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INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the “Board”) of directors (the “Directors”) of AMCO United Holding Limited (the “Company”) announces the unaudited interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018, as follows.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	Unaudited HK\$'000	Unaudited HK\$'000
Revenue	3	45,448	55,203
Cost of sales and services		(33,933)	(44,533)
Gross profit		11,515	10,670
Other income and other gains or losses	4	(3,281)	5,023
Distribution costs		(96)	(73)
Administrative expenses		(23,086)	(12,277)
Finance costs		(1,515)	–
(Loss)/profit before income tax	5	(16,463)	3,343
Income tax credit	6	–	7
(Loss)/profit and total comprehensive income for the period attributable to owners of the Company		(16,463)	3,350
(Loss)/earnings per share			
Basic and diluted	8	HK(0.88) cent	HK0.18 cent

* For identification purposes only

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,001	919
Goodwill	9	2,303	6,379
Intangible assets		5,016	5,016
		<u>9,320</u>	<u>12,314</u>
Current assets			
Inventories		98	145
Held-for-trading investments		21,514	25,218
Trade and other receivables	10	175,886	178,116
Cash and cash equivalents		11,888	18,300
		<u>209,386</u>	<u>221,779</u>
Current liabilities			
Trade and other payables	11	59,944	66,765
Lease liabilities		703	–
		<u>60,647</u>	<u>66,765</u>
Net current assets		<u>148,739</u>	<u>155,014</u>
Total assets less current liabilities		<u>158,059</u>	<u>167,328</u>
Non-current liabilities			
Bond payables		32,153	30,666
Deferred tax liability		827	827
Lease liabilities		709	–
		<u>33,689</u>	<u>31,493</u>
Net assets		<u>124,370</u>	<u>135,835</u>
EQUITY			
Share capital		18,627	18,627
Reserves		105,743	117,208
Total equity		<u>124,370</u>	<u>135,835</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

AMCO United Holding Limited (the “Company”) was incorporated in Bermuda with limited liability on 19 August 1994 as an exempted company under the Companies Act 1981 of Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 28 November 1996.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in (i) manufacture and sale of medical devices products; (ii) manufacture and sale of plastic moulding products; (iii) provision of construction services in building construction, building maintenance and improvement works, project management, renovation and decoration works; (iv) provision of money lending; and (v) investment in securities.

2. Basis of preparation and changes in accounting policies

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

The interim condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at their fair value.

The accounting policies adopted and methods of computation used in the interim condensed consolidated financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018, except for the adoption of new standard as set out below.

In the current interim period, the Group has adopted all the new and revised standard, amendments and interpretation (“new and revised HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2019. Except as described below, the adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior accounting period.

The Group has not early applied any new and revised HKFRSs that are not yet effective for the current period.

The Group has initially adopted HKFRS 16 “Leases” from 1 January 2019 and the Group has changed its accounting policies as a result of adopting the standard. The impact of the adoption of the standard and the nature and effect of the change in accounting policies are further described below.

HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 “Leases” and related Interpretations, which sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the modified retrospective approach under which the cumulative effect of initial application is recognised in opening accumulated losses as at 1 January 2019 and prior period comparatives are not restated. Accordingly, the information presented for 2018 has been presented, as previously reported, under HKAS 17 and related Interpretations.

The amount by which each financial statement line item is affected by the adoption of HKFRS 16 on the date of initial application is shown as follows.

	Carrying amount as at 31 December 2018 HK\$'000	Effect of adoption of HKFRS 16 (note (ii)) HK\$'000	Carrying amount as at 1 January 2019 HK\$'000
Condensed consolidated statement of financial position (extract)			
Right-of-use asset presented in property, plant and equipment	–	638	638
Lease liability	–	(649)	(649)
Accumulated losses (reserves)	298,066	11	298,077

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

(i) Definition of a lease

The Group has elected to apply the practical expedient on transition to HKFRS 16 not to reassess whether a contract is or contains a lease at the date of initial application. Accordingly, the Group has applied HKFRS 16 to contracts previously identified as leases under HKAS 17 and IFRIC 4 “Determining whether an Arrangement contains a Lease” entered into before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the definition of a lease under HKFRS 16 to contracts entered into on or after 1 January 2019.

(ii) *Lessee accounting*

As a lessee, the Group previously classified leases as operating or finance leases. Lease payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease, i.e. these leases were off-balance sheet.

From 1 January 2019, leases (except short-term leases and leases of low-value assets) are recognised as a right-of-use asset and lease liability under HKFRS 16, i.e. the leases are on-balance sheet. Each lease payment is allocated between principal repayment of the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are initially measured at the present value of future lease payments which include fixed payments less any lease incentives. The lease payments are discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Right-of-use assets are initially measured at cost comprising the initial measurement of lease liabilities and any initial direct costs, and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The Group presents right-of-use assets in property, plant and equipment.

Lease payments associated with short-term leases and leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

The Group leases several premises for terms ranging from one to three years, and has classified the leases as operating leases under HKAS 17. On 1 January 2019 (the date of initial application of HKFRS 16), the Group recognised lease liability and right-of-use asset in relation to leases which had previously been classified as operating leases under HKAS 17. The lease liability was measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application of approximately 5.1%.

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	2,178
Discounting using the incremental borrowing rate at the date of initial application	<u>(65)</u>
Discounted operating lease commitments at the date of initial application	2,113
Less: Short-term leases recognised on a straight-line basis as expense	(1,438)
Less: Lease of low-value asset recognised on a straight-line basis as expense	<u>(26)</u>
Lease liability recognised as at 1 January 2019	<u><u>649</u></u>

The associated right-of-use asset was measured on a retrospective basis as if the standard had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset of leased premises recognised at the date of initial application was as follows:

	<i>HK\$'000</i>
Right-of-use asset recognised as at 1 January 2019	<u>638</u>

As a result, on transition to HKFRS 16, the Group recognised additional right-of-use asset and lease liability and recognised the difference in accumulated losses, resulting in an increase in right-of-use asset presented in property, plant and equipment of approximately HK\$638,000, increase in lease liability of approximately HK\$649,000 and increase in accumulated losses of approximately HK\$11,000 as at 1 January 2019.

The Group used the following practical expedients when applying HKFRS 16 for the first time:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use assets of approximately HK\$1,390,000 and lease liabilities of approximately HK\$1,412,000 as at 30 June 2019. During the six months ended 30 June 2019, the Group recognised depreciation of right-of-use assets of approximately HK\$233,000 and interest expense on lease liabilities of approximately HK\$28,000 from these leases.

3. Segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has five (30 June 2018: five) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- (1) Manufacture and sale of medical devices products ("Medical Devices Business");
- (2) Manufacture and sale of plastic moulding products ("Plastic Moulding Business");
- (3) Provision of construction services in building construction, building maintenance and improvement works, project management, renovation and decoration works ("Building Contract Works Business");
- (4) Provision of money lending ("Money Lending Business"); and
- (5) Investment in securities ("Securities Investment").

Inter-segment transactions, if any, are priced with reference to prices charged to external parties for similar products. Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit/loss that is used by the chief operating decision-maker for assessment of segment performance.

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

Six months ended 30 June 2019 (Unaudited)

	Medical Devices Business <i>HK\$'000</i>	Plastic Moulding Business <i>HK\$'000</i>	Building Contract Works Business <i>HK\$'000</i>	Money Lending Business <i>HK\$'000</i>	Securities Investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	17,561	454	21,751	5,682	–	45,448
Reportable segment revenue	<u>17,561</u>	<u>454</u>	<u>21,751</u>	<u>5,682</u>	<u>–</u>	<u>45,448</u>
Timing of revenue recognition						
At a point in time	17,561	454	–	–	–	18,015
Over time	–	–	21,751	5,682	–	27,433
	<u>17,561</u>	<u>454</u>	<u>21,751</u>	<u>5,682</u>	<u>–</u>	<u>45,448</u>
Reportable segment profit/(loss)	<u>1,484</u>	<u>(101)</u>	<u>(5,070)</u>	<u>5,077</u>	<u>(3,705)</u>	<u>(2,315)</u>

Six months ended 30 June 2018 (Unaudited)

	Medical Devices Business <i>HK\$'000</i>	Plastic Moulding Business <i>HK\$'000</i>	Building Contract Works Business <i>HK\$'000</i>	Money Lending Business <i>HK\$'000</i>	Securities Investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	19,547	274	31,137	4,245	–	55,203
Reportable segment revenue	<u>19,547</u>	<u>274</u>	<u>31,137</u>	<u>4,245</u>	<u>–</u>	<u>55,203</u>
Timing of revenue recognition						
At a point in time	19,547	274	–	–	–	19,821
Over time	–	–	31,137	4,245	–	35,382
	<u>19,547</u>	<u>274</u>	<u>31,137</u>	<u>4,245</u>	<u>–</u>	<u>55,203</u>
Reportable segment profit/(loss)	<u>1,556</u>	<u>(283)</u>	<u>(56)</u>	<u>4,093</u>	<u>4,943</u>	<u>10,253</u>

Reportable segment profit/loss represents the profit/loss attributable to each segment without allocation of corporate administrative expenses, corporate directors' emoluments, corporate income, finance costs and income tax credit. This is the measure reported to the chief operating decision-maker for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets and liabilities by reportable segments:

Reportable segment assets and liabilities

	Medical Devices Business <i>HK\$'000</i>	Plastic Moulding Business <i>HK\$'000</i>	Building Contract Works Business <i>HK\$'000</i>	Money Lending Business <i>HK\$'000</i>	Securities Investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2019 (unaudited)						
Reportable segment assets	<u>3,135</u>	<u>279</u>	<u>34,337</u>	<u>139,217</u>	<u>28,293</u>	<u>205,261</u>
Reportable segment liabilities	<u>(5,561)</u>	<u>(635)</u>	<u>(15,501)</u>	<u>(28,814)</u>	<u>–</u>	<u>(50,511)</u>
	Medical Devices Business <i>HK\$'000</i>	Plastic Moulding Business <i>HK\$'000</i>	Building Contract Works Business <i>HK\$'000</i>	Money Lending Business <i>HK\$'000</i>	Securities Investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2018 (audited)						
Reportable segment assets	<u>3,389</u>	<u>614</u>	<u>40,029</u>	<u>136,487</u>	<u>31,997</u>	<u>212,516</u>
Reportable segment liabilities	<u>(10,081)</u>	<u>(790)</u>	<u>(17,103)</u>	<u>(28,799)</u>	<u>–</u>	<u>(56,773)</u>

All assets are allocated to reportable segments other than cash and cash equivalents and corporate assets.

All liabilities are allocated to reportable segments other than bond payables and corporate liabilities.

The following is the Group's reconciliation of reportable segment revenues and profit or loss:

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Reportable segment revenue	<u>45,448</u>	<u>55,203</u>
Consolidated revenue	<u>45,448</u>	<u>55,203</u>
Loss/profit before income tax		
Reportable segment (loss)/profit	(2,315)	10,253
Finance costs	(1,515)	–
Unallocated corporate income	2	4
Unallocated corporate expenses	<u>(12,635)</u>	<u>(6,914)</u>
Consolidated (loss)/profit before income tax	<u>(16,463)</u>	<u>3,343</u>

4. Other income and other gains or losses

	Six months ended 30 June	
	2019	2018
	Unaudited HK\$'000	Unaudited HK\$'000
Exchange gain, net	69	127
Loss on disposal of property, plant and equipment	–	(530)
(Loss)/gain on change in fair value of held-for-trading investments	(3,704)	4,945
Interest income	3	2
Others	351	479
	<u> </u>	<u> </u>
	(3,281)	5,023

5. Loss/profit before income tax

	Six months ended 30 June	
	2019	2018
	Unaudited HK\$'000	Unaudited HK\$'000
Loss/profit before income tax has been arrived at after charging:		
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	6,904	7,232
– Contributions to defined contribution retirement plan	146	170
– Share-based payment expenses	2,505	–
	<u> </u>	<u> </u>
	9,555	7,402
Depreciation of property, plant and equipment	541	329
Amortisation of intangible asset	–	40
Expense relating to short-term leases	512	–
Expense relating to lease of low-value asset	5	–
Operating lease charges in respect of properties	–	433
Impairment loss on goodwill (<i>Note 9</i>)	4,076	–
Net impairment loss on trade and other receivables (<i>Note 10</i>)	482	88
Share-based payment expenses (other than employee costs)	2,504	–
Cost of inventories recognised as expenses	13,822	15,793
Cost of services	19,971	28,452
	<u> </u>	<u> </u>

6. Income tax credit

	Six months ended 30 June	
	2019	2018
	Unaudited HK\$'000	Unaudited HK\$'000
Deferred tax credit – current period	–	7

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No Hong Kong Profits Tax was provided for both periods as the Group did not derive any estimated assessable profits or had sufficient tax losses brought forward to offset against the estimated assessable profits for the periods ended 30 June 2019 and 2018.

7. Interim dividend

No dividends were paid, declared or proposed during the reporting period. The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2019 and 2018.

8. Loss/earnings per share

(a) Basic loss/earnings per share

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

	Six months ended 30 June	
	2019	2018
	Unaudited HK\$'000	Unaudited HK\$'000
Loss/earnings		
(Loss)/profit for the period for the purposes of computation of basic loss/earnings per share	(16,463)	3,350
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue	1,862,679	1,862,679

(b) Diluted loss/earnings per share

Diluted loss/earnings per share was the same as basic loss/earnings per share because there was no potential dilutive ordinary share in issue for the six months ended 30 June 2019 and 2018.

For the six months ended 30 June 2019, the computation of diluted loss per share does not take into account the Company's outstanding share options as at 30 June 2019 as they had an anti-dilutive effect which would result in a reduction in the loss per share.

For the six months ended 30 June 2018, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as at 30 June 2018 as the exercise prices of the share options are higher than the average market price of the shares.

9. Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit (“CGU”) that is expected to benefit from that business combination. The carrying amount of goodwill as at 30 June 2019 and 31 December 2018 relates to a business unit acquired in 2016, as further explained below.

	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
Cost		
At beginning and end of the period/year (<i>Notes (i) & (ii)</i>)	<u>77,558</u>	<u>77,558</u>
Accumulated impairment losses		
At beginning of the period/year (<i>Notes (i) & (ii)</i>)	(71,179)	(67,362)
Impairment loss recognised in the period/year (<i>Note (i)</i>)	<u>(4,076)</u>	<u>(3,817)</u>
At end of the period/year	<u>(75,255)</u>	<u>(71,179)</u>
Net book value at end of the period/year	<u><u>2,303</u></u>	<u><u>6,379</u></u>

Notes:

(i) Building Contract Works Business

At 30 June 2019 and 31 December 2018, goodwill of approximately HK\$10,196,000 relates to the Building Contract Works Business unit, a CGU, acquired as part of the acquisition of ACE Engineering Limited (“ACE Engineering”) in 2016. At 30 June 2019, impairment of goodwill of approximately HK\$7,893,000 was made (31 December 2018: HK\$3,817,000).

The recoverable amount of the CGU, has been determined using cash flow projections to calculate value in use based on estimates and financial budgets approved by the directors of the Company. These projections cover a five-year period, and have been discounted using a pre-tax discount rate of 13.25% (31 December 2018: 13.34%). The cash flows beyond that five-year period have been extrapolated using a growth rate of 3% (31 December 2018: 3%).

All of the assumptions and estimations involved in the preparation of the cash flow projection including budgeted gross margin, discount rate and growth rate are determined by the management of the Group based on past performance, experience and their expectation for future market development.

Based on the assessment, the recoverable amount of the CGU is determined to be approximately HK\$23,244,000 (31 December 2018: HK\$28,326,000). The carrying amount of the CGU has been reduced to the recoverable amount and accordingly, an impairment loss of approximately HK\$4,076,000 (six months ended 30 June 2018: HK\$nil) (Note 5) has been recognised on goodwill in the current period. This impairment loss is primarily due to the performance of this business segment not matching up to management's expectations in first half of 2019 and the business unit's expected performance in second half of 2019 and beyond based on the latest information available. Much of the problem arose due to decrease in awards of projects in both public and private sectors, under the more stringent and competitive market environment of the building construction and maintenance industry during the period. The continuous curtailment of gross profit margin as a result of decrease in awards of projects in the private sector which yielded higher margins in price as well as continuous rise in subcontracting costs resulting from increased labour costs also contributed to the underperformed result of the business segment for the period. The budget/forecast has been revised downward accordingly.

The impairment loss has been included in profit or loss in the administrative expenses.

(ii) Medical Devices Business

At 30 June 2019 and 31 December 2018, goodwill of approximately HK\$67,362,000 relates to the Medical Devices Business unit acquired as part of the acquisition of the Titron Group (as defined and detailed in the Company's circular dated 12 August 2011) in 2011. Owing to the significant and continuous losses incurred by this business unit in prior years, all of the goodwill of approximately HK\$67,362,000 had been impaired as at 31 December 2014.

10. Trade and other receivables

	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
Trade receivables	16,151	15,440
Loss allowance	(502)	(489)
	15,649	14,951
Retention receivables	4,922	6,454
Loss allowance	(22)	(29)
	4,900	6,425
Loan receivables	142,900	139,684
Loss allowance	(3,729)	(3,253)
	139,171	136,431
Other deposits, prepayments and other receivables	16,166	20,309
Total trade and other receivables	175,886	178,116

The Group allows an average credit period of 30 to 90 days (31 December 2018: 30 to 90 days) to its trade customers. The ageing analysis of trade receivables (net of accumulated impairment losses) by invoice date is as follows:

	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
0 to 90 days	12,872	12,335
91 to 180 days	281	187
Over 180 days	2,496	2,429
	15,649	14,951

Retention receivables are derived from the Building Contract Works Business and are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 3 months to 1 year.

The movement in loss allowance for lifetime expected losses that have been recognised for trade and retention receivables during the current period is as follows:

	<i>HK\$'000</i>
Balance as at 31 December 2018	518
Impairment loss recognised	13
Impairment loss reversed	(7)
Balance as at 30 June 2019	524

Loan receivables represent outstanding principals and interest receivables arising from the Money Lending Business of the Group. All of the loan receivables are entered with contractual maturity within 12 months. The Group seeks to maintain strict control over its loan receivables in order to minimise credit risk by reviewing the borrowers' financial positions.

The loan receivables are interest-bearing at rates mutually agreed between the contracting parties, ranging from 6% to 12% per annum (31 December 2018: 6% to 12% per annum). All of the loan receivables were unsecured as at 30 June 2019 and 31 December 2018. The ageing analysis of loan receivables (net of accumulated impairment losses) by due date is as follows:

	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
Not past due	137,434	136,431
Less than 3 months past due	1,737	–
	<u>139,171</u>	<u>136,431</u>

At 30 June 2019 and 31 December 2018, loss allowance for expected credit loss has been made for loan receivables under 12-month expected loss assessment. The movement in loss allowance recognised for loan receivables during the current period is as follows:

	<i>HK\$'000</i>
Balance as at 31 December 2018	3,253
Impairment loss recognised	<u>476</u>
Balance as at 30 June 2019	<u>3,729</u>

11. Trade and other payables

	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
Trade payables	14,547	19,001
Retention payables	2,499	3,418
Contract liabilities	–	715
Accruals and other payables	42,898	43,631
	<u>59,944</u>	<u>66,765</u>

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period.

	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
Within 3 months	12,880	16,923
Over 3 months but within 6 months	270	239
Over 6 months	1,397	1,839
	14,547	19,001

As at 30 June 2019, contract liabilities of HK\$nil (31 December 2018: approximately HK\$715,000) represented payments received in advance that were related to sales of goods not yet delivered to customers arising from the Medical Devices Business and Plastic Moulding Business. Revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was approximately HK\$715,000.

As at 30 June 2019 and 31 December 2018, included in the Group's accruals and other payables are an amount due to Titron Group Holdings Limited ("TGHL") of approximately HK\$1,700,000 and the cash consideration of HK\$7,500,000 payable to the Vendors of Titron Group (as defined and detailed in the Company's circular dated 12 August 2011) arising from the acquisition of Titron Group in 2011. TGHL was one of the Vendors of Titron Group. Titron Group is principally engaged in the Medical Devices Business and the Plastic Moulding Business. One of the shareholders of TGHL, Mr. Yip Wai Lun, Alvin, was a former shareholder and the former Chairman and Managing Director of the Company. The amounts were unsecured, interest-free and repayable on demand as at 30 June 2019 and 31 December 2018.

As at 30 June 2019 and 31 December 2018, included in the Group's accruals and other payables are surety bonds payable in the amount of HK\$28,798,000 which represented several bonded sums received by the Group from a contractor payable to employers of the contractor as security for good performance on the part of the contractor for certain building contract works of the employers. The amounts were unsecured, interest-free and repayable on demand as at 30 June 2019 and 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS, BUSINESS REVIEW AND PROSPECTS

Results

For the six months ended 30 June 2019, AMCO United Holding Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in (i) manufacture and sale of medical devices products (“Medical Devices Business”); (ii) manufacture and sale of plastic moulding products (“Plastic Moulding Business”); (iii) provision of construction services in building construction, building maintenance and improvement works, project management, renovation and decoration works (“Building Contract Works Business”); (iv) provision of money lending (“Money Lending Business”); and (v) investment in securities (“Securities Investment”).

During the period under review, revenue of the Group amounted to HK\$45.5 million, representing a decrease of HK\$9.7 million or 17.6% from HK\$55.2 million for the corresponding period last year. Such a decrease was mainly attributable to the decrease in revenue from the Medical Devices Business and Building Contract Works Business.

Gross profit of the Group was HK\$11.5 million, representing an increase of HK\$0.8 million or 7.5% as compared to HK\$10.7 million for the corresponding period last year. Gross profit margin increased by 5.9 percentage points to 25.3% (30 June 2018: 19.4%), primarily as a result of gross profit margin contributed from the Medical Devices Business and Money Lending Business.

During the period under review, the Group recorded other losses, net of other income and other gains, of HK\$3.3 million, as compared to the other income and other gains, net of other losses, of HK\$5.0 million recorded in the corresponding period last year. Such other losses, net of other income and other gains, were mainly attributable to the unrealised fair value loss of held-for-trading investments arising from the Securities Investment in current period, as compared to the unrealised fair value gain of the held-for-trading investments recorded in the corresponding period of 2018.

The distribution costs amounted to HK\$0.1 million, which remained relatively the same as that for the corresponding period last year. The administrative expenses increased by HK\$10.8 million to HK\$23.1 million (30 June 2018: HK\$12.3 million), representing an increase of 87.8% over the corresponding period last year. Such an increase was mainly attributable to the share-based payment expenses and the impairment loss recognised on goodwill in the current period.

Finance costs amounted to HK\$1.5 million (30 June 2018: HK\$nil) for the period under review, which represented interest on bond payables and lease liabilities.

As a result, the Group recorded loss attributable to owners of the Company of HK\$16.5 million for the period, as compared to HK\$3.4 million profit attributable to owners of the Company for the same period in 2018.

Business Review

Medical Devices Business

For the six months ended 30 June 2019, the Medical Devices Business recorded a revenue of HK\$17.5 million, representing a decrease of 10.7% or HK\$2.1 million as compared to that of HK\$19.6 million in the same period last year, which accounted for 38.5% of the Group's total revenue for the period under review. In the first half of 2019, the economy of the United States of America ("America") has become uncertain, and the Medical Devices Business has faced a decline in sales order from our key customer in America, causing revenue of the Medical Devices Business to decrease during current period.

Segment profit of the Medical Devices Business amounted to HK\$1.5 million for the six months ended 30 June 2019, representing a decrease of HK\$0.1 million or 6.3% as compared to that of HK\$1.6 million in the corresponding period last year. The decrease in segment profit was primarily as a result of the decline in sales order, partially offset by higher margin in price yielded by the medical devices product in current period. To cope with the challenge of fluctuating sales order, the Group is persisting to deploy business strategies of streamlining and outsourcing of business processes, implementing strict cost control and ensuring effective utilisation of resources with an aim to maintain its long-term sustainable competitive advantages in the business segment.

Plastic Moulding Business

The revenue from the Plastic Moulding Business increased by HK\$0.2 million or 66.7% to HK\$0.5 million for the six months ended 30 June 2019, as compared to HK\$0.3 million in the corresponding period last year, which accounted for 1.1% of the Group's total revenue for the period under review. A majority of plastic moulding products have suffered from declined sales orders as relevant customers' end products have reached the end of their product life cycle, causing continuous decline in revenue of the Plastic Moulding Business in recent years. In view of this, the Group has ceased the production of the majority of those products which contributed a relatively low gross profit margin, and has only been accepting small number of production orders of mould fabrication and some products, which have a relatively higher gross profit margin. During the period under review, certain of these products have indicated recoveries of sales orders, causing revenue of the Plastic Moulding Business to increase during current period.

With persistent efforts in the improvement in profit margins of sales orders and cost control in the reduction of distribution costs and administrative expenses, segment loss of the Plastic Moulding Business decreased by 66.7% or HK\$0.2 million to HK\$0.1 million for the period under review, as compared to that of HK\$0.3 million for the corresponding period of 2018. Owing to the continuous losses suffered in recent years, the Group has shifted assets and resources of this segment to other more profitable business units. In spite of this, the Group will monitor its ongoing performance, and will continue the operation of the Plastic Moulding Business as long as it still contributes sufficiently to share appropriate portion of the administration and operation cost of the Group.

Building Contract Works Business

For the six months ended 30 June 2019, revenue from the Building Contract Works Business generated by ACE Engineering Limited (“ACE Engineering”), a wholly-owned subsidiary of the Company, amounted to HK\$21.8 million, representing a decrease of HK\$9.3 million or 29.9% as compared to HK\$31.1 million for the corresponding period of 2018, which contributed 47.9% of the Group’s total revenue for the period under review. The decrease in revenue was primarily due to (i) substantial completion of several significant private contracts during the same period of 2018; and (ii) decrease in awards of projects in both public and private sectors, under the more stringent and competitive market environment of the building construction and maintenance industry during the period. This business recorded a gross profit of HK\$1.8 million (30 June 2018: HK\$2.7 million) and gross profit margin of 8.3% (30 June 2018: 8.7%). The decrease in gross profit margin was primarily attributable to (i) decrease in awards of projects in the private sector which yielded higher margins in price; and (ii) rise in subcontracting costs resulting from increased labour costs. Segment loss of this business increased to HK\$5.1 million for the six months ended 30 June 2019, as compared to that of HK\$0.06 million for the corresponding period of 2018, primarily as a result of (i) decrease in gross profit margin; and (ii) an impairment loss on goodwill of HK\$4.1 million (30 June 2018: HK\$nil) recognised in the current period mainly due to the performance of this business had not matched the anticipation of the management owing to the decrease in awards of projects and continuous curtailment of profit margin resulting in operating loss for the period.

As at 30 June 2019, ACE Engineering had undertaken (i) one building maintenance and/or renovation project from private sector with the contract sum of approximately HK\$8.1 million; and (ii) eight building maintenance and/or renovation projects from the Hong Kong Housing Society and the Hong Kong Housing Authority with the contract sums ranging from approximately HK\$0.6 million to HK\$15.0 million and the aggregate contract sum of approximately HK\$46.8 million. Hence, the aggregate contract sums from both private and public sectors amounted to approximately HK\$54.9 million and the aggregate estimated paid and payable subcontracting fee of those nine existing construction projects undertaken by ACE Engineering was approximately HK\$50.6 million. As at 30 June 2019, approximately HK\$33.4 million of the aggregate contract sums was still outstanding and those nine construction projects were pending to be completed within next two years.

Despite increase in segment loss of the business during the period under review and the stringent market environment of the building construction and maintenance industry, the Group will continue to deploy efforts in tendering for projects in both public and private sectors, particularly projects which yield higher margins in price, and make concerted efforts in controlling and managing contract and operating costs, in order to facilitate improvement in results of this business.

Money Lending Business

For the six months ended 30 June 2019, the Group recorded loan interest income of HK\$5.7 million from its Money Lending Business, representing an increase of HK\$1.5 million or 35.7% as compared to HK\$4.2 million for the corresponding period last year, which accounted for 12.5% of the Group's total revenue for the period under review. Segment profit of the Money Lending Business amounted to HK\$5.1 million (30 June 2018: HK\$4.1 million). The outstanding principal and interest amount of loan receivables as at 30 June 2019 was HK\$142.9 million. Loss allowance for expected credit loss of HK\$3.7 million has been made for loan receivables as at 30 June 2019 under the expected loss model. The Group will continue to develop this business by employing prudent credit control procedures and strategies to hold a balance between the business growth and the risk management.

Securities Investment

During the period under review, the Group recorded no realised gain or loss (30 June 2018: nil) and recorded unrealised loss of HK\$3.7 million (30 June 2018: unrealised gain of HK\$4.9 million) arising on change in fair value of held-for-trading investments of listed equity securities in Hong Kong for the six months ended 30 June 2019. No dividend income was received from the held-for-trading investments during the period under review (30 June 2018: nil). Segment loss of the Securities Investment amounted to HK\$3.7 million (30 June 2018: segment profit of HK\$4.9 million).

As at 30 June 2019, the Group held 8 listed equity securities in Hong Kong with the fair value of HK\$21.5 million. In light of the recent volatile financial market in Hong Kong, the Group intends to diversify its investment portfolio in order to reduce the relevant concentration and investment risks and will closely monitor the performance of this business. The Group will keep adopting a prudent investment attitude and develop its investment strategy with the aim to improve the capital usage efficiency and generate additional investment returns on the idle funds of the Group.

Details of the Group's top two held-for-trading investments, in terms of fair value as at 30 June 2019, are as follows:

Company name/Stock code	% of shareholding as at 30 June 2019	Fair value loss for the period ended 30 June 2019 HK\$'000	Fair value as at 30 June 2019 HK\$'000	% of total assets of the Group as at 30 June 2019
Securities listed in Hong Kong				
China e-Wallet Payment Group Limited ("China e-Wallet") (802) (Note (a))	1.859%	(1,683)	8,160	3.73%
WLS Holdings Limited ("WLS") (8021) (Note (b))	1.359%	(1,171)	8,201	3.75%
Others (Note (c))		(850)	5,153	2.36%
		<u>(3,704)</u>	<u>21,514</u>	<u>9.84%</u>

Notes:

- (a) China e-Wallet is principally engaged in the provision of internet and mobile application and distribution of computer-related and mobile-related electronic products and accessories. As disclosed in the annual report of China e-Wallet for the year ended 31 December 2018, it recorded audited net loss attributable to its owners of HK\$46.8 million for the year ended 31 December 2018. With regards to the future prospects of China e-Wallet, the Directors noted that China e-Wallet will utilise its existing technical knowledge and programmers to diversify its income stream and will continue to work towards, attaining a stable platform for sustainability and basis for continuous growth. By leveraging the knowledge on its interactive virtual reality programming on different business sectors, such as animation and culture, China e-Wallet will continue to explore the potential of these business opportunities and utilise its resources with prudence in the future.
- (b) WLS is principally engaged in the provision of scaffolding and fitting out services, and other services for construction and buildings work, money lending business, securities brokerage and margin financing and securities investment business and assets management business. As disclosed in the annual report of WLS for the year ended 30 April 2019, it recorded audited net loss attributable to its owners of HK\$51.9 million for the year ended 30 April 2019. With regards to the future prospects of WLS, the Directors noted that WLS is prudently optimistic about its prospects. WLS will continue to promote the use of the "Pik Lik" brand scaffolding system to help improve overall efficiency while boosting the revenue and market share of its scaffolding services division. WLS also plans to continue expanding those business segments with higher profit margins and growth potential, such as money lending as well as securities brokerage and margin financing operations, in order to generate significant returns for its shareholders.
- (c) None of these investments represented more than 5% of the total assets of the Group as at 30 June 2019.

Looking ahead, the Directors believe that the future performance of the above investments held by the Group will be volatile and substantially affected by overall economic environment, equity market conditions, investor sentiment and the business performance and development of the investee companies. Accordingly, the Group will continue to maintain a diversified portfolio of investment of various industries to minimise the possible financial risks. Also, the Directors will cautiously assess the performance progress of the investment portfolio from time to time.

Prospects

The year of 2019 will remain challenging facing high level of uncertainty of the economy as well as the ongoing political and social unrest and the volatile financial market in Hong Kong and globally. Building on a diversified business portfolio, the Group will continue its steps to facilitate business development of its business segments by deploying persistent efforts in formulating, reviewing and modifying business strategies of the different businesses in response to the changing market and industry conditions and business performance. The Group will conduct constant and dynamic performance appraisals and assessment to evaluate the ongoing business development, and actively reallocate its assets, funding and labour force to ensure effective and sufficient capital and resources allocation for the different business segments.

In order to better enhance our profit margins as well as to cope with difficulties which may be encountered under the uncertainties in the economy and financial market, the Group will continue to make concerted efforts in achieving effective cost control and working capital management to maintain liquidity, while leveraging its lean organisation structure to boost operation efficiency.

Looking ahead, the Group will seek to optimise its business portfolio by adjusting it to adapt to the changing business climate, trend and environment and correspond to actual business results, while proactively exploring and exploiting every potentially profitable business and investment opportunity as well as new growth potentials, with the ultimate goal of developing its business to generate and maximise shareholders' value and return and maintain sustainable growth and prosperity.

FINANCIAL REVIEW

Capital structure

As of 30 June 2019, the Group's consolidated net asset was approximately HK\$124.4 million, representing a decrease of approximately HK\$11.4 million as compared to that of HK\$135.8 million as at 31 December 2018.

As at 30 June 2019, the Company has 1,862,679,481 ordinary shares of HK\$0.01 each in issue.

Debt structure

The Group's total borrowings from financial institutions were zero as at 30 June 2019 and 31 December 2018. The Group's total cash and bank balances amounted to approximately HK\$11.9 million as at 30 June 2019, which decreased HK\$6.4 million as compared to that of HK\$18.3 million as at 31 December 2018.

The Group's gearing ratio was 17.4% as at 30 June 2019 (31 December 2018: 9.1%). The ratio was determined by net debt, which was defined as total interest-bearing liabilities comprising bond payables and lease liabilities less cash and cash equivalents, over shareholders' equity.

Working capital and liquidity

As at 30 June 2019, the Group's current ratio and quick ratio were 3.5 (31 December 2018: 3.3). Inventory turnover on sales was 0 day (six months ended 30 June 2018: 1 day). Receivable turnover during the period under review was 61 days (six months ended 30 June 2018: 45 days).

Contingent liabilities and charges

The Group had not pledged any assets to secure bank facilities and finance lease obligations as at 30 June 2019 and 31 December 2018. The Group had no material contingent liability as at 30 June 2019 and 31 December 2018.

Foreign currency exposure

The Group's monetary assets, liabilities and transactions are mainly denominated in United States dollars, Renminbi and Hong Kong dollars. Since Hong Kong dollars are pegged to United States dollars and the exchange rate of Renminbi to Hong Kong dollars was relatively stable during the period, the Group's exposure to the potential foreign currency risk was relatively limited.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 46 (31 December 2018: 42) employees. The Group's employees are remunerated largely based on their performance and experience, alongside with the current industry practices. Remuneration packages of employees include salaries, insurance, mandatory provident fund and share option scheme. Other employee benefits include medical cover, housing allowance and discretionary bonuses.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (30 June 2018: nil).

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 30 June 2019, save as disclosed as follows.

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Hengxin was the Chairman and the Managing Director of the Company (the Company regards the role of its managing director to be the same as that of chief executive under the CG Code) during the six months ended 30 June 2019. During the period under review, the Group has been streamlining its operations, including business development, operation efficiency and financial management. The Board considers that it would be in the best interest of the shareholders of the Company (“Shareholders”) that the roles of the Chairman and the Managing Director of the Company be combined to enable a strong and dedicated leadership to reposition the Company and implement effective measures to improve Shareholders’ value. In this light, the Company has maintained Mr. Zhang Hengxin as the Chairman and the Managing Director of the Company. The Company will review the current structure when and as it becomes appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) comprises three Independent Non-executive Directors, namely Mr. Au Yeung Ming Yin Gordon (chairman of the Audit Committee), Mr. Chan Tsz Keung and Mr. Guo Zhenhui. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, and discussed financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2019.

By order of the Board
AMCO United Holding Limited
ZHANG Hengxin
Chairman and Managing Director

Hong Kong, 29 August 2019

As at the date of this announcement, Mr. Zhang Hengxin and Mr. Jia Minghui are the Executive Directors; and Mr. Chan Tsz Keung, Mr. Au Yeung Ming Yin Gordon and Mr. Guo Zhenhui are the Independent Non-executive Directors.