



Shing Chi Holdings Limited
成志控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1741

INTERIM REPORT 2019



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Lau Chi Wang (*Chairman*)

Mr. Lau Chi Ming

Dr. Lau Chi Keung (*Chief Executive Officer*)

Mr. Sun Wei (*appointed on 25 April 2019*)

Independent Non-executive Directors

Mr. Leung Bing Kwong Edward

Mr. Pang Ka Hang

Mr. Wong Chun Nam

BOARD COMMITTEES

Audit Committee

Mr. Pang Ka Hang (*Chairman*)

Mr. Leung Bing Kwong Edward

Mr. Wong Chun Nam

Remuneration Committee

Mr. Wong Chun Nam (*Chairman*)

Mr. Lau Chi Ming

Mr. Leung Bing Kwong Edward

Mr. Pang Ka Hang

Nomination Committee

Mr. Leung Bing Kwong Edward (*Chairman*)

Dr. Lau Chi Keung

Mr. Pang Ka Hang

Mr. Wong Chun Nam

COMPANY SECRETARY

Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES

Mr. Lau Chi Ming

Ms. Yim Sau Ping

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

COMPLIANCE ADVISER

Frontpage Capital Limited

26/F, Siu On Centre

188 Lockhart Road

Wan Chai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

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and Bright

Units 4101-04, 41/F

Sun Hung Kai Centre

30 Harbour Road

Wan Chai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1901-1904

China Merchants Building

152-155 Connaught Road Central

Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
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Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

COMPANY'S WEBSITE

www.shingchiholdings.com

STOCK CODE

1741

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 March 2019

	Notes	Six months ended 31 March	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Revenue	4	162,823	189,233
Cost of sales		<u>(142,829)</u>	<u>(167,182)</u>
Gross profit		19,994	22,051
Other income, gains and losses	4	584	29
Administrative and other operating expenses		(19,044)	(18,520)
Net impairment losses on trade and other receivables and contract assets		<u>(379)</u>	<u>(58)</u>
Operating profit		1,155	3,502
Finance costs	5	<u>(49)</u>	<u>(1)</u>
Profit before income tax	6	1,106	3,501
Income tax expense	7	<u>(2,052)</u>	<u>(2,378)</u>
(Loss)/profit and total comprehensive (expense)/income for the period		<u>(946)</u>	<u>1,123</u>
(Loss)/profit and total comprehensive (expense)/income attributable to:			
Owners of the Company		(946)	930
Non-controlling interests		<u>–</u>	<u>193</u>
(Loss)/profit and total comprehensive (expense)/income for the period		<u>(946)</u>	<u>1,123</u>
Basic and diluted (loss)/earnings per share (HK cents)	8	<u>(0.12)</u>	<u>0.16</u>

Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2019

		31 March 2019	30 September 2018
	<i>Notes</i>	HK\$'000 <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	10	5,995	3,616
Deferred tax assets	15	1,022	41
		<u>7,017</u>	<u>3,657</u>
Current assets			
Trade and other receivables	11	58,364	103,959
Amounts due from customers for contract work		–	51,516
Contract assets		68,595	–
Financial assets at fair value through profit or loss		353	344
Cash and bank balances	12	175,964	88,167
		<u>303,276</u>	<u>243,986</u>
Total assets		<u>310,293</u>	<u>247,643</u>
EQUITY			
Capital and reserves			
Share capital	13	8,000	–*
Reserves		196,377	91,929
Total equity		<u>204,377</u>	<u>91,929</u>

* Less than HK\$1,000

Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2019

		31 March 2019	30 September 2018
	<i>Notes</i>	HK\$'000 <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	14	506	–
Deferred tax liabilities	15	297	227
		803	227
Current liabilities			
Trade and other payables	16	70,282	119,285
Amounts due to customers for contract work		–	28,816
Contract liabilities		28,214	–
Finance lease liabilities	14	2,843	2,212
Income tax payable		3,774	5,174
		105,113	155,487
Total liabilities		105,916	155,714
Total equity and liabilities		310,293	247,643
Net current assets		198,163	88,499
Total assets less current liabilities		205,180	92,156

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2018

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Combined capital	Other reserve	Retained earnings	Subtotal		
	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 October 2017 (audited)	10,819	–	84,517	95,336	1,624	96,960
Profit and total comprehensive income for the period	–	–	930	930	193	1,123
Issue of shares of subsidiaries	31	–	–	31	–	31
Acquisition of non-controlling interests – James Lau & Associates Limited	–	–	1,717	1,717	(1,817)	(100)
Reorganisation (Note 1)	(10,816)	10,816	–	–	–	–
Balance at 31 March 2018 (audited)	<u>34</u>	<u>10,816</u>	<u>87,164</u>	<u>98,014</u>	<u>–</u>	<u>98,014</u>

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2019

	Attributable to owners of the Company					Subtotal HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share Capital HK\$'000 (Note 13)	Share Premium HK\$'000	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	Exchange reserve HK\$'000			
Balance at 1 October 2018 (audited)	-*	-	10,850	81,079	-	91,929	-	91,929
Adjustments (Note 2)	-	-	-	4,860	-	4,860	-	4,860
	-*	-	10,850	85,939	-	96,789	-	96,789
Loss and total comprehensive expense for the period	-	-	-	(946)	-*	(946)	-	(946)
Capitalisation issue	6,000	(6,000)	-	-	-	-	-	-
Shares issued under share offer	2,000	123,000	-	-	-	125,000	-	125,000
Shares issuance costs	-	(16,466)	-	-	-	(16,466)	-	(16,466)
Balance at 31 March 2019 (unaudited)	<u>8,000</u>	<u>100,534</u>	<u>10,850</u>	<u>84,993</u>	<u>-*</u>	<u>204,377</u>	<u>-</u>	<u>204,377</u>

* Less than HK\$1,000

Note: Other reserve represents the difference between the nominal value of the shares issued by Shing Chi Holdings Limited (the “Company”) in exchange for the aggregate amount of the nominal value of the share capital of its subsidiaries held by the Company’s controlling shareholders (the “Controlling Shareholders”) arising from the corporate reorganisation.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 March 2019

	Six months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cash flows from operating activities		
Net cash used in operations	(13,860)	(19,626)
Tax paid	(5,322)	(6,495)
Dividends received	9	9
	<u> </u>	<u> </u>
Net cash used in operating activities	(19,173)	(26,112)
	<u> </u>	<u> </u>
Cash flows from investing activities		
Increase in fixed deposits held at banks with original maturity over three months	(43,333)	–
Purchases of property, plant and equipment	(1,255)	(679)
Proceeds from disposal of property, plant and equipment	185	2
Repayments from related parties	–	(264)
Interest received	225	8
	<u> </u>	<u> </u>
Net cash used in investing activities	(44,178)	(933)
	<u> </u>	<u> </u>
Cash flows from financing activities		
Acquisition of non-controlling interests	–	(100)
Repayment of finance leases	(670)	(31)
Interest paid on finance leases	(49)	(1)
Net proceeds from share offer	108,534	–
	<u> </u>	<u> </u>
Net cash generated from/(used in) financing activities	107,815	(132)
	<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents	44,464	(27,177)
Cash and cash equivalents at the beginning of the period	88,167	101,248
	<u> </u>	<u> </u>
Cash and cash equivalents at end of the period	132,631	74,071
	<u> </u>	<u> </u>
Analysis of cash and cash equivalents		
Cash at banks	132,631	74,071
	<u> </u>	<u> </u>

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

1 General Information and basis of preparation and presentation

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the provision of (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; and (iv) construction related consultancy services in Hong Kong. The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and the Company’s principal place of business is Units 1901-1904, China Merchants Building, 152-155 Connaught Road Central, Hong Kong.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2018 (the “**Listing**”). Its parent company and ultimate holding company is Elite Bright Developments Limited (“**Elite Bright**”), a company incorporated in the British Virgin Islands (“**BVI**”) and wholly-owned by Dr. Lau Chi Wang (“**Dr. CW Lau**”), Mr. Lau Chi Ming (“**Mr. CM Lau**”) and Dr. Lau Chi Keung (“**Dr. CK Lau**”), the Controlling Shareholders.

Prior to the corporate reorganisation undertaken in preparation for the Listing (the “**Reorganisation**”), the group entities were under the control of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 17 September 2018. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau prior to and after the Reorganisation.

The interim condensed consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the interim periods presented in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the periods presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the periods presented, or since their respective dates of incorporation, where this is a shorter period.

These interim condensed consolidated financial statements of the Group for the six months ended 31 March 2019 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the HKICPA and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 30 September 2018 (the “**2018 Annual Financial Statements**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

1 General Information and basis of preparation and presentation (continued)

The interim condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

These interim condensed consolidated financial statements have been approved for issue by the board of directors (the “**Board**”) of the Company (the “**Directors**”) on 31 May 2019.

2 Summary of significant accounting policies

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time for the current accounting period, which are mandatorily effective for the accounting period beginning on or after 1 January 2018 for the preparation of the Group’s interim condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Hong Kong (IFRIC) Interpretations (“ HK(IFRIC)-Int ”) 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of recognition of contract costs and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed below.

Under the transition method chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 October 2018. Comparative information is not restated.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

2 Summary of significant accounting policies (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current period

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 October 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that were not yet completed at 1 October 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Foundation and site formation works
- General building works and associated services
- Other construction works
- Construction related consultancy services

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained earnings at 1 October 2018.

	<i>HK\$'000</i>
Retained earnings	
Reversal of recognition of construction costs	9,062
Tax effect	<u>(1,495)</u>
Impact at 1 October 2018	<u><u>7,567</u></u>

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

2 Summary of significant accounting policies (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current period (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

The following adjustments were made to the amounts recognised in the interim condensed consolidated statement of financial position at 1 October 2018. Line items that were not affected by the changes have not been included.

Impact on the interim condensed consolidated statement of financial position

	Notes	Carrying amounts previously reported at 30 September 2018 HK\$'000	Impact HK\$'000	Carrying amounts under HKFRS 15 at 1 October 2018* HK\$'000
Current assets				
Trade and other receivables	(b)	103,959	(53,312)	50,647
Gross amounts due from customers for contract work	(a)&(c)	51,516	(51,516)	–
Contract assets	(b)&(c)	–	97,144	97,144
Current liabilities				
Trade and other payables	(a)&(d)	119,285	(18,865)	100,420
Gross amounts due to customers for contract work	(a)&(c)	28,816	(28,816)	–
Contract liabilities	(a)&(d)	–	30,935	30,935
Income tax payable	(a)	5,174	1,495	6,669
Capital and reserves				
Retained earnings	(a)	81,079	7,567	88,646

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

2 Summary of significant accounting policies (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current period (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Notes:

- (a) In relation to construction contracts previously accounted for under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to the date of initial application of HKFRS 15. Construction costs of approximately HK\$9,062,000 included in gross amounts due from/(to) customers for contract work were adjusted to retained earnings. The related tax effect of approximately HK\$1,495,000 was recognised in income tax payable and retained earnings.
- (b) At the date of initial application, retention receivables of approximately HK\$53,312,000 arising from the construction contracts was reclassified from trade and other receivables to contract assets.
- (c) At the date of initial application, amount of approximately HK\$43,832,000 arising from the construction contracts are for work completed and not billed because the rights are conditioned on factors other than passage of time, and such amount was reclassified from gross amounts due from/(to) customers for contract work to contract assets.
- (d) At the date of initial application, receipts in advance of approximately HK\$18,865,000 arising from the construction contracts was reclassified from trade and other payables to contract liabilities.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

2 Summary of significant accounting policies (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current period (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's interim condensed consolidated statement of financial position as at 31 March 2019 and its interim condensed consolidated statement of profit or loss and other comprehensive income for the current period for each of the line items affected and basic and diluted loss per share for the current period. Line items that were not affected by the changes have not been included.

Impact on the interim condensed consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK\$'000	HK\$'000	HK\$'000
Current assets			
Trade and other receivables	58,364	50,480	108,844
Gross amounts due from customers for contract work	–	12,697	12,697
Contract assets	68,595	(68,595)	–
Current liabilities			
Trade and other payables	70,282	28,214	98,496
Contract liabilities	28,214	(28,214)	–
Capital and reserves			
Retained earnings	84,993	(5,418)	79,575

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

2 Summary of significant accounting policies (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current period (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Impact on the interim condensed consolidated statement of profit or loss and other comprehensive income

	As reported	Adjustments	Amounts without application of HKFRS 15
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of sales	<u>142,829</u>	<u>979</u>	<u>143,808</u>

Impact on the basic and diluted loss per share

	As reported	Adjustments	Amounts without application of HKFRS 15
Basic and diluted loss per share (HK cent)	<u>(0.12)</u>	<u>(0.13)</u>	<u>(0.25)</u>

The explanations of the above changes in the current period by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related interpretations are similar to the explanations set out in notes (a) to (d) above for describing the adjustments made to the interim condensed consolidated statement of financial position at 1 October 2018 upon adoption of HKFRS 15.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

2 Summary of significant accounting policies (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current period (continued)

HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets); and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 October 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 October 2018. The difference between the carrying amounts as at 30 September 2018 and the carrying amounts as at 1 October 2018 are recognised in the opening retained earnings and other component of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of HKFRS 9

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. 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.

Under HKFRS 9, the classification for all of the Group’s financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 October 2018 have not been impacted by the initial application of HKFRS 9.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

2 Summary of significant accounting policies (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current period (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

Impairment under ECL Model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, contract assets and trade receivables have been assessed individually with significant balances and the remaining balances are grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables and cash and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 October 2018, additional credit loss allowance of approximately HK\$3,243,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

All loss allowances as at 30 September 2018 reconciled to the opening loss allowances as at 1 October 2018 are as follows:

	Contract assets	Trade and other
	<i>HK\$ '000</i>	<i>receivables</i>
		<i>HK\$ '000</i>
At 30 September 2018 – HKAS 39	–	195
Amount remeasured through retained earnings	<u>1,524</u>	<u>1,719</u>
At 1 October 2018 – HKFRS 9	<u><u>1,524</u></u>	<u><u>1,914</u></u>

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

2 Summary of significant accounting policies (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current period (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

The following table summarises the impact of transition to HKFRS 9 on retained earnings at 1 October 2018:

	<i>HK\$'000</i>
Retained earnings	
Recognition of impairment loss	(3,243)
Tax effect	536
	(2,707)
Impact at 1 October 2018	(2,707)

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

As a result of the changes in the Group's accounting policies above, the table below illustrates the overall application on HKFRS 9 and HKFRS 15 at the date of initial application, 1 October 2018. Line items that were not affected by the changes have not been included.

Impact on the interim condensed consolidated statement of financial position

	30 September		1 October 2018	
	2018	HKFRS 15	HKFRS 9	(Restated)
	(Audited)			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current asset				
Deferred tax assets	41	–	536	577
Current assets				
Trade and other receivables	103,959	(53,312)	(1,719)	48,928
Gross amounts due from customers for contract work	51,516	(51,516)	–	–
Contract assets	–	97,144	(1,524)	95,620
Current liabilities				
Trade and other payables	119,285	(18,865)	–	100,420
Gross amounts due to customers for contract work	28,816	(28,816)	–	–
Contract liabilities	–	30,935	–	30,935
Income tax payable	5,174	1,495	–	6,669
Capital and Reserves				
Retained earnings	81,079	7,567	(2,707)	85,939

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

2 Summary of significant accounting policies (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current period (continued)

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15 (continued)

Note: For the purposes of reporting cash flows from operating activities under indirect method for the six months ended 31 March 2019, movements in working capital have been computed based on opening interim condensed consolidated statement of financial position as at 1 October 2018 as discussed above.

The adoption of these standards has no impact on the net cash flow from operating, investing and financing activities on the interim condensed consolidated statement of cash flows.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement ¹
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for accounting periods beginning on or after 1 January 2019.

² Effective for accounting periods beginning on or after 1 January 2021.

³ Effective for accounting periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

2 Summary of significant accounting policies (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted for as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature as appropriate.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

2 Summary of significant accounting policies (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases (continued)

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

The Directors anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

3 Estimates

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Annual Financial Statements.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

4 Revenue, other income, gains and losses and segment information

Revenue and other income, gains and losses recognised during the respective periods are as follows:

	Six months ended 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Revenue		
Foundation and site formation works	39,386	63,902
General building works and associated services	47,143	79,664
Other construction works	73,521	40,631
Construction related consultancy services	2,773	5,036
	<u>162,823</u>	<u>189,233</u>
	<u>162,823</u>	<u>189,233</u>
Timing of revenue recognition		
Over time	<u>162,823</u>	<u>189,233</u>
	<u>162,823</u>	<u>189,233</u>
Other income, gains and losses		
Rental income	–	8
Bank interest income	225	8
Gain/(loss) on disposal of property, plant and equipment	131	(27)
Dividend income from financial assets at fair value		
through profit or loss	9	9
Fair value change on financial assets at fair value		
through profit or loss	9	24
Others	210	7
	<u>584</u>	<u>29</u>
	<u>584</u>	<u>29</u>

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

4 Revenue, other income, gains and losses and segment information (continued)

Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the executive directors of the Company, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- Foundation and site formation works;
- General building works and associated services;
- Other construction works; and
- Construction related consultancy services.

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

	Foundation and site formation works <i>HKS'000</i>	General building works and associated services <i>HKS'000</i>	Other construction works <i>HKS'000</i>	Construction related consultancy services <i>HKS'000</i>	Total <i>HKS'000</i>
Six months ended 31 March 2019					
Segment revenue	39,386	47,143	73,521	2,773	162,823
Segment results	499	3,343	15,587	565	19,994
Other income and gains					584
Administrative and other operating expenses					(19,044)
Net impairment losses on trade and other receivables and contract assets					(379)
Finance costs					(49)
Profit before income tax					<u>1,106</u>

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

4 Revenue, other income, gains and losses and segment information (continued)

Segment revenue and results (continued)

	Foundation and site formation works <i>HKS'000</i>	General building works and associated services <i>HKS'000</i>	Other construction works <i>HKS'000</i>	Construction related consultancy services <i>HKS'000</i>	Total <i>HKS'000</i>
Six months ended 31 March 2018					
Segment revenue	<u>63,902</u>	<u>79,664</u>	<u>40,631</u>	<u>5,036</u>	<u>189,233</u>
Segment results	<u>9,760</u>	<u>8,028</u>	<u>2,432</u>	<u>1,831</u>	<u>22,051</u>
Other income, gains and losses					29
Administrative and other operating expenses					(18,520)
Impairment losses on trade receivables					(58)
Finance costs					<u>(1)</u>
Profit before income tax					<u><u>3,501</u></u>

Segment results mainly represented profit earned by each segment, excluding other income, gains and losses, administrative and other operating expenses, net impairment loss on trade and other receivables and contract assets, finance costs and income tax expenses.

Geographical information

No geographical segment information is presented as the Group principally engages its business in Hong Kong and all of its revenue is derived from Hong Kong during the period under review.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

5 Finance costs

	Six months ended 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Interest on finance leases	<u>49</u>	<u>1</u>

6 Profit before income tax

	Six months ended 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Profit before income tax has been arrived at after charging:		
Depreciation	628	199
Operating lease payments	799	521
Auditors' remuneration	–	18
Employee benefit expenses, including directors' emoluments	11,906	9,668
Listing expenses	<u>5,065</u>	<u>10,916</u>

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

7 Income tax expense

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong profits tax has been provided at the rate of 8.25% for the first HK\$2 million of assessable profits and 16.5% for the remaining of the assessable profits for the six month ended 31 March 2019 (six months ended 31 March 2018: at a standard rate of 16.5%).

	Six months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong profits tax:		
– Current income tax	2,427	2,407
Deferred income tax (Note 15)	(375)	(29)
	<u>2,052</u>	<u>2,378</u>

8 (Loss)/earnings per share

	Six months ended 31 March	
	2019	2018
	(Unaudited)	(Audited)
(Loss)/profit for the period attributable to owners of the Company (HK\$'000)	(946)	930
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	<u>757,547</u>	<u>600,000</u>
Basic (loss)/earnings per share (HK cents)	<u>(0.12)</u>	<u>0.16</u>

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

8 (Loss)/earnings per share (continued)

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been determined on the assumption that the Reorganisation and capitalisation issue had been effective on 1 October 2018.

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there was no dilutive potential shares.

9 Dividends

No dividend was paid or proposed for the shareholders of the Company during the six months ended 31 March 2019 (six months ended 31 March 2018: Nil).

10 Property, plant and equipment

During the six months ended 31 March 2019, the Group acquired certain items of property, plant and equipment with a cost of approximately HK\$3,061,000 (six months ended 31 March 2018: HK\$3,309,000).

During the six months ended 31 March 2019, certain motor vehicles at the aggregated carrying amount of approximately HK\$54,000 were disposed (six months ended 31 March 2018: HK\$29,000) and gain on disposal of motor vehicles of approximately HK\$131,000 was recognised during the six months ended 31 March 2019 (six months ended 31 March 2018: loss on disposal of motor vehicle of HK\$27,000) in the interim condensed consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2019, certain machinery and motor vehicles were held under finance leases with carrying amounts of approximately HK\$2,575,000 and HK\$1,961,000, respectively (30 September 2018: HK\$2,904,000 and nil, respectively).

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

11 Trade and other receivables

	31 March 2019	30 September 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables	44,498	43,246
Less: provision for impairment of trade receivables	(2,823)	(781)
	41,675	42,465
Retention receivables	–	53,312
Other receivables, deposits and prepayments	16,740	8,182
Less: provision for impairment of other receivables	(51)	–
	16,689	8,182
	58,364	103,959

Notes:

- (a) The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate.
- (b) The ageing analysis of the trade receivables based on payment certificate date and invoice date is as follows:

	31 March 2019	30 September 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0-30 days	32,647	34,850
31-60 days	4,095	1,787
61-90 days	826	702
Over 90 days	4,107	5,126
	41,675	42,465

Trade receivables of approximately HK\$33,469,000 (30 September 2018: HK\$34,850,000) as at 31 March 2019 were not yet past due and approximately HK\$9,025,000 (30 September 2018: HK\$7,615,000) as at 31 March 2019 were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

11 Trade and other receivables (continued)

Notes: (continued)

(b) (continued)

Except for retention receivables of approximately HK\$20,751,000 as at 30 September 2018, which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

(c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

12 Cash and bank balances

	31 March 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2018 <i>HK\$'000</i> <i>(Audited)</i>
Cash and cash equivalents	132,631	88,167
Fixed deposits held at banks with original maturity over three months	<u>43,333</u>	<u>–</u>
	<u>175,964</u>	<u>88,167</u>

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

13 Share capital

	<i>Notes</i>	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each			
Authorised:			
On 3 January 2018 (date of incorporation)	<i>a</i>	38,000,000	380
Increase in authorised share capital	<i>b</i>	<u>1,962,000,000</u>	<u>19,620</u>
At 30 September 2018 and 1 October 2018 and 31 March 2019		<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:			
On 3 January 2018 (date of incorporation)	<i>a</i>	1	—*
Reorganisation	<i>c</i>	<u>9,999</u>	<u>—*</u>
At 30 September 2018 and 1 October 2018		10,000	—*
Capitalisation issue	<i>d</i>	599,990,000	6,000
Shares issued under share offer	<i>d</i>	<u>200,000,000</u>	<u>2,000</u>
At 31 March 2019		<u>800,000,000</u>	<u>8,000</u>

* Less than HK\$1,000

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

13 Share capital (continued)

Notes:

- (a) Upon incorporation of the Company, the authorised share capital was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. One fully paid share was allotted and issued to the initial subscriber, an independent third party, which was subsequently transferred to Elite Bright on the same date.
- (b) On 17 September 2018, the Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each by the creation of 1,962,000,000 additional shares, each ranking *pari passu* with the shares then in issue in all respects.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued shares of Mass Strength Limited, Peaceful Fluent International Limited, Bright Dance Group Limited and Precious Castle Holdings Limited, respectively, from Elite Bright, on 17 September 2018, 9,999 shares, credited as fully paid, were allotted and issued to Elite Bright.
- (d) On 16 October 2018, the Company allotted and issued (i) 599,990,000 Shares to the sole Shareholder of the Company; and (ii) 200,000,000 new Shares for the share offer.

14 Finance lease liabilities

	31 March 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2018 <i>HK\$'000</i> <i>(Audited)</i>
Non-current portion	506	–
Current portion	<u>2,843</u>	<u>2,212</u>
Total	<u>3,349</u>	<u>2,212</u>

The Group's certain machinery and motor vehicles with aggregate net book value of approximately HK\$2,575,000 and HK\$1,961,000 as at 31 March 2019 (30 September 2018: HK\$2,904,000 and nil) were secured as the rights to the leased assets revert to the lessors in the event of default and by personal guarantees given by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau.

The finance lease facilities bore interest from 3.95% to 4.77% per annum as at 31 March 2019 (30 September 2018: 3.85% per annum).

The Group did not breach any financial bank covenant during the six months ended 31 March 2019 and year ended 30 September 2018.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

15 Deferred tax assets/liabilities

The components of deferred tax assets and liabilities recognised in the interim condensed consolidated statement of financial position and the movements during the respective year/period are as follows:

The following is the analysis of the deferred tax balances for financial reporting purpose:

	31 March 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2018 <i>HK\$'000</i> <i>(Audited)</i>
Deferred tax assets	1,022	41
Deferred tax liabilities	(297)	(227)
	<u>725</u>	<u>(186)</u>

The following are the major deferred tax (assets)/liabilities recognised and movements thereon during the year ended 30 September 2018 and the six months ended 31 March 2019:

	Depreciation allowance <i>HK\$'000</i>	ECL provision <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2017	(89)	–	–	(89)
(Charged)/credited to profit or loss	<u>(138)</u>	<u>–</u>	<u>41</u>	<u>(97)</u>
At 30 September 2018	(227)	–	41	(186)
Adjustments (<i>Note 2</i>)	<u>–</u>	<u>536</u>	<u>–</u>	<u>536</u>
At 1 October 2018	(227)	536	41	350
(Charged)/credited to profit or loss (<i>Note 7</i>)	<u>(174)</u>	<u>90</u>	<u>459</u>	<u>375</u>
At 31 March 2019	<u>(401)</u>	<u>626</u>	<u>500</u>	<u>725</u>

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

16 Trade and other payables

	31 March 2019	30 September 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables	18,264	28,575
Retention payables	22,530	27,259
Accruals and other payables	29,488	44,586
Receipts in advance	—	18,865
	<u>70,282</u>	<u>119,285</u>

The ageing analysis of the trade payables based on invoice date is as follows:

	31 March 2019	30 September 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0-30 days	12,645	20,253
31-60 days	933	3,030
61-90 days	872	1,477
Over 90 days	3,814	3,815
	<u>18,264</u>	<u>28,575</u>

Except for retention payables of approximately HK\$19,731,000 as at 31 March 2019 (30 September 2018: HK\$8,952,000), which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

17 Commitments

(a) Capital commitments

Capital commitments outstanding at the end of reporting period not provided for in the interim condensed consolidated financial statements were as follows:

	31 March 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2018 <i>HK\$'000</i> <i>(Audited)</i>
Contracted but not provided for:		
Property, plant and equipment	<u>243</u>	<u>–</u>

(b) Operating lease commitments – Group as lessee

The future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 March 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	30 September 2018 <i>HK\$'000</i> <i>(Audited)</i>
Within one year	4,413	870
In the second to fifth years inclusive	<u>8,782</u>	<u>102</u>
	<u>13,195</u>	<u>972</u>

The leases typically run for an initial period of 1 to 5 years, with an option to renew the leases whereby all terms are renegotiated. The operating leases in respect of the office premises at units 1901-1904 of China Merchants Building were secured by personal guarantee given by Dr. CW Lau.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 March 2019

18 Related party transactions

(a) Transactions

	Six months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Rental income from Hip Shing Construction & Engineering Limited ("Hip Shing") (Note 1)	–	8
Revenue from Maxwell Contract Services Company Limited ("Maxwell Contract Services") (Note 2)	–	1,347
Subcontracting fee to Hip Shing	–	1,266
	<u>–</u>	<u>1,266</u>

Notes:

- Hip Shing is a company owned by Mr. Christopher Lee, a director of a subsidiary of the Company. Mr. Christopher Lee resigned as a director of the subsidiary in December 2017. Hip Shing is therefore a connected person of the Company at the subsidiary level under the Listing Rules until December 2018.
- Maxwell Contract Services is a company owned by Dr. CW Lau.

(b) Key management compensation

Key management includes Directors (executive and non-executive) and the chief executive of the Group. The compensation paid or payable to key management for employee services is disclosed as follows:

	Six months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Fee, discretionary bonuses, salaries, allowances and benefits in kind	3,805	2,800
Retirement scheme contributions	9	18
	<u>3,814</u>	<u>2,818</u>

(c) Guarantee/security

As at 30 September 2018, the Group has banking facilities secured/guaranteed by (i) personal guarantees given by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau and spouse of Mr. CM Lau and (ii) a property held by Mr. CM Lau and his spouse.

As at 31 March 2019, the personal guarantees have been released and replaced by the corporate guarantee.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a construction contractor in Hong Kong principally providing (i) foundation and site formation works, which mainly include piling works, excavation and lateral support (ELS) works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works. The Group is able to undertake construction works as either a main contractor or a subcontractor. Besides construction, the Group also provides construction related consultancy services including engineering consulting on construction designs and works supervision, and construction contract administration services.

As at 31 March 2019, the Group had 31 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately HK\$834.4 million. As at 30 September 2018, the Group had 34 construction projects on hand with a total contract value of approximately HK\$1,161.2 million.

OUTLOOK

The shares of the Company were listed on the Main Board of the Stock Exchange on 16 October 2018 (the “**Listing Date**”) by way of public offer and placing (the “**Share Offer**”). The Directors believe that the Listing could enhance the Group’s profile and recognition which will enhance the customers’ confidence in the Group. In addition, the net proceeds from the Share Offer will provide additional resources for the Group to expand its business.

As supported by the government’s initiatives in infrastructure development and increase in housing supply, the general outlook of the construction industry in Hong Kong is expected to stay positive. Even though the construction industry will remain under intense competition, the Group is confident that it will be able to maintain its competitiveness and expand its business.

The Group will also from time to time look for good business opportunities to drive the business growth of the Group. In March 2019, the Group has incorporated Shanghai Finance & Welfare Health Management Co. Ltd* (上海財康樂健康管理有限公司), a wholly-owned subsidiary of the Group, in Shanghai to explore development opportunities in the health management and consultancy industry in the People’s Republic of China. It is believed that such business development will enable the Group to broaden and diversify its business, thereby enhancing the profitability of the Group’s business as a whole.

* The English name of the subsidiary established in the People’s Republic of China represent management’s best effort at translating the Chinese name of such subsidiary as no English name has been registered.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$26.4 million, or 14.0%, from approximately HK\$189.2 million for the six months ended 31 March 2018 to approximately HK\$162.8 million for the six months ended 31 March 2019. The following table sets out a breakdown of the Group's revenue during the six months ended 31 March 2018 and 2019 by segments:

	Six months ended 31 March			
	2019		2018	
	HK\$'000	%	HK\$'000	%
Foundation and site formation works	39,386	24.2	63,902	33.8
General building works and associated services	47,143	29.0	79,664	42.1
Other construction works	73,521	45.1	40,631	21.4
Construction related consultancy works	2,773	1.7	5,036	2.7
Total	<u>162,823</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>

The decrease in the Group's revenue was primarily driven by the decrease in revenue contribution from foundation and site formation works, general building works and associated services and construction related consultancy works during the six months ended 31 March 2019. Such decrease was mainly due to (i) delays in commencement or work progress of certain projects; and (ii) the cessation of provision of engineering consulting services to an engineering expert witness service provider since January 2018. The decrease was partially offset by the increased revenue generated from the other construction works since the Group has undertaken more works on design and installation of rockfall/debris flow protection barriers during the period under review.

Cost of sales

Cost of sales decreased by approximately HK\$24.4 million, or 14.6%, from approximately HK\$167.2 million for the six months ended 31 March 2018 to approximately HK\$142.8 million for the six months ended 31 March 2019. Such decrease was mainly driven by the corresponding decrease in revenue.

Management Discussion and Analysis

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$2.1 million, or 9.5%, from approximately HK\$22.1 million for the six months ended 31 March 2018 to approximately HK\$20.0 million for the six months ended 31 March 2019. The Group's gross profit margin was approximately 11.7% and 12.3% for the six months ended 31 March 2018 and 2019, respectively.

During the six months ended 31 March 2019, the Group recorded a decrease in gross profit margins for foundation and site formation works (2018: 15.3%; 2019: 1.3%), general building works and associated services (2018: 10.1%; 2019: 7.1%) and construction related consultancy services (2018: 36.4%; 2019: 20.4%), mainly due to (i) delays in commencement or work progress of certain projects; and (ii) the cessation of provision of engineering consultancy services to an engineering expert witness service provider since January 2018. Such decrease was partially offset by the increase in gross profit margin for other construction works (2018: 6.0%; 2019: 21.2%), which is primarily due to more work done for projects involving design and installation of rockfall/debris flow protection barriers which were of relatively higher gross profit margin.

Other income, gains and losses

Other income, gains and losses increased by approximately HK\$555,000 from approximately HK\$29,000 for the six months ended 31 March 2018 to approximately HK\$584,000 for the six months ended 31 March 2019, mainly due to (i) gain on disposal of property, plant and equipment; and (ii) bank interest attributable to the listing proceeds deposited in the banks.

Administrative and other operating expenses

Administrative and other operating expenses remained relatively stable at approximately HK\$18.5 million and HK\$19.0 million for the six months ended 31 March 2018 and 2019, respectively. Setting aside the listing expenses, the adjusted administrative and other operating expenses increased from approximately HK\$7.6 million for the six months ended 31 March 2018 to approximately HK\$14.0 million for the six months ended 31 March 2019, primarily due to the increase in legal and professional fees and higher staff costs upon the Listing.

Income tax expense

Income tax expense decreased by approximately HK\$0.3 million, or 12.5%, from approximately HK\$2.4 million for the six months ended 31 March 2018 to approximately HK\$2.1 million for the six months ended 31 March 2019.

Management Discussion and Analysis

(Loss)/profit and total comprehensive (expense)/income for the period

For the six months ended 31 March 2019, the Group recorded a loss of approximately HK\$0.9 million as compared with a profit of approximately HK\$1.1 million for the six months ended 31 March 2018, primarily due to (i) the decrease in revenue due to delays in commencement or work progress of certain projects; and (ii) the increase in professional fees, staff costs and other operating expenses following the Listing.

COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business strategies as set out in the prospectus of the Company dated 28 September 2018 (the "Prospectus") with actual business progress up to 31 March 2019.

Business strategies as stated in the Prospectus	Implementation activities up to 31 March 2019 as stated in the Prospectus	Progress up to 31 March 2019
Apply for additional licences	<ul style="list-style-type: none">– Acquire one set of bored piling machine, one set of rock-socket piling machine and an air compressor; and maintain the newly acquired machinery to fulfill plant requirements of the licences– Acquire a piece of land for machinery storage– Increase the employed capital of Po Shing Construction Limited and Fong On Construction Limited	<p>The Group has paid deposits to secure the purchase of certain bored piling machines</p> <p>The Group is in the course of identifying suitable land</p> <p>The Group has increased the employed capital of both subsidiaries</p>
Fund the initial costs of the Group's construction projects	<ul style="list-style-type: none">– Finance the working capital requirement and upfront costs for three of the Group's projects	<p>The funding costs for (i) the redevelopment of an outdoor activities centre at Stanley; (ii) the redevelopment at Sheung Wan; and (iii) the alteration and addition works for a commercial building at North Point were fully utilised</p>

Management Discussion and Analysis

COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS (CONTINUED)

Business strategies as stated in the Prospectus	Implementation activities up to 31 March 2019 as stated in the Prospectus	Progress up to 31 March 2019
Strengthening the Group's manpower	– Recruit one project manager, one project engineer, one quantity surveyor, one safety officer, one site foreman and one mechanical fitter	The recruitment schedule is deferred due to shortage of right calibre
Investment in the new information system	– Upgrade our existing hardware and acquire new computer facilities	The Group has acquired certain new hardware and software for system upgrade

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Share Offer of the Group at the time of the Listing, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK\$86.6 million.

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date to 31 March 2019:

	Planned use of proceeds <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to 31 March 2019 <i>HK\$ million</i>	Unutilised balance as at 31 March 2019 <i>HK\$ million</i>
Apply for additional licences	39.4	4.6	34.8
Fund the initial costs of the Group's construction projects	21.8	21.8	–
Strengthening the Group's manpower	13.9	0.2	13.7
Investment in the new information system	2.8	0.4	2.4
General working capital	8.7	8.7	–
	<u>86.6</u>	<u>35.7</u>	<u>50.9</u>

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 16 October 2018. There has been no change in the capital structure of the Group since then. The capital of the Group only comprises of ordinary shares.

The Group's operation and investments were financed principally by cash generated from its business operations and equity contribution from the shareholders.

As at 31 March 2019, the Group had net current assets of approximately HK\$198.2 million (30 September 2018: HK\$88.5 million) and cash and bank balances of approximately HK\$176.0 million (30 September 2018: HK\$88.2 million).

As at 31 March 2019, the Group's total equity attributable to owners of the Company amounted to approximately HK\$204.4 million (30 September 2018: HK\$91.9 million), and the Group's total debt comprising finance lease liabilities amounted to approximately HK\$3.3 million (30 September 2018: HK\$2.2 million). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

CONTINGENT LIABILITIES

As at 31 March 2019, certain customers of construction contracts undertaken by the Group require the Group to issue guarantee for the performance of contract works in the form of surety bonds of approximately HK\$14.5 million (30 September 2018: HK\$10.9 million). The executive Directors have provided guarantee to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

PLEDGE OF ASSETS

As at 31 March 2019, the Group has pledged certain machinery and motor vehicles with net book value amounted to approximately HK\$2.6 million and HK\$2.0 million, respectively (30 September 2018: HK\$2.9 million and nil, respectively) under non-cancellable finance lease agreement.

As at 31 March 2019, the Group paid a cash collateral of approximately HK\$4.2 million (30 September 2018: HK\$2.8 million) to the insurance companies for the issuance of surety bonds, which are included in other receivables, deposits and prepayments.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the six months ended 31 March 2019, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures save for those related to the Reorganisation. Save as disclosed herein, the Group did not have other plans for material investments or acquisition of capital assets as at 31 March 2019.

CAPITAL COMMITMENTS

The Group had approximately HK\$243,000 of capital commitments contracted but not provided for in respect of property, plant and equipment as at 31 March 2019 (30 September 2018: Nil).

The Group is the lessee in respect of office premises and office equipment under operating leases. As at 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases were approximately HK\$13.2 million (30 September 2018: HK\$972,000).

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

FOREIGN CURRENCY RISK

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As most of our monetary assets and liabilities are denominated in Hong Kong dollars, the Directors are of the view that the Group does not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

Management Discussion and Analysis

GEARING RATIO

As at 31 March 2019, the gearing ratio of the Group, which is calculated as the total debt (obligation under finance lease) divided by total equity, was approximately 1.6% (30 September 2018: 2.4%).

EVENT AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this interim report, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 31 March 2019 and up to the date of this interim report.

INTERIM DIVIDEND

No dividend was paid, declared or proposed during the six months ended 31 March 2019. The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2019 (six months ended 31 March 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 42 employees (30 September 2018: 41 employees). Total staff costs for the six months ended 31 March 2019 amounted to approximately HK\$11.9 million (six months ended 31 March 2018: approximately HK\$9.7 million). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of training were provided to the employees.

SEGMENT INFORMATION

The Group's reportable and operating segments are as follows: (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; and (iv) construction related consultancy services. Details of the segmental information of the Group is disclosed in Note 4 of the notes to interim condensed consolidated financial statements of this interim report.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of underlying shares held	Approximate percentage of shareholding
Dr. CW Lau (<i>Note</i>)	Interest of a controlled corporation	600,000,000	75%
Mr. CM Lau (<i>Note</i>)	Interest of a controlled corporation	600,000,000	75%
Dr. CK Lau (<i>Note</i>)	Interest of a controlled corporation	600,000,000	75%

Note: Elite Bright is 100% owned by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau in equal shares. Therefore, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau are deemed to be, or taken to be, interested in all the shares of the Company held by Elite Bright for the purpose of the SFO.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as known to the Directors or chief executive of the Company, as at 31 March 2019, the following persons/entities (other than the Directors or chief executive of the Company) had or were deemed to have interests or short positions in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares held/ interested	Percentage of shareholding
Elite Bright	Beneficial owner	600,000,000	75%
Ms. Ng Lai Mui Theresa (<i>Note 1</i>)	Interest of spouse	600,000,000	75%
Ms. Ng Kooi Har (<i>Note 2</i>)	Interest of spouse	600,000,000	75%
Ms. Kwong Shun Man Jessie (<i>Note 3</i>)	Interest of spouse	600,000,000	75%

Notes:

- (1) Ms. Ng Lai Mui Theresa is the spouse of Dr. CW Lau. Therefore, Ms. Ng Lai Mui Theresa is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CW Lau is interested for the purpose of the SFO.
- (2) Ms. Ng Kooi Har is the spouse of Mr. CM Lau. Therefore, Ms. Ng Kooi Har is deemed to be, or taken to be, interested in the same number of shares of the Company in which Mr. CM Lau is interested for the purpose of the SFO.
- (3) Ms. Kwong Shun Man Jessie is the spouse of Dr. CK Lau. Therefore, Ms. Kwong Shun Man Jessie is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CK Lau is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2019, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executives' interest and short positions in shares, underlying shares and debentures of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 March 2019.

COMPETING BUSINESS

During the six months ended 31 March 2019, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any potential competition arising between the Group and the Controlling Shareholders, Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Elite Bright (each a **"Covenantor"** and collectively the **"Covenantors"**) have entered into the deed of non-competition with the Company (for itself and for and on behalf of its subsidiaries) on 17 September 2018 (the **"Deed of Non-competition"**). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for and on behalf of its subsidiaries) that, during the period the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

Other Information

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the section headed “Relationship with our Controlling Shareholders – Non-Competition Undertakings” in the Prospectus.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regulating securities transactions of Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code and its code of conduct during the six months ended 31 March 2019.

SHARE OPTION SCHEME

The Company’s share option scheme (the “**Share Option Scheme**”) was conditionally adopted on 17 September 2018. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider that the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Prospectus.

For the six months ended 31 March 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

Other Information

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company since the publication of the Company's 2018 annual report are set out below:

Dr. Lau Chi Keung, the executive Director of the Company, has been appointed as the independent non-executive director of Wecon Holdings Limited (stock code: 1793), a company which is listed on the Main Board of the Stock Exchange, on 21 January 2019.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtain and maintain the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company. The Company has adopted the principles and code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules. The Company has fully complied with the CG Code during the six months ended 31 March 2019 up to the date of this interim report.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 17 September 2018. The chairman of the Audit Committee is Mr. Pang Ka Hang, the independent non-executive Director, and other members include Mr. Leung Bing Kwong Edward and Mr. Wong Chun Nam, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Other Information

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's interim condensed consolidated financial statements for the six months ended 31 March 2019 have not been audited nor reviewed by the Company's independent auditors, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the interim condensed consolidated financial statements of the Group for the six months ended 31 March 2019 comply with applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and the interim report are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shingchiholdings.com). The interim report of the Company for the six months ended 31 March 2019 will be dispatched to the shareholders of the Company. Should the shareholders of the Company have any difficulties in accessing the corporate communications electronically, please request the printed interim report, free of charge, at any time by writing to the Company or the Company's registrar, Tricor Investor Services Limited.

By order of the Board
Shing Chi Holdings Limited
Lau Chi Wang
Chairman and Executive Director

Hong Kong, 31 May 2019