MAN KING HOLDINGS LIMITED
萬景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2193)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

FINANCIAL PERFORMANCE HIGHLIGHTS	
Revenue	HK$121.8 million
Profit attributable to owners of the Company	HK$5.5 million
Basic and diluted earnings per share	HK1.3 cents
Equity attributable to owners of the Company per share	HK$0.66

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Man King Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2017 together with the comparative figures for the preceding financial year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Six months ended 30 September	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**121,824**	81,760
Cost of services		**(104,002)**	(58,897)
Gross profit		**17,822**	22,863
Other income	*4*	**769**	1,761
Other gains and losses	*5*	**1,088**	714
Administrative expenses		**(12,892)**	(13,943)
Profit before tax	*6*	**6,787**	11,395
Income tax expense	*7*	**(1,311)**	(2,184)
Profit and other comprehensive income for the period		**5,476**	9,211
		HK cents	*HK cents*
Earnings per share	*9*		
Basic and diluted		**1.30**	2.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2017

	Notes	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited)
Non-current assets			
Investment property		**2,350**	2,310
Property, plant and equipment		**8,987**	8,873
Deposit for property, plant and equipment		**4,806**	–
		16,143	11,183
Current assets			
Amounts due from customers for contract works		**81,121**	64,153
Debtors, deposits and prepayments	*10*	**45,179**	49,784
Amounts due from joint operations		**17,634**	8,443
Tax recoverable		**2,602**	2,602
Held-for-trading investments		**9,094**	5,485
Pledged bank deposits		**4,891**	4,644
Bank balances and cash		**167,911**	181,926
		328,432	317,037
Current liabilities			
Amounts due to customers for contract works		**11,567**	11,481
Creditors and accrued charges	*11*	**40,337**	35,005
Amounts due to other partners of joint operations		**12,420**	7,666
Tax liabilities		**992**	225
		65,316	54,377
Net current assets		**263,116**	262,660
Total assets less current liabilities		**279,259**	273,843
Non-current liability			
Deferred tax liabilities		**494**	502
Net assets		**278,765**	273,341
Capital and reserves			
Share capital		**4,198**	4,205
Share premium and reserves		**274,567**	269,136
Total equity		**278,765**	273,341

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property, which are measured at fair values at the end of the reporting period.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Civil engineering works	**121,813**	81,750
Consultancy fee income	**11**	10
	121,824	81,760

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is on a project by project basis. Each individual project constitutes an operating segment. For operating segments that have similar economic characteristics, they are produced using similar production process, distributed and sold to similar classes of customers and under similar regulatory environment, and their segment information is aggregated into civil engineering works as single reportable segment. The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the period of the Group as presented in the condensed consolidated statement of profit or loss and other comprehensive income.

No analysis of the Group's assets and liabilities is disclosed as such information is not regularly provided to the management of Group for review.

4. OTHER INCOME

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**363**	298
Rental income from investment property	**33**	39
Dividend income from held-for-trading investments	**312**	687
Others	**61**	737
	769	1,761

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**162**	426
Change in fair value of held-for-trading investments, net	**97**	1,051
Change in fair value of investment property	**40**	–
Net exchange gains (losses)	**789**	(763)
	1,088	714

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Directors' emoluments	**3,753**	4,245
Other staff salaries and other allowances	**22,322**	17,996
Other staff share-based compensation expenses	**310**	703
Other staff retirement benefit scheme contributions	**754**	645
Less: amounts included in cost of services	**(18,581)**	(15,034)
	8,558	8,555
Depreciation of property, plant and equipment	**1,160**	648
Less: amounts included in cost of services	**(715)**	(166)
	445	482
Operating lease rentals in respect of land and buildings	**1,218**	793

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**936**	2,162
Underprovision in prior periods	**383**	–
	1,319	2,162
Deferred taxation	**(8)**	22
	1,311	2,184

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**5,476**	9,211
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share	**420,442**	415,757

The diluted earnings per share does not assume the effect from the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares during the current and prior interim periods.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Trade receivables	**20,575**	22,284
Retention receivables	**13,657**	14,512
Other debtors, deposits and prepayments		
— Deposits and prepaid expenses	**7,936**	11,698
— Others	**3,011**	1,290
	45,179	49,784

The Group allows credit period up to 60 days to certain customers. The aged analysis of the Group's trade receivables based on certification/invoice dates at the end of each reporting period are as follows:

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Trade receivables:		
0 to 30 days	**19,968**	21,882
31 to 60 days	**160**	402
61 to 90 days	**447**	–
	20,575	22,284
Retention receivables:		
Due within one year	**9,940**	10,451
Due after one year	**3,717**	4,061
	13,657	14,512

11. CREDITORS AND ACCRUED CHARGES

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
Trade payables (aged analysis based on invoice dates):		
0 to 30 days	**18,912**	16,332
31 to 60 days	**8,568**	8,510
61 to 90 days	**979**	143
Over 90 days	**1,019**	2,016
	29,478	27,001
Retention payables	**9,090**	6,674
Other payables and accruals	**1,769**	1,330
	40,337	35,005
Retention payables:		
Due within one year	**3,640**	3,731
Due after one year	**5,450**	2,943
	9,090	6,674

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is principally engaged in providing civil engineering services in Hong Kong as main contractor.

The engineering works undertaken by the Group are mainly related to (i) roads and drainage (including associated building works and electrical and mechanical works); (ii) site formation (including associated infrastructure works); and (iii) port works. The Group undertakes engineering projects in both public and private sectors and, being a main contractor, participates in the procurement of materials, machineries and equipment, selection of subcontractors, carrying out on-site supervision, monitoring work progress and overall co-ordination of day-to-day work of the projects.

As at 30 September 2017, the Group had five projects in progress, and several completed projects yet to receive the final contract sum, with a total estimated outstanding contract sum and work order value of approximately HK$427.6 million. Subsequent to 30 September 2017, a joint venture established by a wholly-owned subsidiary of the Company and an independent third party (the "JV") has entered into a contract with a customer, who is also an independent third party of the Group and the JV. Total contract sum thereunder is approximately HK$540.0 million.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2017 was approximately HK$121.8 million, representing an increase of approximately 49.0% from approximately HK$81.8 million in the same period of the last financial year. This increase was mainly due to the combined effect of:

(i) higher revenue of approximately HK$84.0 million for three projects commenced in late 2016 or 2017;

(ii) higher revenue of approximately HK$20.0 million for two projects in progress during the six months ended 30 September 2017;

(iii) lower revenue of approximately HK$39.9 million for projects for the six months ended 30 September 2017 as compared to the revenue of approximately HK$44.0 million recognised for the same projects which had been completed before 2017; and

(iv) lower revenue of approximately HK$24.1 million for one project commenced in 2012 and completed during the six months ended 30 September 2017; and another project commenced in 2015 and substantially completed during the six months ended 30 September 2017.

Gross profit margin

The gross profit margin decreased from approximately 28.0% for the six months ended 30 September 2016 to approximately 14.6% for the six months ended 30 September 2017, primarily due to substantial completion of projects on hand with higher profit margin and less additional contract sums agreed at the final stage were recognised for the six months ended 30 September 2017. The expected gross profit margin for new projects is lower than those undertaken in previous years which reflect keen competition in the construction industry.

Other income

Other income was approximately HK$769,000 and HK$1,761,000 for the six months ended 30 September in 2017 and 2016, respectively. The decrease was mainly due to less dividend income received from held-for-trading investments and other sundry income.

Other gains and losses

Other gains were approximately HK$1,088,000 and HK$714,000 for the six months ended 30 September 2017 and 2016, respectively. The increase was mainly due to the exchange gain as a result of the appreciation of foreign currencies offset with the decreasing gain on disposal of property, plant and equipment and net change in fair value of held-for-trading investments.

Administrative expenses

Administrative expenses for the six months ended 30 September 2017 were approximately HK$12.9 million, representing a decrease of 7.5% from approximately HK$13.9 million in same period of the last financial year. This was mainly attributable to the decrease in the share-based payment transactions as a result of the lapse of first tranche share options in July 2017, and the decrease in tender expenses on hiring experts for tendering the projects during the six months ended 30 September 2017.

Finance costs

There was no new borrowings and no finance costs incurred during the six months ended 30 September 2017.

Income tax expense

The effective tax rates for the six months ended 30 September 2016 and 2017 were approximately 19.2% and 19.3%, respectively. The effective tax rate for the six months ended 30 September 2017 was higher than the statutory profit tax rate of 16.5%, which was mainly due to the increase in tax effect of tax losses not recognised by the Company during the six months ended 30 September 2017.

Profit for the period

For the six months ended 30 September 2017, the Group recorded net profit of approximately HK$5.5 million, representing a decrease of approximately HK$3.7 million as compared to the net profit of approximately HK$9.2 million for the corresponding period in the last financial year. This was mainly due to the decrease in gross profit margin during the six months period ended 30 September 2017 as mentioned above.

Liquidity and Financial Resources

As at 30 September 2017, the Group had bank balances and cash of approximately HK$167.9 million (31 March 2017: HK$181.9 million), which were mainly denominated in Hong Kong dollars, Renminbi and British Pound. The Group is exposed to the currency risks for fluctuation in exchange rates of Renminbi and British Pound. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instruments. The Group will continue to monitor its exposure to the currency risks closely.

The Group adopts a prudent approach in cash management and there was no interest bearing borrowings as at 30 September 2017 (31 March 2017: nil).

The Group had available unutilised bank borrowings facilities of HK$15.2 million as at 30 September 2017 (31 March 2017: HK$15.2 million).

Capital Structure and Gearing Ratio

As at 30 September 2017, the Group's total equity was approximately HK$278.8 million (31 March 2017: HK$273.3 million) comprising ordinary share capital, share premium and reserves.

The gearing ratio of the Group, defined as a percentage of interest bearing liabilities divided by the total equity, is nil at 30 September 2017 (31 March 2017: nil).

Pledge of Assets

At 30 September 2017, bank deposits of the Group in the amount of approximately HK$4.9 million (31 March 2017: HK$4.6 million) are pledged to banks for securing the performance bonds issued by the banks to the Group's customers on behalf of the Group as guarantee. Deposits and prepaid expenses of approximately HK$25,000 (31 March 2017: HK$2.5 million) has been placed and pledged to an insurance institution to secure a performance bond issued by the institution to a customer of the Group.

Capital Commitments

At 30 September 2017, the Group had share of the capital commitments made jointly with other joint venturer relating to its joint operation in respect of acquisition of property, plant and equipment contracted for but not provided in the Group's condensed consolidated financial statements amounting to approximately HK$2.2 million (31 March 2017: nil). At 30 September 2017, the Group had no authorised but not contracted for committed capital expenditure (31 March 2017: nil).

Performance Bonds and Contingent Liabilities

Certain customers of the construction contracts undertaken by the Group require the group entities to issue guarantees for the performance of contract works in the form of performance bonds and secured by other deposits and pledged bank deposits. The performance bonds are released when the construction contracts are completed or substantially completed.

At 30 September 2017, the Group had outstanding performance bonds issued by banks of approximately HK$14.0 million (31 March 2017: HK$14.1 million) and issued by an insurance institution of approximately HK$25,000 (31 March 2017: HK$2.5 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group had an aggregate of 128 full-time employees (31 March 2017: 125 full-time employees). Employee costs excluding directors' emoluments totalled approximately HK$23.4 million for the six months ended 30 September 2017 (six months ended 30 September 2016: HK$19.3 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the directors with reference to individual performance and current market salary scale.

FUTURE OUTLOOK

Hong Kong's construction industry's robust growth remains predominantly to be driven by several large infrastructure development projects undertaken by the government and the expansion plans of private developers to meet housing sector demand. The local construction industry is expected to be continuously benefited from these several large-scale infrastructure projects. These mega size projects, however demand tremendous technical resources and financial funding; thus impose incredible challenges, if not disadvantages, to local contractors to compete with international and Mainland Chinese contractors. In addition, the Hong Kong government also introduced new NEC form of contract, which is on a 'Gain and Pain' share basis with the clients, in the last few years and will be fully implemented for all public works in 2018. This new contract form aims for balancing the contractor's risk and profit. As a result, we see that, among the increasing construction and labour costs, the gross profits for certain new public works contracts may not be as high as those similar contracts undertaken in previous years. Considering these market conditions, the Group remains prudent and continues cautiously to maintain a healthy liquidity and would only consider significant investment or expansion when the Group has secured certain large scale projects. We also maintain our belief that it is more crucial to earn reasonable profit margin than revenue to ensure profitability to our stakeholders and delivery of quality works to our clients.

As the local construction remains very competitive, the Group continues to seek cooperation with other local and international contractors in the form of joint venture to optimize its competitive strength to bid the tenders and, if contracts are secured, execute the works more effectively and economically. In November 2017, our joint venture was awarded a 42 months contract of contract sum HK$540 million by the HKSAR Water Supplies Department to lay 10km long 1.2m diameter fresh water mains as advance works for the proposed desalination plant in Tseung Kwan O. The Group delights to see this award not only complements its construction capability to include the public Waterworks but also to provide stable revenue and cash flow in the coming financial years.

SIGNIFICANT INVESTMENTS

During the six months ended 30 September 2017, the Company did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 September 2017, there was no material acquisition or disposal of subsidiaries and associated companies by the Company.

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

During the six months ended 30 September 2017, 684,000 shares of HK$0.01 each were repurchased by the Company at prices ranging from HK$0.80 to HK$0.92 per share on the Stock Exchange.

CORPORATE GOVERNANCE

The Company has adopted, applied and complied with the code provisions of Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange for the six months ended 30 September 2017 except for provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

According to provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Lo Yuen Cheong is the Chairman and Chief Executive Officer of the Company, responsible for the financial and operational aspects of the Group, and is also responsible for the formulation of business development strategies of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer has the benefit of managing the Group's business and overall operation in an efficient manner. The Board considers that the balance of power and authority under the present arrangement will not be impaired in light of the operations of the Board with half of them being independent non-executive Directors. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Upon specific enquiry with each of the Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended 30 September 2017.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2017.

REVIEW OF INTERIM RESULTS

The audit committee of the Company and the Company's external auditor have reviewed the accounting policies adopted by the Group and the unaudited consolidated interim financial results for the six months ended 30 September 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company's website (www.manking.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The Interim Report 2017/2018 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange, and despatched to the shareholders of the Company in due course.

By order of the Board
Man King Holdings Limited
Lo Yuen Cheong
Chairman and Executive Director

Hong Kong, 30 November 2017

As at the date of this announcement, the Board comprises Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong, as executive Directors; Ms. Chan Wai Ying as non-executive Director; and Mr. Leung Wai Tat Henry, Prof. Lo Man Chi, Ms. Chau Wai Yung as independent non-executive Directors.