Man King Holdings Limited
萬景控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2193

2018
INTERIM REPORT

Man King
萬景控股

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Lo Yuen Cheong *(Chairman)*
Lo Yick Cheong

Non-executive Director
Chan Wai Ying

Independent non-executive Directors
Leung Wai Tat Henry
Lo Man Chi
Chau Wai Yung

AUDIT COMMITTEE

Leung Wai Tat Henry *(Chairman)*
Chan Wai Ying
Chau Wai Yung
Lo Man Chi

REMUNERATION COMMITTEE

Chau Wai Yung *(Chairman)*
Lo Yuen Cheong
Leung Wai Tat Henry
Lo Man Chi

NOMINATION COMMITTEE

Lo Yuen Cheong *(Chairman)*
Lo Yick Cheong
Chau Wai Yung
Leung Wai Tat Henry
Lo Man Chi

COMPANY SECRETARY

Wan Ho Yin

SOLICITORS

CFN Lawyers in association with Broad & Bright
Maples and Calder

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL OFFICE

Unit D, 10/F
Skyline Tower
18 Tong Mi Road
Mongkok, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2193

WEBSITE

http://www.manking.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 2018, the Group had seven 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$549.8 million. Subsequent to 30 September 2018, 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$346.9 million.

FUTURE OUTLOOK

In this interim period, the Group continued to focus on the local public civil engineering market which remains dire competitive. Facing this challenging business environment, we continued to work collaboratively with other partners in form of joint venture to optimize our competitive strength with minimized risk, and was well acceded to by the award of public works by the HKSAR Water Supplies Department in November 2018. We are also known for our strong relationships with clients, working collaboratively with them, anticipating issues they face, and providing problem-solving solutions and innovation which is critical to demonstrate our strength in securing new work. A good example is the Highly Commended Award in the New Engineering Contract (NEC) Project of the Year awarded by the UK Institution of Civil Engineers (ICE) for its contract with CEDD (Civil Engineering Development Department) in June 2018.

Apart from focusing on local construction industry, as reported in previous reports, we have been seeking opportunities to cooperate with other contractors to diversify and expand our client base outside Hong Kong, especially the China's economic clout in One Belt One Road projects. Riding on our various advantages in project management and professional competence on infrastructure and maritime works, we are well-equipped and confident to grasp the opportunities in the near future.

We also sought way to diversify/expand our business by trading of construction materials to facilitate infrastructure projects during the interim period. Notwithstanding the fact that the trading of construction materials is competitive especially for an entrant to this material trading market as demonstrated by profit margin, we have established business relationship with various local and overseas suppliers which will bring us potential growth on trading market in the future.

During the interim reporting period, we continued to maintain our strong focus on promoting good safety culture in the non-financial perspective of operating the business. Our safety record in this period was good and encouraging, although improvements can always continue to be made. In financial regards, we continued to utilize our strong positive asset to fund our businesses in construction and material trading.

FINANCIAL REVIEW

Condensed consolidated statement of profit or loss

Revenue

The Group's revenue for the six months ended 30 September 2018 was approximately HK$97.4 million, representing a decrease of approximately 20.0% from approximately HK$121.8 million in the same period of the last financial year. This decrease was mainly due to the combined effect of:

(i) higher revenue of approximately HK$27.5 million for two projects commenced in late 2017 and early 2018;

(ii) lower revenue of approximately HK$19.4 million for four projects in progress during the six months ended 30 September 2018;

(iii) lower revenue of approximately HK$33.1 million for projects for the six months ended 30 September 2018 as compared to the revenue of approximately HK$34.2 million recognised for the same projects which had been completed before 2018; and

(iv) service income from trading of construction materials of approximately HK$0.6 million from April to July 2018.

Gross profit

The gross profit margin decreased from approximately 14.6% for the six months ended 30 September 2017 to approximately 12.8% for the six months ended 30 September 2018. The decrease is 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 2018. The expected gross profit margin for new projects is lower than those undertaken in previous years which reflects keen competition in the construction industry and the adoption of new NEC form of contract.

Other income

Other income was approximately HK$1,172,000 and HK$769,000 for the six months ended 30 September in 2018 and 2017, respectively. The increase was mainly due to the increase in interest income received from bank deposits and debt investment.

Other gains and losses

Other gains were approximately HK$173,000 and HK$1,088,000 for the six months ended 30 September 2018 and 2017, respectively. The decrease was mainly due to the exchange loss as a result of the depreciation of foreign currencies, which was partially offset by the increasing net change in fair value of financial assets at fair value through profit or loss.

Administrative expenses

Administrative expenses for the six months ended 30 September 2018 were approximately HK$12.4 million, representing a decrease of 4.2% from approximately HK$12.9 million in same period of the last financial year. This was mainly attributable to the decrease in the share-based payment transactions and legal and professional expenses, which was partially offset by the increase in staff costs in relation to the projects progress.

Finance costs

The Group has obtained new bank borrowing since late 2017 and accordingly finance costs increased to approximately HK$58,000 (2017: nil).

Income tax expense

The effective tax rates for the six months ended 30 September 2017 and 2018 were approximately 19.3% and 31.1%, respectively. The effective tax rate for the six months ended 30 September 2018 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 2018.

Profit for the period

For the six months ended 30 September 2018, the Group recorded net profit of approximately HK$1.0 million, representing a decrease of approximately HK$4.5 million as compared to the net profit of approximately HK$5.5 million for the corresponding period in the last financial year. This was mainly due to the new adoption of HKFRS 15 by the Group from 1 April 2018 in preparation of the unaudited consolidated results of the Group for the six months ended 30 September 2018 and decrease in gross profit margin during the six months period ended 30 September 2018 as mentioned above.

Condensed consolidated statement of financial position

Net assets of the Group decreased 14.9% from approximately HK$280.9 million as at 31 March 2018 to approximately HK$239.1 million as at 30 September 2018, primarily due to the effect of new adoption of HKFRS 15 of approximately HK$28.0 million at 1 April 2018 and dividend payment of HK$14.7 million.

Non-current assets decreased by 5.8% from approximately HK$22.0 million to approximately HK$20.7 million, primarily due to the depreciation on property, plant and equipment.

Net current assets decreased by 15.9% from approximately HK$260.2 million to approximately HK$218.8 million, primarily due to the primarily due to the effect of new adoption of HKFRS 15 of approximately HK$28.3 million at 1 April 2018 and dividend payment of HK$14.7 million.

Liquidity and financial resources

As at 30 September 2018, the Group had bank balances and cash of approximately HK$149.3 million (31 March 2018: HK$153.6 million), which were mainly denominated in Hong Kong dollars and British Pound. The Group is exposed to the currency risks for fluctuation in exchange rates of 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.

As at 30 September 2018, the Group had interest bearing borrowing of approximately HK$2.5 million (31 March 2018: HK$3.0 million) with a repayable on demand clause. Such borrowing was denominated in Hong Kong dollars, carried at variable interest rate and had no financial instrument for hedging purpose.

The Group had available unutilised bank borrowings facilities of approximately HK$11.7 million as at 30 September 2018 (31 March 2018: HK$11.7 million).

Capital structure and gearing ratio

As at 30 September 2018, the Group's total equity was approximately HK$239.1 million (31 March 2018: HK$280.9 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, was approximately 1.0% as at 30 September 2018 (31 March 2018: 1.1%).

For details of pledged assets and performance bonds and contingent liability of the Group, please refer to notes 15 and 21 to the condensed consolidated financial statements accordingly.

New business

During the six months ended 30 September 2018, the Group diversified its business by trading of construction materials to facilitate infrastructure projects.

Significant investments

During the six months ended 30 September 2018, the Company did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 September 2018, there was no material acquisition or disposal of subsidiaries and associated companies by the Company.

DISCLOSURE OF INTERESTS

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS IN THE SHARES OF THE COMPANY

As at 30 September 2018, the interests and/or short positions of the Directors and Chief Executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), which or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director and Group member/associated corporation	Capacity/nature	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the company
Lo Yuen Cheong of the Company	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse(Note)	300,000,000	71.46%
	Beneficial owner	4,312,000	1.03%
Lo Yick Cheong of the Company	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse(Note)	300,000,000	71.46%
Chan Wai Ying of the Company	Beneficial owner	1,500,000	0.36%
Leung Wai Tat Henry of the Company	Beneficial owner	100,000	0.02%

Name of Director and Group member/associated corporation	Capacity/nature	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the company
Lo Yuen Cheong of Jade Vantage Holdings Limited	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse(Note)	50,000 of US$1 each	100%
Lo Yick Cheong of Jade Vantage Holdings Limited	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse(Note)	50,000 of US$1 each	100%

Note: Jade Vantage Holdings Limited, which owns 71.46% of the issued share capital of our Company (the "Shares"), is owned as to 100% by LOs Brothers (PTC) Limited, the trustee of the Los Family Trust. Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong and each of their spouses are co-founders of the Los Family Trust, which holds the entire issued share capital of Jade Vantage Holdings Limited, which holds 300,000,000 Shares. By virtue of the SFO, Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong are deemed to be interested in the Shares in which Jade Vantage Holdings Limited is interested.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

None of the Directors nor the Chief Executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) during the six months ended 30 September 2018.

SUBSTANTIAL SHAREHOLDERS AND OTHER INTERESTS

As at 30 September 2018, so far as the Directors are aware, the following persons (not being a Director or a Chief Executive of the Company) will have an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Nature of interest	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
LOs Brothers (PTC) Limited	Interest in a controlled corporation	300,000,000	71.46%
Jade Vantage Holdings Limited	Beneficial owner	300,000,000	71.46%
Tam Wai Sze, Vera	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse*(Note)*	300,000,000	71.46%
	Beneficial owner	700,000	0.17%
Cheung Suk Ching, Savonne	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse*(Note)*	300,000,000	71.46%

Note: Jade Vantage Holdings Limited, which owns 71.46% of the issued share capital of our Company, is owned as to 100% by LOs Brothers (PTC) Limited, the trustee of the Los Family Trust. Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong and each of their spouses are co-founders of the Los Family Trust, which holds the entire issued share capital of Jade Vantage Holdings Limited, which holds 300,000,000 Shares. By virtue of the SFO, Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong are deemed to be interested in the Shares in which Jade Vantage Holdings Limited is interested.

Save as disclosed above, no other person (other than Directors or Chief Executive of the Company) has an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme on 3 June 2015, and such scheme has become effective on the listing of the Company on the Stock Exchange on 3 July 2015 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to recognise and acknowledge the contribution of the eligible participants made to the Group. The Board may, at its discretion, grant options pursuant to the Share Option Scheme to Directors (including the independent non-executive Directors), the Company's subsidiaries, employees of the Group and other persons the Board considers have contributed or will contribute to the Group. The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the grant date, unless otherwise approved by the shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share. The Share Option Scheme shall remain effective within a period of 10 years from that date.

No option was granted, exercised or lapsed during the six months ended 30 September 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company has adopted, applied and complied with the code provisions of Corporate Governance Code ("CG Code") set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2018, 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 CG 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 jointly 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.

DIRECTORS' SECURITIES TRANSACTIONS

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 2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 September 2018.

INTERIM DIVIDEND

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

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 2018.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors by reference to the Company's operating results, individual performance and comparable market rates. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

As at 30 September 2018, the Group had an aggregate of 137 full-time employees (31 March 2018: 135 full-time employees). Employee costs excluding directors' emoluments totalled HK$25.1 million for the six months ended 30 September 2018 (six months ended 30 September 2017: HK$23.4 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.

By Order of the Board
Lo Yuen Cheong
Chairman and Executive Director

30 November 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF MAN KING HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Man King Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 60, which comprises the condensed consolidated statement of financial position as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		Six months ended	
		30.9.2018	30.9.2017
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**97,413**	121,824
Cost of services		**(84,961)**	(104,002)
Gross profit		**12,452**	17,822
Other income	*4*	**1,172**	769
Other gains and losses	*5*	**173**	1,088
Administrative expenses		**(12,355)**	(12,892)
Finance costs		**(58)**	–
Profit before tax	*6*	**1,384**	6,787
Income tax expense	*7*	**(430)**	(1,311)
Profit and total comprehensive income for the period		**954**	5,476
Earnings per share	*8*		
Basic (in HK cents)		**0.23**	1.30
Diluted (in HK cents)		**N/A**	1.30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018

	NOTES	30.9.2018 HK$'000 (Unaudited)	31.3.2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**17,214**	18,479
Debt investment	*11*	**3,500**	–
Held-to-maturity investment	*11*	**–**	3,500
		20,714	21,979
Current assets			
Inventories		**7,961**	–
Contract assets	*12*	**55,106**	–
Amounts due from customers for contract works		**–**	86,736
Debtors, deposits and prepayments	*13*	**38,864**	57,951
Amounts due from joint operations	*14(i)*	**20,075**	19,974
Tax recoverable		**1,976**	1,881
Financial assets at fair value through profit or loss	*20*	**4,497**	7,829
Pledged bank deposits	*15*	**5,206**	5,206
Bank balances and cash	*15*	**149,318**	153,624
		283,003	333,201

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30 SEPTEMBER 2018

	NOTES	30.9.2018 HK$'000 (Unaudited)	31.3.2018 HK$'000 (Audited)
Current liabilities			
Contract liabilities	*12*	**9,073**	–
Amounts due to customers for contract works		**–**	22,449
Creditors and accrued charges	*16*	**37,425**	32,606
Amounts due to other partners of joint operations	*14(ii)*	**12,848**	14,082
Tax liabilities		**2,372**	803
Bank borrowing		**2,452**	3,026
		64,170	72,966
Net current assets		**218,833**	260,235
Total assets less current liabilities		**239,547**	282,214
Non-current liability			
Deferred tax liabilities		**412**	1,292
Net assets		**239,135**	280,922
Capital and reserves			
Share capital	*17*	**4,198**	4,198
Share premium and reserves		**234,937**	276,724
Total equity		**239,135**	280,922

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Property revaluation reserve HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2017 (audited)	4,205	87,053	3,316	1,193	33,600	143,974	273,341
Profit and total comprehensive income for the period	–	–	–	–	–	5,476	5,476
Shares repurchased and cancelled	(7)	(579)	–	–	–	–	(586)
Transfer to retained earnings upon expiry of share options	–	–	(1,084)	–	–	1,084	–
Share-based compensation	–	–	534	–	–	–	534
At 30 September 2017 (unaudited)	4,198	86,474	2,766	1,193	33,600	150,534	278,765
At 1 April 2018 (audited)	4,198	86,474	–	1,193	33,600	155,457	280,922
Adjustments *(note 2)*	–	–	–	–	–	(28,047)	(28,047)
At 1 April 2018 (restated)	4,198	86,474	–	1,193	33,600	127,410	252,875
Profit and total comprehensive income for the period	–	–	–	–	–	954	954
Dividend paid *(note 9)*	–	(14,694)	–	–	–	–	(14,694)
At 30 September 2018 (unaudited)	4,198	71,780	–	1,193	33,600	128,364	239,135

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Six months ended	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	**2,757**	6,478
Decrease in contract assets	**3,676**	–
Decrease in debtors, deposits and prepayments	**8,401**	4,605
Decrease (increase) in financial assets at fair value through profit or loss	**3,753**	(3,512)
Decrease in contract liabilities	**(10,087)**	–
Increase in amounts due from customers for contract works	**–**	(16,968)
Increase in creditors and accrued charges	**4,819**	5,332
Other operating cash flows	**3,066**	390
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**16,385**	(3,675)
INVESTING ACTIVITIES		
Interest received	**728**	363
Purchase of property, plant and equipment	**(1,058)**	(1,283)
Proceeds from disposal of property, plant and equipment	**–**	171
Deposits paid for acquisition of property, plant and equipment	**–**	(4,806)
Advances to joint operations	**(3,597)**	(5,551)
Repayment from joint operations	**1,102**	–
Placement of pledged bank deposits	**–**	(4,891)
Withdrawal of pledged bank deposits	**–**	4,644
NET CASH USED IN INVESTING ACTIVITIES	**(2,825)**	(11,353)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Six months ended	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Interest paid	**(58)**	–
New bank borrowing raised	**3,400**	–
Repayment of bank borrowing	**(3,974)**	–
Dividend paid	**(14,694)**	–
Repayment to other partners of a joint operation	**(2,292)**	–
Advance from other partners of a joint operation	**–**	810
Payment on repurchases of shares	**–**	(586)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(17,618)**	224
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(4,058)**	(14,804)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**153,624**	181,926
Effect of foreign exchange rate changes	**(248)**	789
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**149,318**	167,911

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as 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").

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and an interpretation, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The new and amendments to HKFRSs and an interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

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

The Group recognises revenue from civil engineering works and service income from trading of construction materials.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 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 are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Revenue from civil engineering works

Revenue from civil engineering works is recognised over time during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

For civil engineering works that contain variable consideration such as variations in contract works, claims and incentive payment, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transactions price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Service income from trading of construction materials

Service income from trading of construction materials is recognised at a point in time when the goods have been delivered to the customer's specific location.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 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 April 2018.

	Impact of adopting HKFRS 15 at 1 April 2018 *HK$'000*
Impact on retained earnings at 1 April 2018	
Adjustments of amounts due from/to customers for contract works	27,776
Tax effect	271
Impact at 1 April 2018	28,047

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

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

	Notes	**Carrying amounts previously reported at 31 March 2018**	**Reclassifications**	**Adjustments**	**Carrying amounts under HKFRS 15 at 1 April 2018**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets					
Inventories	*(a)*	–	7,575	–	7,575
Contract assets	*(b)(c)*	–	58,782	–	58,782
Amounts due from customers for contract works	*(a)(b)*	86,736	(55,581)	(31,155)	–
Debtors, deposits and prepayments	*(c)*	57,951	(10,686)	–	47,265
Current liabilities					
Contract liabilities	*(d)*	–	19,160	–	19,160
Amounts due to customers for contract works	*(a)(d)*	22,449	(19,070)	(3,379)	–
Tax liabilities	*(a)*	803	–	486	1,289
Non-current liability					
Deferred tax liabilities	*(a)*	1,292	–	(215)	1,077
Capital and reserves					
Share premium and reserves	*(a)*	276,724	–	(28,047)	248,677

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Notes:

(a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Deferred materials of HK$7,575,000 were reclassified from amounts due from/to customers for contract works to inventories. Under HKAS 11, construction costs were charged to profit or loss by reference to the stage of completion of the contract, which is measured by reference to the estimated total revenue for contracts entered into by the Group that have been performed to date. Under HKFRS 15, costs that related to satisfy performance obligations are expensed as incurred. Construction costs of HK$27,776,000 that have been incurred but deferred to be recognised in profit or loss under HKAS 11 included in amounts due from/ to customers for contract works were charged to retained earnings. The related net tax effect of HK$271,000 was recognised in tax liabilities and deferred tax liabilities and included in adjustment to retained earnings.

(b) At the date of initial application, unbilled revenue of HK$48,096,000 arising from the construction contracts are conditional on the satisfaction by the customers on the construction works completed by the Group and the works are pending for the certification by the customers, and such balance was reclassified from amounts due from customers for contract works to contract assets.

(c) At the date of initial application, retention receivables of HK$10,686,000 arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from debtors, deposits and prepayments to contract assets.

(d) The reclassification of HK$19,160,000 from amounts due to customers for contract works to contract liabilities under HKFRS 15 represented the Group's obligation to transfer to the customers of the services to which the assets relate and the Group has received consideration from the customers.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 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 condensed consolidated statement of financial position as at 30 September 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	Notes	As reported *HK$'000*	Reclassifications *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current assets					
Inventories	*(a)*	7,961	(7,961)	–	–
Contract assets	*(b)(c)*	55,106	(55,106)	–	–
Amounts due from customers for contract works	*(a)(b)*	–	50,711	37,795	88,506
Debtors, deposits and prepayments	*(c)*	38,864	12,188	–	51,052
Current liabilities					
Contract liabilities	*(d)*	9,073	(9,073)	–	–
Amounts due to customers for contract works	*(a)(d)*	–	8,905	10,242	19,147
Tax liabilities	*(a)*	2,372	–	(1,530)	842
Non-current liability					
Deferred tax liabilities	*(a)*	412	–	215	627
Capital and reserves					
Share premium and reserves	*(a)*	234,937	–	28,868	263,805

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

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

	Notes	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Revenue	*(a)*	97,413	4,555	101,968
Cost of services	*(a)*	(84,961)	(4,778)	(89,739)
Gross profit		12,452	(223)	12,229
Other income		1,172	–	1,172
Other gains and losses		173	–	173
Administrative expenses		(12,355)	–	(12,355)
Finance costs		(58)	–	(58)
Profit before tax		1,384	(223)	1,161
Income tax (expense) credit	*(a)*	(430)	1,044	614
Profit and total comprehensive income for the period		954		1,775

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the condensed consolidated statement of profit or loss and other comprehensive income *(Continued)*

Notes:

(a) Prior to application of HKFRS 15, deferred materials of HK$7,961,000 at 30 September 2018 should be included in amounts due/to from customers for contract works. It was reclassified to inventories under HKFRS 15. Prior to application of HKFRS 15, the difference between the actual construction costs incurred and the amount calculated based on the stage of completion of the contract activity, which is by reference to the estimated total revenue for contracts entered into by the Group that have been performed to date, was included in amounts due from/to customers for contract works. The accumulated difference in the recognition of the construction costs under HKAS 11 and HKFRS 15 at 30 September 2018 was HK$223,000 and including in such difference HK$37,795,000 would be recognised as amounts due from customers for contract works and HK$10,242,000 would be recognised as amounts due to customers for contract works prior to application of HKFRS 15. Upon application of HKFRS 15, for the accumulated difference in the recognition of the construction costs to profit or loss under HKAS 11 and HKFRS 15, HK$28,868,000 has been charged to retained earnings, HK$4,555,000 has been debited to revenue and HK$4,778,000 has been credited to cost of services for the current period. The accumulated tax effect at 30 September 2018 was HK$1,315,000 in which HK$271,000 was debited to retained earnings and HK$1,044,000 was charged to income tax expense for the current period upon application of HKFRS 15.

(b) Prior to application of HKFRS 15, unbilled revenue of HK$42,918,000 at 30 September 2018 was included in amounts due from customers for contract works. Such amount was reclassified to contract assets upon application of HKFRS 15.

(c) Prior to application of HKFRS 15, retention receivables of HK$12,188,000 at 30 September 2018 was included in debtors, deposits and prepayments. Such amount was reclassified to contract assets upon application of HKFRS 15.

(d) Prior to application of HKFRS 15, the Group's obligation to transfer of control of goods and construction services to the customers for which the Group has received consideration from the customers amounting to HK$9,073,000 at 30 September 2018 would be recognised as amounts due to customers for contract works. Such amount was reclassified to contract liabilities upon application of HKFRS 15.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current interim period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) 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) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018, if any, are recognised in the opening retained earnings and other components 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*. Key changes in accounting policies resulting from application of HKFRS 9 are as follows:

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

Classification and measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

Classification and measurement of financial assets (Continued)

Listed bonds previously classified as held-to-maturity investments are reclassified and measured at amortised cost upon application of HKFRS 9, as the Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount at 1 April 2018.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. The application of HKFRS 9 has had no material impact on the classification and measurement of financial assets on the condensed consolidated financial statements.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including debt investment, trade receivables, other debtors and deposits, contract assets, amounts due from joint operations, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

Impairment under ECL model (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instruments. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables (including trade related amounts due from joint operations) and contract assets. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

Impairment under ECL model (Continued)

Significant increase in credit risk *(Continued)*

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

- an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

Impairment under ECL model (Continued)

Significant increase in credit risk *(Continued)*

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the instruments are more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

Impairment under ECL model (Continued)

Measurement and recognition of ECL *(Continued)*

Interest income is calculated based on the gross carrying amount of the financial assets unless the financial assets are credit impaired, in which case interest income is calculated based on amortised cost of the financial assets.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables (including trade related amounts due from joint operations) and contract assets. Loss allowances for other financial assets at amortised cost mainly comprise of debt investment, other debtors and deposits, non-trade related amounts due from joint operations, pledged bank deposits and bank balances, are measured on 12m ECL basis. For the aforementioned financial assets and contract assets, there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018 and 30 September 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The adoption has not resulted in any additional impairment for financial assets as at 1 April 2018 and 30 September 2018 and the result for the six months ended 30 September 2018.

Except as described above, the application of other amendments to HKFRSs and an interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue is as follows:

	Six months ended	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Civil engineering works	**96,852**	121,813
Service income from trading of construction materials	**561**	–
Consultancy fee income	**–**	11
	97,413	121,824
Time of revenue recognition		
Over time	**96,852**	121,813
At a point in time	**561**	11
	97,413	121,824

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 September 2018

	Civil engineering works *HK$'000*	Trading of construction materials *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue				
External sales	**96,852**	**561**	**–**	**97,413**
Segment profit	**11,891**	**561**	**–**	**12,452**
Unallocated income, other gains and losses				**1,345**
Unallocated administrative expenses				**(12,355)**
Unallocated finance costs				**(58)**
Profit before tax				**1,384**

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the six months ended 30 September 2017

	Civil engineering works *HK$'000*	Trading of construction materials *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue				
External sales	121,813	–	11	121,824
Segment profit	17,811	–	11	17,822
Unallocated income, other gains and losses				1,857
Unallocated administrative expenses				(12,892)
Profit before tax				6,787

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 focuses on types of services provided. During the current interim period, the Group commenced the business in the trading of construction materials, and it is considered as a new operating and reportable segment. For civil engineering works, each individual project constitutes an operating segment, and 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 as "civil engineering works" reportable segment. The management of the Group assesses the performance of the reportable segments 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	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**623**	363
Interest income from debt investment	**105**	–
Rental income from investment property	**–**	33
Dividend income from financial assets at FVTPL	**306**	312
Others	**138**	61
	1,172	769

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	**–**	162
Change in fair value of financial assets at FVTPL, net	**421**	97
Change in fair value of investment property	**–**	40
Net exchange (losses) gains	**(248)**	789
	173	1,088

6. PROFIT BEFORE TAX

	Six months ended	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging:		
Directors' emoluments	**3,544**	3,753
Other staff salaries and other allowances	**24,280**	22,322
Other staff share-based compensation	**–**	310
Other staff retirement benefit scheme contributions	**797**	754
Total staff costs	**28,621**	27,139
Less: amounts included in cost of services	**(20,074)**	(18,581)
	8,547	8,558
Depreciation of property, plant and equipment	**2,321**	1,160
Less: amounts included in cost of services	**(1,838)**	(715)
	483	445
Operating lease rentals in respect of land and buildings	**859**	1,218

7. INCOME TAX EXPENSE

	Six months ended	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Income tax:		
Current period	**1,095**	936
Underprovision in prior periods	**–**	383
	1,095	1,319
Deferred taxation	**(665)**	(8)
	430	1,311

The Group is subjected to Hong Kong Profits Tax at a rate of 16.5% for both periods.

8. 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	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**954**	5,476
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share	**419,818**	420,442

8. EARNINGS PER SHARE *(Continued)*

For the six months ended 30 September 2018, no diluted earnings per share was presented as there were no potential ordinary shares in issue since 31 March 2018.

For the six months ended 30 September 2017, the diluted earnings per share did not assume the effect from the Company's outstanding share options as the exercise price of those options was higher than the average market price for shares during the prior interim period.

9. DIVIDEND

During the current interim period, a final dividend of HK3.5 cents per share in respect of the year ended 31 March 2018 (six months ended 30 September 2017: Nil) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK$14,694,000 (six months ended 30 September 2017: Nil).

No interim dividend was paid, declared or proposed by the Company during the current and prior interim periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent HK$1,058,000 (six months ended 30 September 2017: HK$1,283,000) on property, plant and equipment, mainly including equipment for construction works and motor vehicles.

11. DEBT INVESTMENT/HELD-TO-MATURITY INVESTMENT

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Debt instrument, at amortised cost	**3,500**	3,500

The Group's debt investment/held-to-maturity investment represents a debt instrument that is issued by a company listed on the Stock Exchange, and carries fixed interest at 6% per annum, payable quarterly, and will mature in October 2019.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	30.9.2018
	HK$'000
	(Unaudited)
Contract balance at the end of the reporting period is as follows:	
Civil engineering works	**46,033**
Analysed for reporting purpose as:	
Contract assets	**55,106**
Contract liabilities	**(9,073)**
	46,033

The contract assets primarily relate to the Group's right to consideration for works completed and not billed because the rights are conditional on the Group's future performance in satisfying the respective performance obligations at the reporting date on respective contracts.

As at 30 September 2018, included in contract assets are retention money held by customers for contract works amounted to HK$12,188,000. Retention money is unsecured, interest-free and recoverable at the end of the defect liability period of individual contract, ranging from 1 year to 3 years from the date of the completion of the respective project.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

The following is an aging analysis of retention money which is to be settled, based on the expiry of defect liability period, at the end of each reporting period.

	30.9.2018
	HK$'000
	(Unaudited)
Due within one year	**4,882**
Due after one year	**7,306**
	12,188

The ECL for contract assets is insignificant at the end of the reporting period.

The contract liabilities primarily relate to the Group's obligation to transfer construction contracts to customers for which the Group has received consideration from the customers.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**17,330**	33,616
Retention receivables	**–**	10,686
Other debtors, deposits and prepayments		
— Deposits and prepaid expenses *(Note)*	**17,437**	12,619
— Others	**4,097**	1,030
	38,864	57,951

13. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

Note: As at 30 September 2018, included in deposits and prepaid expenses is a deposit of HK$25,000 (31 March 2018: HK$25,000) which has been placed and pledged to an insurance institution to secure a performance bond issued by that institution to a customer of the Group (note 21) and a rental deposit of HK$191,000 (31 March 2018: HK$165,000) paid to C & P (Holdings) Hong Kong Limited, which is a related company of the Group (note 19).

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

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables:		
0–30 days	**17,330**	15,089
31–60 days	–	17,689
Over 60 days	–	838
	17,330	33,616
Retention receivables:		
Due within one year	–	5,707
Due after one year	–	4,979
	–	10,686

Included in the Group's trade receivables, there is no past due balance as at 30 September 2018 (31 March 2018: HK$838,000). Based on the assessment by the management of the Group, it is considered that the ECL for the trade receivables is insignificant at the end of the reporting period.

14. AMOUNTS DUE FROM JOINT OPERATIONS AND AMOUNTS DUE TO OTHER PARTNERS OF JOINT OPERATIONS

(i) The amounts due from joint operations comprise:

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade related *(Note a)*	**545**	2,939
Non-trade related *(Note b)*	**19,530**	17,035
	20,075	19,974

Notes:

(a) The Group allows a credit period of up to 60 days. The aging analysis of the Group's trade-related amounts due from joint operations based on certification/invoice dates at the end of each reporting period is as follows:

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Due from joint operations:		
0–30 days	**435**	2,939
Over 90 days	**110**	–
	545	2,939

There is no past due balance as at 30 September 2018 (31 March 2018: Nil).

(b) The amounts are unsecured, interest-free and expected to be realised within twelve months from the end of the reporting period.

14. AMOUNTS DUE FROM JOINT OPERATIONS AND AMOUNTS DUE TO OTHER PARTNERS OF JOINT OPERATIONS *(Continued)*

(ii) The amounts due to other partners of joint operations comprise:

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade related *(Note a)*	**9,814**	8,756
Non-trade related *(Note b)*	**3,034**	5,326
	12,848	14,082

Notes:

(a) The credit period on the amounts due to other partners of joint operations is up to 60 days. The aging analysis of the Group's trade-related amounts due to other partners of joint operations based on certification/invoice dates at the end of each reporting period is as follows:

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Due to other partners of joint operations:		
0–30 days	**348**	336
31–60 days	**–**	174
61–90 days	**179**	172
Over 90 days	**9,287**	8,074
	9,814	8,756

(b) The amounts are unsecured, interest-free and expected to be realised within twelve months from the end of the reporting period.

15. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits of the Group are pledged to banks for securing the performance bonds issued by the banks to the Group's customers on behalf of the Group as a guarantee (note 21).

The bank balances comprise cash held by the Group and other short-term bank deposits with an original maturity of three months or less.

16. CREDITORS AND ACCRUED CHARGES

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**21,432**	22,337
Retention payables	**10,822**	8,692
Other payables and accruals		
Accrued wages	**4,394**	251
Accrued operating expenses	**132**	282
Other payables	**645**	1,044
	37,425	32,606

16. CREDITORS AND ACCRUED CHARGES *(Continued)*

The credit period on trade purchases is 30 to 60 days. The aging analysis of the Group's trade payables based on invoice dates at the end of each reporting period is as follows:

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables:		
0–30 days	**17,054**	7,428
31–60 days	**2,011**	8,789
61–90 days	**2,266**	2,510
Over 90 days	**101**	3,610
	21,432	22,337
Retention payables:		
Due within one year	**1,350**	2,790
Due after one year	**9,472**	5,902
	10,822	8,692

17. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 30 September 2018	200,000,000,000	2,000,000
Issued and fully paid:		
At 1 April 2017	420,502,000	4,205
Share repurchased and cancelled	(684,000)	(7)
At 31 March 2018 and 30 September 2018	419,818,000	4,198

18. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**1,438**	1,254
In the second to fifth year inclusive	**925**	–
	2,363	1,254

The leases are generally negotiated for lease terms ranging from 1 to 3 years at fixed rentals.

19. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following transactions with related parties during the current interim period:

Name of related party	Nature of transaction	Six months ended 30.9.2018 HK$'000 (Unaudited)	30.9.2017 HK$'000 (Unaudited)
C&P (Holdings) Hong Kong Limited	Rental expense *(Note)*	**610**	500

Note: C&P (Holdings) Hong Kong Limited is a related company in which a sibling of the directors and a shareholder of the Company own its entire interest.

(ii) Balances and other transactions

Details of balances and other transactions with related parties are set out in notes 13 and 14.

(iii) Compensation of key management personnel

The remuneration of executive directors of the Company and other members of key management was as follows:

	Six months ended 30.9.2018 HK$'000 (Unaudited)	30.9.2017 HK$'000 (Unaudited)
Short term benefits	**6,259**	6,426
Post-employment benefits	**57**	54
	6,316	6,480

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that is measured at fair value on a recurring basis

Held-for-trading non-derivative financial assets are measured at fair value at 30 September 2018. The following table gives information about how the fair value of these financial assets is determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement is categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets that is measured at fair value on a recurring basis *(Continued)*

Financial asset	Fair value as at 30 September 2018 (Unaudited)	Fair value hierarchy	Valuation technique and key input
Financial assets at FVTPL (formerly held-for-trading non-derivative financial assets)	**Listed equity securities in Hong Kong: HK$1,616,000 (31 March 2018: HK$4,416,000)**	Level 1	Quoted bid prices in an active market
Financial assets at FVTPL (formerly held-for-trading non-derivative financial assets)	**Global fund: HK$2,881,000 (31 March 2018: HK$3,413,000)**	Level 2	Quoted prices provided by the fund administrator with reference to the net asset value of the investment fund

There is no transfer between the different levels of the fair value hierarchy during the current interim period.

21. PERFORMANCE BONDS AND CONTINGENT LIABILITY

Certain customers of civil engineering works 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 either by other deposits or pledged bank deposits (notes 13 and 15). The performance bonds are released when the construction contracts are completed or substantially completed.

At the end of each reporting period, the Group had outstanding performance bonds as follows:

	30.9.2018 ***HK$'000*** **(Unaudited)**	31.3.2018 *HK$'000* (Audited)
Issued by the Group's banks	**13,298**	13,298
Issued by an insurance institution	**25**	25
	13,323	13,323