LING YUI HOLDINGS LIMITED
凌 銳 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 784)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 12.7% from approximately HK$331.1 million for the year ended 31 March 2018 to approximately HK$289.2 million for the year ended 31 March 2019.

- Gross profit for the year ended 31 March 2019 was approximately HK$0.9 million as compared with approximately HK$53.0 million for the year ended 31 March 2018.

- Loss attributable to the owners of the Company was approximately HK$20.5 million for the year ended 31 March 2019, as compared with a profit attributable to the owners of the Company of approximately HK$15.2 million for the year ended 31 March 2018.

- Basic loss per share was approximately HK$2.6 cents for the year ended 31 March 2019, as compared with the basic earnings per share of approximately HK$2.2 cents for the year ended 31 March 2018.

- The Board does not recommend the payment of any final dividend for the year ended 31 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**289,212**	331,112
Direct costs		**(288,337)**	(278,078)
Gross profit		**875**	53,034
Other income	6	**1,175**	1,426
Other gains	6	**–**	2,913
Impairment loss allowance of trade receivables and contract assets		**(351)**	(261)
Administrative expenses		**(24,027)**	(21,872)
Listing expenses		**–**	(10,849)
Finance costs	7	**(1,931)**	(1,203)
(Loss)/profit before taxation	8	**(24,259)**	23,188
Income tax credit/(expense)	9	**3,766**	(5,827)
(Loss)/profit and total comprehensive (expense)/income for the year		**(20,493)**	17,361
(Loss)/profit and total comprehensive (expense)/income attributable to:			
Owners of the Company		**(20,493)**	15,187
Non-controlling interests		**–**	2,174
		(20,493)	17,361
(Loss)/earnings per share			
Basic (HK$ cents)	11	**(2.6)**	2.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property and equipment		**64,389**	39,958
Deposits		**3,898**	876
		68,287	40,834
Current assets			
Trade receivables	*12*	**42,842**	24,229
Deposits, prepayments and other receivables		**4,913**	5,189
Tax recoverable		**2,610**	3,579
Amounts due from customers for contract work		–	108,270
Contract assets	*13*	**99,106**	–
Pledged bank deposits		–	3,500
Bank balances and cash		**26,367**	47,722
		175,838	192,489
Current liabilities			
Trade payables	*14*	**60,963**	39,373
Other payables and accrued charges		**27,078**	21,187
Obligations under finance leases		**13,745**	4,599
Amounts due to customers for contract work		–	2,443
Bank borrowings		**31,817**	32,921
		133,603	100,523
Net current assets		**42,235**	91,966
Total assets less current liabilities		**110,522**	132,800
Non-current liabilities			
Deferred tax liabilities		**1,137**	4,973
Obligations under finance leases		**4,531**	981
		5,668	5,954
Net assets		**104,854**	126,846
Capital and reserves			
Share capital	*15*	**8,000**	8,000
Reserves		**96,854**	118,846
Total equity		**104,854**	126,846

1. GENERAL

Ling Yui Holdings Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 24 January 2017 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2017. The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business in Hong Kong of the Company is located at Units 1702-03, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong. The immediate holding company of the Company is Simple Joy Investments Limited ("**Simple Joy**"), which is incorporated in the British Virgin Islands ("**BVI**") with limited liability and is wholly owned by Mr. Lee Kim Ming ("**Mr. Lee**") who is also the executive director of the Company.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in provision of foundation engineering services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Group.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared based on Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("**AG 5**") issued by the HKICPA.

Historically, Mr. Lee owned 100% equity interest in Ming Lee Foundation Company Limited ("**Ming Lee Foundation**") and 50% equity interest in Ming Lee Engineering Company Limited ("**Ming Lee Engineering**"). Remaining 50% equity interest in Ming Lee Engineering are owned by Ms. Yeung Yuen Man ("**Ms. Yeung**"), the spouse of Mr. Lee and Ms. Yeung held the interest of Ming Lee Engineering on behalf of Mr. Lee. On 27 August 2015, Mr. Chan Siu Hung ("**Mr. Chan**") entered into a sale and purchase agreement with Mr. Lee to acquire 10% interest of Ming Lee Foundation at a cash consideration of HK$5,000,000 from Mr. Lee. Upon the completion of the transfer, Mr. Chan owned 10% equity interest in Ming Lee Foundation. Before the reorganisation ("**Reorganisation**") as described below, Ming Lee Engineering and Ming Lee Foundation, the operating subsidiaries, were controlled by Mr. Lee.

In preparation of the listing of the Company's shares on the Stock Exchange (the "**Listing**"), the companies comprising the Group underwent the Reorganisation as described below.

(i) Smart Sage Limited ("**Smart Sage**") was incorporated on 3 January 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of United States Dollar ("**USD**") 1 each. One share of Smart Sage was allotted and issued at par to Simple Joy on 18 January 2017.

(ii) Southern Sun Investment Limited ("**Southern Sun**") was incorporated on 3 January 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of USD 1 each. 90 and 10 shares of Southern Sun were allotted and issued at par to Simple Joy and Simply Marvel Limited ("**Simply Marvel**"), an entity incorporated in the BVI with limited liability and owned by Mr. Chan, respectively, on 18 January 2017.

(iii) The Company was incorporated on 24 January 2017 in the Cayman Islands with limited liability and with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One share of the Company was allotted and issued to the initial subscriber and was subsequently transferred to Simple Joy on 24 January 2017.

(iv) On 22 March 2017, Mr. Lee acquired one share in Ming Lee Engineering from Ms. Yeung, at a cash consideration of HK$1.

(v) On 30 March 2017, Smart Sage acquired entire equity interest of Ming Lee Engineering from Mr. Lee in consideration of the allotment and issue of 9,999 shares of Smart Sage to Simple Joy. Upon the completion of transfer, Ming Lee Engineering became the wholly-owned subsidiary of Smart Sage.

(vi) On 30 March 2017, Southern Sun acquired 90% and 10% equity interest of Ming Lee Foundation from Mr. Lee and Mr. Chan in consideration of the allotment and issue of 8,991 and 999 shares of Southern Sun to Simple Joy and Simply Marvel, respectively. Upon the completion of transfer, Simple Joy owned 90% equity interest in Ming Lee Foundation.

(vii) On 4 December 2017, the Company acquired 90% equity interest in Southern Sun and entire equity interest in Smart Sage in consideration of the allotment and issue of 9,134 shares of the Company to Simple Joy and the Company acquired 10% equity interest in Southern Sun on consideration of the allotment and issue of 865 shares of the Company to Simply Marvel. Upon the completion of the transfer, Southern Sun and Smart Sage became the wholly-owned subsidiaries of the Company.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 4 December 2017 and Ming Lee Foundation and Ming Lee Engineering are controlled by Mr. Lee before and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated financial statements have been prepared under the principles of merger accounting in accordance with the principles of merger accounting in accordance with AG 5 issued by the HKICPA. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 March 2018 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the year ended 31 March 2018 or since their respective dates of incorporation, where there is a shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

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 Hong Kong Accounting Standards ("**HKAS**") 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 HKFRS 15 "Revenue from Contracts with Customers"

In the current year, the Group has applied HKFRS 15 for the first time applying the limited retrospective method with the cumulative effect of initial application recognised at the date of application, 1 April 2018. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations with no material effect on timing and amount of revenues recognised in these consolidated financial statements.

The Group recognises revenue from the foundation engineering services which arise from contracts with customers.

Summary of effects arising from initial application of HKFRS 15

Based on the assessment by the Directors, there is no material impact of transition to HKFRS 15 on accumulated profits at 1 April 2018.

The following adjustments were made to the amounts recognised in the 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	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018*
		HK$'000	*HK$'000*	*HK$'000*
Current assets				
Amounts due from customers for contract work	*a*	108,270	(108,270)	–
Contract assets	*b*	–	108,270	108,270
Current liabilities				
Amounts due to customers for contract work	*a*	2,443	(2,443)	–
Contract liabilities	*b*	–	2,443	2,443

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

Notes:

(a) In relation to construction contracts previously accounted for under HKAS 11, the Group has applied input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. HK$108,270,000 and HK$2,443,000 of amounts due from/to customers for contract work were reclassified to contract assets and contract liabilities respectively. Included in the amounts due from customers for contract work, HK$30,792,000 were retention receivables arising from 19 contracts and conditional on the Group's achieving specified milestones as stipulated in the contracts.

(b) The balance represents net amount of the contract assets and liabilities with each of the relevant contract as at 1 April 2018.

The following tables summarise the impacts of applying HKFRS 15 on the consolidated statement of financial position at 31 March 2019 and its consolidated statement of cash flows for the year then ended for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Notes	As reported	Adjustments	Amounts without application of HKFRS 15
		HK$'000	*HK$'000*	*HK$'000*
Current assets				
Contract assets	*a & b*	99,106*	(99,106)	–
Amounts due from customers for contract work	*a & b*	–	99,106	99,106

Impact on the consolidated statement of cash flows

	Notes	**As reported**	**Adjustments**	**Amounts without application of HKFRS 15**
		HK$'000	*HK$'000*	*HK$'000*
Decrease in contract assets	*a & b*	8,069*	(8,069)	–
Decrease in contract liabilities	*a & b*	(2,443)	2,443	–
Decrease in amounts due from/to customers for contract work, net	*a & b*	–	5,626	5,626

* This amount includes the adjustment of impairment loss allowance of contract assets of HK$1,095,000 upon the application of HKFRS 9.

Notes:

(a) These adjustments mainly relate to balances presented as contract assets and contract liabilities under HKFRS 15 but would have been stated as amounts due from/to customers for contract work.

(b) The balance represents net amount of the contract assets with each of the relevant contracts as at 31 March 2019.

3.2 HKFRS 9 "Financial Instruments"

In the current year, 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 other items 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 under ECL model) 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 are recognised in the opening accumulated profits 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".

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under ECL model

As at 1 April 2018, additional credit allowance of HK$1,499,000 has been recognised against accumulated profits. The additional loss allowance is charged against the respective asset.

The table below illustrates the lifetime ECL of trade receivables and contract assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Trade receivables *HK$'000*	**Amounts due from customers for contract work (prior to the application of HKFRS 15)/ Contract assets (upon the application of HKFRS 15)** *HK$'000*	**Accumulated profits** *HK$'000*
Closing balance at 31 March 2018 – HKAS 39	24,229	108,270	55,609
Effect arising from initial application of HKFRS 9:			
Remeasurement – impairment under ECL model	(188)	(1,311)	(1,499)
Opening balance at 1 April 2018	24,041	106,959	54,110

The Group applies simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. To measure the ECL, the trade receivables and contract assets have been assessed individually. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of refundable deposits, other receivables, pledged bank deposits and bank balances are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Company's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 March 2018 *HK$'000* (Audited)	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	**1 April 2018** ***HK$'000*** **(Restated)**
Current assets				
Trade receivables	24,229	–	(188)	**24,041**
Contract assets	–	108,270	(1,311)	**106,959**
Amounts due from customers for contract work	108,270	(108,270)	–	**–**
Current liabilities				
Contract liabilities	–	2,443	–	**2,443**
Amounts due to customers for contract work	2,443	(2,443)	–	**–**
Capital and reserves				
Accumulated profits	55,609	–	(1,499)	**54,110**

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after 1 January 2021.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after beginning of the first annual period beginning on or after 1 January 2020.

[5] Effective for annual periods beginning on or after 1 January 2020.

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

HKFRS 16 "Leases"

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$325,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK$398,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

5. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the net amounts received and receivable from the foundation engineering services provided by the Group to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these foundation engineering services based on the progress and outcome of the foundation engineering services contracts using input method.

The Group's revenue is solely derived from foundation engineering services in Hong Kong. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("**CODM**") representing the directors of the Company reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's property and equipment amounting to HK$64,389,000 (2018: HK$39,958,000) are all located in Hong Kong by physical location of assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**–***	50,705
Customer B	**186,279**	170,618
Customer C	**37,603**	–*

* Less than 10% of the Group's total revenue for the year

6. OTHER INCOME AND OTHER GAINS

Other income

	2019	2018
	HK$'000	*HK$'000*
Interest income	**115**	15
Income from sale of rock	**165**	974
Sundry income	**895**	437
	1,175	1,426

Other gains

	2019	2018
	HK$'000	*HK$'000*
Gain on disposal of property and equipment	–	2,913

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Finance costs on:		
Obligations under finance leases	**685**	541
Bank borrowings	**1,246**	662
	1,931	1,203

8. (LOSS)/PROFIT BEFORE TAXATION

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,100**	1,000
Depreciation of property and equipment	**9,146**	6,272
Directors' remuneration	**3,141**	2,080
Other staff costs		
Salaries and other benefits	**45,642**	39,986
Retirement benefits scheme contributions	**3,138**	2,750
Total staff costs	**51,921**	44,816
Minimum lease payments under operating leases in respect of:		
– land and buildings	**1,855**	1,852
– machineries and construction equipment	**1,521**	4,146
	3,376	5,998

9. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
	HK$'000	HK$'000
Hong Kong Profits Tax:		
Current tax	**88**	2,634
Overprovision in prior year	**(18)**	(112)
Deferred tax	**(3,836)**	3,305
	(3,766)	5,827

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors of the Company considered the amount involved upon implementation of the two-tiered profits tax regime is insignificant to the consolidated financial statements. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for both years.

10. DIVIDENDS

No dividend was paid or declared during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period.

On 6 December 2017, after the Reorganisation and prior to the Listing, the Company declared dividends of HK$21,881,000 to its then shareholders, with dividends attributable to Mr. Lee approximately HK$19,988,000 are settled through the current account with him.

11. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings

	2019	2018
	HK$'000	*HK$'000*
(Loss)/earnings for the year for the purpose of calculating basic (loss)/earnings per share attributable to owners of the Company	**(20,493)**	15,187

Number of shares

	2019	2018
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**800,000**	696,055

For the year ended 31 March 2018, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue (as described in notes 2 and 15) had been effective on 1 April 2017.

No diluted earnings per share is presented as there was no potential ordinary share outstanding for both years.

12. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**43,858**	24,490
Less: impairment loss allowance	**(1,016)**	(261)
	42,842	24,229

The Group grants credit terms of 7 to 30 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**34,707**	20,854
31 – 60 days	**2,332**	3,375
61 – 90 days	**5,258**	–
91 – 365 days	**–**	261
Over 365 days	**1,561**	–
	43,858	24,490
Less: impairment loss allowance	**(1,016)**	(261)
	42,842	24,229

13. CONTRACT ASSETS

	31 March 2019	1 April 2018*
	HK$'000	*HK$'000*
Contract assets		
Foundation engineering services	**100,201**	108,270
Less: Impairment loss allowance	**(1,095)**	(1,311)
	99,106	106,959

* The amounts in this column are after adjustments upon the application of HKFRS 9 and HKFRS 15.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

14. TRADE PAYABLES

The credit period is 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**35,261**	30,937
31 – 60 days	**17,904**	7,195
Over 60 days	**7,798**	1,241
	60,963	39,373

15. SHARE CAPITAL

The share capital as at 1 April 2017 represented the combined share capital of Ming Lee Foundation and Ming Lee Engineering. The share capital as at 31 March 2018 and 2019 represented the share capital of the Company.

Details of the share capital of the Company are disclosed as follows:

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 April 2017	38,000,000	380
Increase on 4 December 2017 *(note i)*	1,962,000,000	19,620
At 31 March 2018 and 2019	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2017	1	–
Issued of new shares on Reorganisation *(note ii)*	9,999	–
Capitalisation issue *(note iii)*	659,990,000	6,600
Issue of new share upon Listing *(note iv)*	140,000,000	1,400
At 31 March 2018 and 2019	800,000,000	8,000

Notes:

(i) Pursuant to the written resolutions passed by the shareholders on 4 December 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by creation of additional 1,962,000,000 ordinary shares of HK$0.01 each which, upon issue, shall rank pari passu in all aspects with the existing issued ordinary shares.

(ii) On 4 December 2017, the Company acquired 90% equity interest in Southern Sun and entire equity interest in Smart Sage in consideration of the allotment and issue of 9,134 shares of the Company to Simple Joy and the Company acquired 10% equity interest in Southern Sun on consideration of the allotment and issue of 865 shares of the Company to Simply Marvel. Details refer to note 2(vii).

(iii) Pursuant to the written resolutions passed by the shareholders on 4 December 2017, conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK$6,599,900 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par. The capitalisation issue was completed on 28 December 2017.

(iv) On 28 December 2017, 140,000,000 shares of the Company were issued at HK$0.50 per share for a total consideration of HK$70,000,000.

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

16. CONTINGENT LIABILITIES

During the reporting period, Ming Lee Foundation, a wholly owned subsidiary of the Group, received two Writs of Summons (DCCJ 4419/2018 and DCCJ948/2019) from W.M. Contractor Limited ("**W.M. Contractor**") dated 5 October 2018 and 25 February 2019, respectively, which claim Ming Lee Foundation for the overpayment of approximately HK$441,000 and HK$2,001,000, respectively.

On 6 March 2019, W.M. Contractor filed an amended statement of claim which revised the claim for the overpayment of HCA46/2019 (previously in District Court reference DCCJ 4419/2018 to High Court) amounting to approximately HK$4,588,000.

Subsequent to the date of reporting period, on 17 April 2019, Ming Lee Foundation filed a defence and counterclaim to W.M. Construction Limited ("**W.M. Construction**") and W.M. Contractor for HCA46/2019 and DCCJ 948/2019 which claim for amount of approximately HK$4,764,000 and HK$5,536,000 for the outstanding payment of 6 completed construction projects.

The Directors of the Company have fully considered factors including nature of claims, costs of litigation and potential impact on the consolidated financial statements and engaged external legal counsel to consider and assess the litigation strategies and defenses, as well as its impact on the Group. The directors of the Company are of the opinion that the Group has valid grounds to deny the allegations made by the plaintiff and to counterclaim against W.M. Contractor and W.M. Construction. Accordingly, no provision is required to be made in the consolidated financial statements.

The Company will make further disclosure as and when necessary or appropriate based on the progress of the litigation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a Hong Kong-based subcontractor principally providing foundation works including excavation and lateral support works, pile cap works and pile construction, site formation works and other ancillary services such as road and drainage works for foundation projects in the private sector.

For the year ended 31 March 2019, the Group recorded revenue of approximately HK$289.2 million as compared to revenue of HK$331.1 million for the year ended 31 March 2018. The Directors are of the view that the decrease in revenue were primarily due to progress delays in construction projects.

Apart from the above, the Board considered pricing competition could be an unavoidable scene alongside with the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and contractors in the public sector would flow into competition which in turn, would indirectly squeeze the tender prices in the private foundation sector in which the Group mainly engages business. The shrinking profit margin is now become the market trends of the industry, accordingly the Group are willing to tender the projects at lower profit margin to maintain the competitiveness.

OUTLOOK

The Group always strives to improve its operation efficiency and profitability of its business. The Group plans to expand its fleet of machinery and equipment, which will enhance its technical capability to bid future projects. The Group will also proactively seek potential business opportunities that will broaden the sources of income and enhance value to the shareholders. The net proceeds from the share offer of the shares thereby provide financial resources to the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in foundation and site formation works.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 12.7% from approximately HK$331.1 million for the year ended 31 March 2018 to approximately HK$289.2 million for the year ended 31 March 2019. Such decrease was mainly resulted from progress delays in the project in Kwun Tong with contract sum of approximately HK$306.6 million and the project at Island Road with contract sum of approximately HK$45.0 million as the relevant project owners have revised the building plans of the said projects which were pending approval by the relevant government department for a substantial period of time during the year ended 31 March 2019.

Direct Costs

The Group's direct costs for the year ended 31 March 2019 was approximately HK$288.3 million, representing an increase of approximately 3.7% from approximately HK$278.1 million for the year ended 31 March 2018, mainly attributable to additional material cost including steel and concrete expense incurred for the foundation project in Tuen Mun. The direct cost increase also resulted by the additional cost incurred for repairing works due to an incident in relation to a damage of public utilities outside the construction site which happened in February 2019, also there is an increment of construction material consumed in terms of quantify due to ELS works amendment to suit for construction site and significant increase in purchase price of steel and concrete for the project in Wong Chuk Hang.

Gross Profit

The Group's gross profit for the year ended 31 March 2019 was approximately HK$0.9 million, as compared with approximately HK$53.0 million for the year ended 31 March 2018. Such decrease was primarily due to expenses incurred as explained under direct costs.

Administrative Expenses

The Group's administrative expenses for the year ended 31 March 2019 were approximately HK$24.0 million, representing an increase of approximately 9.9% from approximately HK$21.9 million for the year ended 31 March 2018, primarily as a result of the increase in legal and professional fees related to compliance with Listing including compliance advisor fee, company secretary fee, financial printing charges and annual listing fee to the Stock Exchange.

(Loss)/Profit and Total Comprehensive (Expense)/Income attributable to Owners of the Company for the Year

As a result of the foregoing, for the year ended 31 March 2019, the Group recorded a net loss of approximately HK$20.5 million as compared to a net profit of approximately HK$17.4 million for the same period in 2018.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the prospectus of the Company dated 13 December 2017 (the "**Prospectus**") with actual business progress up to 31 March 2019.

Business plan as set out in the Prospectus	Progress up to 31 March 2019
Funding the costs to be incurred in the early stage of three existing foundation works projects	
– Island Road Project	The funding costs of approximately HK$7.9 million was fully utilised.
– Java Road Project	The funding costs of approximately HK$4.2 million was fully utilised.
– Wong Chuk Hang Project	The funding costs of approximately HK$10.8 million was fully utilised.
Strengthening the manpower	
– Employ project management and supervision	The Group has hired 2 assistant quantity surveyors, 6 surveyors, 3 engineers, 2 site agents and 2 project managers.
– Employ machinery operator	The Group has hired 7 machinery operators.
Enhancing the machinery	
– Purchase new machinery	The Group has purchased 20 excavators and 5 cranes and breaker.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the share offer of the Group at the time of Listing, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$52.0 million.

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

	Planned use of proceeds *HK$'000*	Actual use of proceeds from Listing Date to 31 March 2019 *HK$'000*	Unutilised balance as at 31 March 2019 *HK$'000*
Funding the costs to be incurred in the early stage of three existing foundation works projects	22,845	22,845	–
Strengthening the manpower	12,213	7,475	4,738
Enhancing the machinery	12,252	12,252	–
General working capital	4,705	4,705	–
	52,015	47,277	4,738

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Shares were successfully listed on Main Board of the Stock Exchange on 28 December 2017. There has been no change in the capital structure of the Group since the Listing Date, and up to date of this announcement. The capital of the Group only comprises of ordinary shares.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 31 March 2019, the Group had cash and bank balances of approximately HK$26.4 million (2018: HK$47.7 million).

As at 31 March 2019, the Group's total equity attributable to owners of the Company amounted to approximately HK$104.9 million (2018: HK$126.8 million). As of the same date, the Group's total debt, amounted to approximately HK$139.3 million (2018: HK$106.5 million).

BORROWINGS AND GEARING RATIO

As at 31 March 2019, the Group had borrowings of approximately HK$50.1 million which was denominated in Hong Kong dollars (2018: HK$38.5 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 March 2019, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 132.8% (2018: 83.9%).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the report, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2019. There is no other plan or material investments or capital assets as at 31 March 2019.

CHARGE ON GROUP ASSETS

As at 31 March 2019, the Group pledged its machineries and construction equipment with an aggregate net book value of approximately HK$30.6 million (2018: HK$11.6 million) and motor vehicles with an aggregate net book value of approximately HK$0.9 million (2018: HK$1.1 million) to the banks and a financial institution to secure the short-term bank loans and other general banking facilities granted to the Group.

As at 31 March 2019, payment for life insurance policy of approximately HK$3.7 million was pledged to a bank to secure the banking facilities granted to the Group (2018: Nil).

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong dollars which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICIES

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

CONTINGENT LIABILITIES

As at 31 March 2019, the Group's material contingent liabilities was set out in note 16 of notes to the consolidated financial statements (2018: Nil).

COMMITMENTS

As at 31 March 2019, the Group had no material capital commitments in respect of acquisition of property and equipment (2018: HK$2.7 million).

The Group is the lessee in respect of office premises, quarters and warehouses under operating leases. As at 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases were approximately HK$0.3 million (2018: HK$1.7 million).

SEGMENT INFORMATION

The Group principally operated in one business segment, which is the contractors in the foundation and site formation industry.

INFORMATION ON EMPLOYEES

As at 31 March 2019, the Group had 116 full-time employees working in Hong Kong (2018: 110). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including Director's emoluments and mandatory provident funds contributions) for the year ended 31 March 2019 amounted to approximately HK$51.9 million (2018: HK$44.8 million).

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2019 (2018: Nil).

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain high standards of corporate governance, as the Board believes that good and effective corporate governance practices are fundamental to obtain and maintain the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to and safeguarding interest sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules. The Company has fully complied with the CG Code during the year ended to 31 March 2019.

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this announcement, there is no other important event affecting the Group since 31 March 2019 and up to date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the year ended to 31 March 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 4 December 2017. The chairman of the Audit Committee is Mr. Ho Chun Chung Patrick, our independent non-executive Director, and other members included Mr. Chong Kam Fung and Mr. Shi Wai Lim William, our independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

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

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

The Group's consolidated financial statements for the year ended 31 March 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2019 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The Audit Committee of the Company, which comprises three independent non-executive Directors of the Company, had reviewed the audited consolidated financial statements for the year in conjunction with the Group's auditors, Messrs. Deloitte Touche Tohmatsu. Based on this review and discussion with the management of the Company, the Audit Committee was satisfied that the audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position as at 31 March 2019 and the annual results for the year ended 31 March 2019.

By order of the Board
Ling Yui Holdings Limited
Lee Kim Ming
Chairman and Executive Director

Hong Kong, 25 June 2019

As at the date of this announcement, the Board comprises Mr. Lee Kim Ming and Mr. Chan Siu Hung as executive Directors; Mr. Chong Kam Fung, Mr. Ho Chun Chung Patrick and Mr. Shi Wai Lim William as independent non-executive Directors.