaudited)	<u>10,010</u>	<u>(408)</u>	<u>224</u>	<u>113,838</u>	<u>123,664</u>

CONDENSED COMBINED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Six months ended	
	30 September	
<i>Notes</i>	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	<u>24,322</u>	<u>14,226</u>
Net cash (used in)/generated from investing activities	<u>(5,893)</u>	<u>1,834</u>
Net cash (used in)/generated from financing activities	<u>(15,998)</u>	<u>25,383</u>
Net increase in cash and cash equivalents	2,431	41,443
Cash and cash equivalents at beginning of period	52,722	44,426
Effect of exchange rate changes on cash and cash equivalents	<u>(134)</u>	<u>(282)</u>
Cash and cash equivalents at end of period	<u>55,019</u>	<u>85,587</u>
Represented by:		
Cash and bank balances and short-term deposits	69,047	97,050
Less: Pledged bank deposits	<u>(14,028)</u>	<u>(11,463)</u>
	<u>55,019</u>	<u>85,587</u>

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

1. CORPORATE 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 Unit 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 (the “Listing Business”).

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 Company has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 11 November 2016.

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

2. REORGANISATION AND BASIS OF PRESENTATION

(a) Reorganisation

Pursuant to the group reorganisation (the “Reorganisation”) as detailed in the section headed “History and development” to the Prospectus, in preparation for the listing of shares of the Company on the Stock Exchange and for the purposes of rationalising the Group’s structure, the Company became the holding company of the subsidiaries now comprising the Group on 7 October 2016.

(b) Basis of presentation

The Reorganisation involved the combination of a number of entities engaged in the Listing Business that were under common control of the controlling shareholders. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to the controlling shareholders that existed prior to the combination. Accordingly, the unaudited condensed combined interim financial statements have been prepared by applying the principles of merger accounting, as if the group structure under the Reorganisation had always been in existence.

The unaudited condensed combined statement of comprehensive income, the unaudited condensed combined statement of changes in equity and the unaudited condensed combined statement of cash flows of the Group for the six months ended 30 September 2016 have been prepared using the financial information of the companies engaged in the Listing Business under the common control of the controlling shareholders and now comprising the Group as if the current group structure had been in existence throughout the period, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the control of the controlling shareholders. The unaudited condensed combined statement of financial position of the Group as at 30 September 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date. The net assets and results of the Group were combined using the carrying value from the perspective of the controlling shareholders. All significant intra-group transactions and balances have been eliminated on combination.

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

3. BASIS OF PREPARATION

The unaudited condensed combined interim financial statements for the six months ended 30 September 2016 have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) 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 combined interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the accountant’s report included in Appendix I (the “Accountant’s Report”) to the Prospectus, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

The preparation of the unaudited condensed combined interim financial statements in conformity 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.

4. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed combined interim financial statements for the reporting period are consistent with those described in the Accountant’s Report to the Prospectus.

The Group has not yet adopted any new and amended HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the impact of the adoption of such new and revised HKFRSs on the Group's results and financial position.

5. SEGMENT INFORMATION

Operating segments

During the respective periods, the Group was principally engaged in foundation piling, site formation and investigation 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

The following table sets out the information about the geographical location of the Group's revenue from external customers, based on location of the customers.

The Group comprises the following main geographical segments:

	Revenue from external customers Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong (place of domicile)	147,398	202,995
Macau	–	956
	147,398	203,951

All of the Group's non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information for non-current assets other than financial instruments ("Specified non-current assets") is presented.

6. REVENUE, OTHER INCOME AND OTHER LOSSES

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

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

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Interest income on		
– Bank deposits	26	19
– Investment in a life insurance policy	53	53
	<hr/>	<hr/>
Total interest income on financial assets that are not at fair value through profit or loss	79	72
Distributions from financial assets at fair value through profit or loss	–	39
Machinery rental income	208	1,900
Sale of scrap materials	3,890	–
Imputed interest on retention receivables	966	131
Sundry income	29	64
	<hr/>	<hr/>
	5,172	2,206
	<hr/> <hr/>	<hr/> <hr/>
Other losses		
Foreign exchange loss, net	(180)	(486)
Loss on disposal of property, plant, and equipment	(9)	–
Loss on disposal of financial assets at fair value through profit or loss	–	(28)
	<hr/>	<hr/>
	(189)	(514)
	<hr/> <hr/>	<hr/> <hr/>

7. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Auditors' remuneration	350	60
Depreciation	7,286	7,366
Operating lease rentals in respect of:		
– Land and buildings	1,227	1,172
– Plant and equipment	5,280	1,374
Employee salaries and benefit expenses	29,744	15,804
Listing expenses	5,119	300
	<u> </u>	<u> </u>

8. FINANCE COSTS

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on finance lease payables	104	216
Interest on bank overdrafts	3	4
Interest on bank loans	73	96
Imputed interest expense on retention payables	263	45
	<u> </u>	<u> </u>
	<u>443</u>	<u>361</u>

9. INCOME TAX EXPENSE

The amount of income tax expense in the unaudited condensed combined statement of comprehensive income represents:

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong profits tax – charge for the period	4,345	2,729
Deferred tax (credit)/expense	<u>(623)</u>	<u>1,166</u>
Income tax expense	<u>3,722</u>	<u>3,895</u>

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

Income tax arising in Macau during the respective periods is calculated at the rate prevailing therein of 12%.

10. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

The Company does not recommend the payment of an interim dividend for the six months ended 30 September 2016.

On 20 May 2016, an interim dividend of HK\$400 per ordinary share or in aggregate of HK\$40,000,000, was declared by a group entity, Simon & Sons Engineering Limited, to its then shareholders prior to the completion of the Reorganisation. During the six months ended 30 September 2016, part of the interim dividend amounting to approximately HK\$19,831,000 was settled by way of offsetting against the net outstanding amounts due from directors who are the controlling shareholders of the Company, and the remaining interim dividend amounting to approximately HK\$20,169,000 was paid in cash.

On 16 June 2016, a further dividend of HK\$400 per ordinary share or in aggregate of HK\$40,000,000, was declared by a group entity, Simon & Sons Engineering Limited, to its then shareholders prior to the completion of the Reorganisation which was paid in cash in October 2016.

11. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	14,514	17,213
	14,514	17,213
	Number of shares	
	2016	2015
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	545,000	545,000
	545,000	545,000

Note:

Weighted average of 545,000,000 ordinary shares for the six months ended 30 September 2016 and 2015, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 22 to this announcement, are deemed to have been issued throughout the six months ended 30 September 2016 and 2015.

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

12. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group incurred capital expenditures of approximately HK\$5,782,000 (30 September 2015: approximately HK\$15,887,000) in plant and machinery, approximately HK\$62,000 (30 September 2015: approximately HK\$146,000) in furniture and equipment, and nil in motor vehicles (30 September 2015: approximately HK\$1,113,000).

Items of property, plant and equipment with net book value amounting to approximately HK\$13,000 were disposed of during the six months ended 30 September 2016 (30 September 2015: nil), resulting in a loss on disposal of HK\$9,000 (30 September 2015: nil).

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Trade receivables (<i>note (a)</i>)	9,628	18,806
Retention receivables (<i>note (b)</i>)	29,983	40,792
Other receivables	666	2,247
Prepayments and deposits	3,625	2,818
	<u>43,902</u>	<u>64,663</u>

- (a) Trade receivables were mainly derived from provision of foundation work, 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 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Less than 1 month	9,315	16,748
1 to 3 months	–	1,703
More than 3 months but less than one year	110	355
More than one year	203	–
	<u>9,628</u>	<u>18,806</u>

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

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Neither past due nor impaired	9,315	16,748
Less than 1 month past due	–	1,320
1 to 3 months past due	–	383
More than 3 months past due but less than 12 months past due	110	355
More than one year	203	–
	<hr/> 9,628 <hr/>	<hr/> 18,806 <hr/>

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 2016 were neither past due nor impaired. These related to customers for whom there was no recent history of default.

14. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Pledged bank deposits/Cash and cash equivalents

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Cash and bank balances	55,019	52,722
Short-term deposits	14,028	14,007
	<hr/>	<hr/>
	69,047	66,729
Less: pledged bank deposits	(14,028)	(14,007)
	<hr/>	<hr/>
Cash and cash equivalents	<u>55,019</u>	<u>52,722</u>

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 (see Note 16 for further details).

15. TRADE AND OTHER PAYABLES

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Trade payables (<i>note (a)</i>)	19,297	22,587
Retention payables	13,050	11,321
Other payables and accruals	12,480	9,910
	<hr/>	<hr/>
	<u>44,827</u>	<u>43,818</u>

- (a) An ageing analysis of trade payables as at the reporting dates, based on the invoice dates, is as follows:

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Current or less than 1 month	5,576	14,944
1 to 3 months	4,252	7,336
More than 3 months but less than one year	9,191	7
More than one year	278	300
	<u>19,297</u>	<u>22,587</u>

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

16. BORROWINGS

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
<i>Secured interest-bearing bank loans with a repayable on demand clause:</i>		
Repayable within one year	<u>7,824</u>	<u>4,794</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) of the Group's bank loans are as follows:

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Effective interest rates:		
Variable-rate bank loans	<u>5%</u>	<u>5%</u>

Bank loans:

As at 30 September 2016, the bank loans together with bank overdrafts and other banking facilities were secured by:

- (a) Leasehold land and buildings owned by a non-executive director, Mr. Chan Sau Man Simon, and his wife, Ms. Kho Siu Giok;
- (b) Leasehold land and buildings owned by a related company beneficially owned by the controlling shareholders of the Company and Mr. Chan Sau Man Simon;
- (c) the Group's bank deposits amounting to approximately HK\$14,028,000 as at 30 September 2016 (30 March 2016: approximately HK\$14,007,000) (Note 14);
- (d) personal guarantees executed by the directors of the Company, Mr. Chan Sau Man Simon and Mr. Chan Lap Wai Gary, and corporate guarantees given by certain entities within the Group;
- (e) registered assignment of receivables on certain civil engineering contracts undertaken by the Group;
- (f) blanket counter indemnity from the Group;
- (g) corporate guarantee given by a related party, Goldsteady Investment Limited ("Goldsteady") of which Mr. Chan Lap Wai Gary is a director and a 75% beneficial owner. A property with Goldsteady as the mortgagor, which is in support of guarantee given by Goldsteady and also secures general banking facilities granted to Goldsteady.

17. OPERATING LEASE ARRANGEMENTS**As lessee**

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

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

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Not later than one year	2,333	1,551
Later than one year and not later than five years	3,020	823
	<u>5,353</u>	<u>2,374</u>

18. SHARE CAPITAL

	The Company	
	<i>Number</i>	<i>HK\$</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At the date of incorporation, 23 March 2016		
and 30 September 2016	<u>38,000,000</u>	<u>380,000</u>
Issued and fully paid		
Ordinary shares of HK\$0.01 each		
At the date of incorporation, 23 March 2016		
and 30 September 2016	<u>1</u>	<u>0.01</u>

For the purpose of this announcement the share capital of the Group as at 30 September 2016 and 2015 represented the combined share capital of the entities now comprising the Group at the end of each of the respective periods.

19. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management for the six months ended 30 September 2016 were approximately HK\$3.5 million (for the six months ended 30 September 2015: approximately HK\$2.3 million).

20. COMMITMENTS

Details of the Group's operating lease commitments are set out in Note 17 above. The Group has no capital commitment at the end of each of the respective periods.

21. 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/or sufficient insurance policies are maintained to cover the loss, if any, arising from these claims and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

22. SUBSEQUENT EVENTS

Subsequent to 30 September 2016 and up to the date of this report, the following significant events have taken place:

- (a) On 7 October 2016, the entities now comprising the Group underwent a group reorganisation to rationalise the Group's structure in preparation of the listing of shares of the Company on the Main Board of the Stock Exchange.
- (b) On 7 October 2016, 9,999 shares of the Company, all credited as fully paid at par, were allotted and issued to Creative Elite Global Limited as consideration for the acquisition of the entire issued share capital of Favourable Year Limited.

- (c) On 24 October 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of additional 1,962,000,000 shares.
- (d) On 24 October 2016, the Company's share option scheme was adopted. Details of the share option Scheme are set out in section headed "Share Option Scheme" of Appendix IV to the Prospectus.
- (e) On 11 November 2016, the capitalisation issue was completed and the Company capitalised an amount of HK\$5,449,900 standing to the credit of the share premium account of the Company to pay up in full at par 544,990,000 shares for allotment and issue to Creative Elite Global Limited, each ranking pari passu in all respects with the then existing issued shares.
- (f) On 11 November 2016, the Company's shares were listed on the Main Board of the Stock Exchange by way of share offer. In connection with the listing, 115,000,000 new shares were issued and 50,000,000 sale shares were sold at HK\$0.80.

Save as disclosed above, there are no other significant events which have taken place subsequent to 30 September 2016.

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).

PROSPECTS

The slowdown in the global economy and the weakened retail and property market has proven the signs of weakness of the overall economy in Hong Kong in the first half of 2016 and the foundation market has no exception. The combined impacts of reducing sizable public and private projects and increasing competition amongst market players resulted the Group to adjust the tendering strategy by lowering the profit margin in bidding new contracts.

To cope with the challenges, the Group will continue to implement stringent measures on project cost control, strengthen the project management system and enhance the production efficiency aiming to maintain the current profit margin. With the Group's good reputation and relationship with the customers and business partners in the foundation industry, together with our established competitive strengths and talented staffs with high morale led by the committed senior management, we are confident that the Group will continue to develop despite the current foundation market is rather challenging. Looking forward, we are conservatively positive to the long term demands in the foundation sector, in particular, the need for providing 460,000 public and private housing units in the next decade.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Period was approximately HK\$147,398,000 (six months ended 30 September 2015: approximately HK\$203,951,000), representing a decrease of approximately 27.7% over the six months ended 30 September 2015. The decrease was mainly due to the delay in commencement date of several foundation works projects.

Gross Profit Margin

The Group's gross profit margin during the Period was approximately 18.7% (for the six months ended 30 September 2015: approximately 14.2%). The increase in gross profit margin was mainly due to the relatively higher profit margin of the projects during the Period, coupled with the continuing successful implementation of stringent project cost control policies by the Group.

General and Administrative Expenses

The Group's administrative expenses for the Period were approximately HK\$13,890,000 (for the six months ended 30 September 2015: approximately HK\$8,135,000), representing an increase of approximately 70.7% over the corresponding period in 2015. This was mainly attributable to the one-off non-recurring listing expenses of approximately HK\$5,119,000 which has been incurred during the Period.

Net Profit

For the Period, the Group recorded a net profit of approximately HK\$14,514,000 (for the six months ended 30 September 2015: approximately HK\$17,213,000), representing a decrease of approximately 15.7% as compared with the corresponding period last year. The decrease was mainly attributable to the decrease in revenue and the one-off non-recurring listing expenses incurred during the Period.

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and proceeds received from the Listing.

As at 30 September 2016, the Group had bank balances of approximately HK\$55.0 million (as at 31 March 2016: approximately HK\$52.7 million). The interest-bearing debts of the Group as at 30 September 2016 was approximately HK\$14.4 million (as at 31 March 2016: approximately HK\$10.1 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 2016 was approximately 11.7% (as at 31 March 2016: approximately 5.3%), as a result of the decreased equity following the payment of dividend.

Pledge of Assets

The Group's plant and machinery and motor vehicles with an aggregate net book value of approximately HK\$19.6 million and HK\$18.7 million as at 30 September 2016 and 31 March 2016, respectively, were held under finance leases.

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 2016, the Group employed 117 employees. Total remuneration costs including directors' emoluments for the Period, amounted to approximately HK\$29.7 million (for the six months ended 30 September 2015: approximately HK\$15.8 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 2016, 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 2016.

Contingent Liabilities

As at 30 September 2016, the Group did not have any significant contingent liabilities.

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\$70.5 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. The below table sets out the proposed applications of the net proceeds and usage up to the date of this announcement:

	Planned use of proceeds <i>HK\$'000</i>	Actual usage up to the date of this announcement <i>HK\$'000</i>
Purchase of machinery and equipment	49,600	—
Taking out surety bond	14,400	—
Expansion of workforce	5,400	—
General working capital	1,100	—
	<hr/>	<hr/>
	70,500	—
	<hr/> <hr/>	<hr/> <hr/>

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 from the Listing Date and up to the date of this announcement.

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2016.

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 from the Listing Date and up to the date of this announcement.

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 since the Listing Date and up to the date of this announcement.

Audit Committee

The Company has established 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, *MH, JP* and Mr. Siu Miu Man.

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.

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

Hong Kong, 30 November 2016

As at the date of this announcement, 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, MH, JP, Mr. Siu Miu Man and Mr. Cheng Chi Hung as independent non-executive Directors.