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SAM WOO CONSTRUCTION GROUP LIMITED

三和建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3822)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board of directors of Sam Woo Construction Group Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries for the six months ended 30 September 2021. This announcement, containing the full text of the 2020/21 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results.



CONTENTS

| | <i>Page</i> |
|---|-------------|
| Management Discussion and Analysis | 3 |
| Other Information | 8 |
| Condensed Consolidated Interim Statement of Comprehensive Income | 11 |
| Condensed Consolidated Interim Balance Sheet | 12 |
| Condensed Consolidated Interim Statement of Changes in Equity | 14 |
| Condensed Consolidated Interim Statement of Cash Flows | 15 |
| Notes to the Condensed Consolidated Interim Financial Information | 17 |

The board of directors (the “Board”) of Sam Woo Construction Group Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2021 (the “Period”), together with the comparative figures for the corresponding period in 2020 (the “Previous Period”). These information should be read in conjunction with the annual financial statements for the year ended 31 March 2021.

HIGHLIGHTS

| | 1H 2021/22 | 1H 2020/21 |
|---|--|--|
| Revenue | HK\$217 million | HK\$128 million |
| Loss for the period | HK\$(12) million | HK\$(43) million |
| Loss per share | (0.73) HK cents | (2.55) HK cents |
| | 30 September 2021 | 31 March 2021 |
| Net gearing | N/A | N/A |
| Current ratio | 1.5x | 1.5x |
| Total equity | HK\$619 million | HK\$631 million |
| Aggregate value of major contracts on hand | about HK\$278 million yet to complete | about HK\$448 million yet to complete |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Group Revenue and Profit

The Group's revenue for the Period increased 69% to HK\$217 million (2020: HK\$128 million) which was mainly contributed by three construction projects, including West Kowloon Cultural District, Kwun Tong Commercial Building and East Kowloon Public Housing.

The Group recorded a gross profit of HK\$7 million (2020: gross loss of HK\$40 million) and a net loss of HK\$12 million (2020: a net loss of HK\$43 million) for the Period. The gross profit margin was relatively low despite the increase in contract revenue during the Period. One of the main reasons was the increase in material prices, particularly construction steel which forms a major cost component of foundation works. The market price of steel had risen to its new record during the Period and therefore the Group has increased the material costs for the projects on hand. Another reason attributable to the thin gross profit margin was the extra labour and plant costs incurred by the Group due to idling resulted from the interrupted work programme in a construction site. Accordingly, the gross profit was not enough to cover the overheads of the Group and therefore a net loss was recorded for the Period.

Major Projects

| | As at 30 September 2021 Completion status | Expected Completion Date | Estimated Remaining Contract Value (HK\$) (Note) |
|--------------------------------|--|---|---|
| West Kowloon Cultural District | 91% | 2021 Q4 | 15 million |
| Kwun Tong Commercial Building | 47% | 2022 Q1 | 85 million |
| East Kowloon Public Housing | 29% | 2022 Q1 | 178 million |

Note: The above remaining contract values were determined with reference to internal estimates based on currently available information, and may be subsequently revised.



West Kowloon Cultural District

This project was awarded in about July 2020, with contract value of approximately HK\$138 million. It is a subcontract for bored pile works for integrated basement and underground road of the West Kowloon Cultural District.

This project contributed to about 29% of the Group's revenue for the Period.

Kwun Tong Commercial Building

This is a project awarded in about November 2020, with contract value of approximately HK\$161 million, for bored pile, excavation and lateral support and pile cap works of a proposed commercial building.

This project contributed to about 24% of the Group's revenue for the Period.

East Kowloon Public Housing

This is a new project awarded in about April 2021, with contract value of approximately HK\$250 million, for bored pile and pile cap works of a public housing development.

This project contributed to about 33% of the Group's revenue for the Period.

Other projects

A few other projects contributed to about 14% of the Group's revenue for the Period.

BUSINESS OUTLOOK

As mentioned in the latest Policy Address 2021 delivered by the Chief Executive, the Hong Kong government proposed building a “Northern Metropolis” in Yuen Long and North districts covering a total land area of about 300 square kilometers. The entire project is expected to take 20 years to complete. The new metropolis accounts for more than one quarter of Hong Kong’s land area and is expected to accommodate one-third of the population. It will involve a multitude of new infrastructure projects, such as transportation links, as well as residential and commercial buildings.

In addition, some 330,000 public housing units will be built by 2032 to ease the long waiting time for public housing. The government said that they have secured 350 hectares of land to meet the estimated public housing demand for around 301,000 units in the coming 10-year period.

The Chief Executive said that the government will continue to use infrastructure investment as a key measure to stimulate the pandemic-hit economy and Hong Kong’s annual capital works expenditure is expected to exceed HK\$100 billion in the coming years.

The directors of the Company believe that the above development plans will create huge opportunities for the construction industry over the next decade. However, before the landing of the above-said government efforts, the Group still expects a relatively tough environment in the coming months.

FINANCIAL REVIEW AND ANALYSIS

The Group's financial position remains healthy, with current ratio at 1.5 times (31 March 2021: 1.5 times) and total cash and bank balance amounted to approximately HK\$135 million (31 March 2021: HK\$191 million). Net borrowings were zero (31 March 2021: zero), with the Group in a net cash position as at 30 September 2021.

Administrative Expenses

Administrative expenses were approximately HK\$22 million for the Period (2020: HK\$21 million), which was largely the same as the Previous Period.

Capital Expenditures and Capital Commitments

The Group generally finances its capital expenditures by internally generated resources, long-term bank loans and finance leases. During the Period, the Group invested HK\$7 million in additional machinery and equipment. As at 30 September 2021 and 31 March 2021, the Group did not have capital commitments relating to the purchase of machinery and equipment. During the Period, save as disclosed herein, the Group did not make any material acquisition or disposal of asset.

Liquidity, Financial Resources and Gearing

Liquidity

The Group generally meets its working capital requirements by cash flows generated from its operations and short-term borrowings. During the Period, the Group had a net cash outflow of approximately HK\$11 million used in operating activities (2020: net cash inflow of HK\$27 million). Together with short-term bank loans and overdrafts facilities available, the Group has been financially sound in its daily operations throughout the Period.

Cash and Bank Balances

As at 30 September 2021, the Group had total cash and bank balances of approximately HK\$135 million (31 March 2021: HK\$191 million) mainly denominated in Hong Kong dollars. Cash and bank balances decreased mainly because of the repayment of short-term advance from a director.

Borrowings

As at 30 September 2021, the Group had total borrowings of approximately HK\$122 million (31 March 2021: HK\$107 million) denominated in Hong Kong dollars. Borrowings generally include short-term and long-term bank loans and overdrafts bearing floating interest rates. Of the total borrowings, approximately HK\$101 million (31 March 2021: HK\$97 million) were for short-term bank loans and bank overdrafts and approximately HK\$12 million (31 March 2021: HK\$7 million) were for the current portion of long-term bank loans with maturity dates within 12 months.

Gearing Ratio and Total Equity

As at 30 September 2021, the Group did not have net gearing (net borrowings divided by total equity), instead, it had a net cash position (31 March 2021: same). For the purpose of calculating the Group's net gearing ratio, net borrowings refer to the total borrowings less cash and cash equivalents and restricted bank balances.

The Group's total equity as at 30 September 2021 was approximately HK\$619 million (31 March 2021: HK\$631 million).

Foreign Exchange Exposure

Operations of the Group are mainly conducted in Hong Kong dollars. Its revenue, expenses, cash and bank balances, borrowings, other monetary assets and liabilities are principally denominated in Hong Kong dollars. Other than the purchases paid in Euros and Singapore dollars, the Group was not exposed to any significant foreign currency risk. Furthermore, the Group did not employ any financial instrument for hedging.

Contingent Liabilities

As at 30 September 2021, save for guarantees of performance bonds relating to three foundation works and ancillary services projects of the Group of approximately HK\$50 million, HK\$7 million and HK\$7 million (31 March 2021: approximately HK\$50 million, HK\$18 million and HK\$7 million), the Group did not have any material contingent liabilities. The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

Pledge of Assets

As at 30 September 2021, the net book amount of plant and equipment of approximately HK\$50 million (31 March 2021: HK\$35 million) was pledged for lease liabilities and long-term bank loans, respectively. None of the banking facilities of the Group were secured by the Group's bank deposits (31 March 2021: none).

HUMAN RESOURCES

As at 30 September 2021, the Group had around 276 employees (31 March 2021: 285). The remuneration packages that it offers to employees include salary, discretionary bonus and allowance. In general, the Group determines employees' salaries based on individual qualification, position and performance (where applicable).

OTHER INFORMATION

Disclosure of Interests

At 30 September 2021, the interests and short positions of directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, are as follows:

(a) Directors' interest in the Company:

| Name of director | Number of ordinary shares of HK\$0.0025 each (long position) | Percentage of shareholding | Capacity |
|-------------------|--|----------------------------|--------------------------------------|
| Mr. Lau Chun Ming | 1,200,000,000 | 71.43% | Founder of a discretionary trust |
| Ms. Leung Lai So | 1,200,000,000 | 71.43% | Beneficiary of a discretionary trust |

(b) Directors' interest in associated corporations of the Company:

| Name of director | Name of associated corporation | Percentage of shareholding | Capacity |
|-------------------|--------------------------------|----------------------------|--------------------------------------|
| Mr. Lau Chun Ming | Actiease Assets Limited | 100% | Founder of a discretionary trust |
| Mr. Lau Chun Ming | Silver Bright Holdings Limited | 100% | Founder of a discretionary trust |
| Mr. Lau Chun Ming | SW AA Holdings Limited | 100% | Founder of a discretionary trust |
| Ms. Leung Lai So | Actiease Assets Limited | 100% | Beneficiary of a discretionary trust |
| Ms. Leung Lai So | Silver Bright Holdings Limited | 100% | Beneficiary of a discretionary trust |

So far as the directors are aware, as at 30 September 2021 the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

(c) Substantial shareholders' interests in the Company

| Name of shareholder | Number of shares (long position) | Percentage of shareholding | Capacity |
|--------------------------------|---|---------------------------------------|--------------------------------------|
| Actiease Assets Limited | 1,200,000,000 | 71.43% | Beneficial owner |
| Silver Bright Holdings Limited | 1,200,000,000 | 71.43% | Interest of a controlled corporation |
| SW AA Holdings Limited | 1,200,000,000 | 71.43% | Trustee |

Notes:

- 1,200,000,000 shares were held by Actiease Assets Limited, a company wholly owned by Silver Bright Holdings Limited which is indirectly owned by a discretionary trust of which Ms. Leung Lai So is the beneficiary.
- Silver Bright Holdings Limited is 100% held by SW AA Holdings Limited as trustee of a discretionary trust set up by Mr. Lau Chun Ming.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

Corporate Governance

The Company had complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the Period.

Model Code of Securities Transactions by Directors

All directors confirmed that they complied with the required standards as set out in the Model Code throughout the Period.

Audit Committee

The audit committee, comprising three independent non-executive directors, namely Professor Wong Sue Cheun, Roderick, Mr. Chu Tak Sum and Mr. Ip Tin Chee, Arnold, has reviewed the accounting principles and practice adopted by the Group, and the unaudited consolidated financial statements of the Group for the Period.

On behalf of the Board of
Sam Woo Construction Group Limited
Lau Chun Ming
Chairman

Hong Kong, 25 November 2021

As at the date of this report, the executive directors are Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So; and the independent non-executive directors are Professor Wong Sue Cheun, Roderick, Mr. Chu Tak Sum and Mr. Ip Tin Chee, Arnold.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

| | Note | Unaudited | |
|---|------|------------------|-----------|
| | | 2021 | 2020 |
| | | HK\$'000 | HK\$'000 |
| Revenue from contracts with customers | 5 | 217,031 | 128,472 |
| Cost of sales | 6 | (209,617) | (168,911) |
| Gross profit/(loss) | | 7,414 | (40,439) |
| Other income | 7 | 59 | 9,479 |
| Administrative expenses | 6 | (21,598) | (20,753) |
| Operating loss | | (14,125) | (51,713) |
| Finance income | 8 | 38 | 1,128 |
| Finance costs | 8 | (742) | (769) |
| Finance (costs)/income, net | 8 | (704) | 359 |
| Loss before income tax | | (14,829) | (51,354) |
| Income tax credit | 9 | 2,536 | 8,451 |
| Loss and total comprehensive loss for the period | | (12,293) | (42,903) |
| Loss and total comprehensive loss attributable to equity holders of the Company | | (12,293) | (42,903) |
| | | HK cents | HK cents |
| Basic and diluted loss per share | 10 | (0.73) | (2.55) |

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2021

| | <i>Note</i> | Unaudited 30 September 2021 HK\$'000 | Audited 31 March 2021 HK\$'000 |
|--|-------------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Right-of-use assets | | 17,044 | 13,347 |
| Plant and equipment | 12 | 538,992 | 544,783 |
| Deferred income tax assets | | 1,371 | 1,408 |
| Financial assets at fair value through other comprehensive income | | 20,530 | 20,530 |
| Deposits and prepayments | | 2,029 | 2,155 |
| | | 579,966 | 582,223 |
| Current assets | | | |
| Trade and retention receivables | 13 | 175,894 | 152,749 |
| Deposits, prepayments and other receivables | | 9,049 | 7,214 |
| Income tax recoverable | | 70 | 70 |
| Restricted bank balances | 14 | 3,204 | 3,192 |
| Cash and cash equivalents | | 131,483 | 187,921 |
| | | 319,700 | 351,146 |
| Total assets | | 899,666 | 933,369 |
| EQUITY | | | |
| Share capital | 15 | 4,200 | 4,200 |
| Reserves | | 614,493 | 626,786 |
| Total equity | | 618,693 | 630,986 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 18 | 9,524 | 2,534 |
| Deferred income tax liabilities | | 49,213 | 51,821 |
| Lease liabilities | | 6,796 | 6,364 |
| | | 65,533 | 60,719 |

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30 SEPTEMBER 2021

| | | Unaudited | Audited |
|-------------------------------------|-------------|---------------------|-----------------|
| | | 30 September | 31 March |
| | | 2021 | 2021 |
| | <i>Note</i> | HK\$'000 | <i>HK\$'000</i> |
| Current liabilities | | | |
| Trade and retention payables | 16 | 72,651 | 58,927 |
| Accruals and other payables | 17 | 16,683 | 18,395 |
| Borrowings | 18 | 112,371 | 103,977 |
| Lease liabilities | | 10,427 | 7,104 |
| Income tax payable | | 104 | 69 |
| Amount due to a director | | 3,204 | 53,192 |
| | | 215,440 | 241,664 |
| Total liabilities | | 280,973 | 302,383 |
| Total equity and liabilities | | 899,666 | 933,369 |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

| | Unaudited | | | | | Total <i>HK\$'000</i> |
|---|-------------------------------------|-------------------------------------|--|--------------------------------------|---|--------------------------|
| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Financial assets at fair value through other comprehensive income fair value reserve <i>HK\$'000</i> | Other reserves <i>HK\$'000</i> | Retained earnings <i>HK\$'000</i> | |
| At 1 April 2020 | 4,200 | 194,087 | 370 | 10,500 | 488,770 | 697,927 |
| Comprehensive loss | | | | | | |
| Loss for the period | - | - | - | - | (42,903) | (42,903) |
| Contribution by and distribution to owners | | | | | | |
| Dividends relating to the year ended 31 March 2020 | - | - | - | - | (33,600) | (33,600) |
| At 30 September 2020 | 4,200 | 194,087 | 370 | 10,500 | 412,267 | 621,424 |
| At 1 April 2021 | 4,200 | 194,087 | 780 | 10,500 | 421,419 | 630,986 |
| Comprehensive loss | | | | | | |
| Loss for the period | - | - | - | - | (12,293) | (12,293) |
| At 30 September 2021 | 4,200 | 194,087 | 780 | 10,500 | 409,126 | 618,693 |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

| | | Unaudited | |
|---|-------------|---|---|
| | | Six months ended | |
| | | 30 September | |
| | | 2021 | 2020 |
| | <i>Note</i> | HK\$'000 | <i>HK\$'000</i> |
| Cash flows from operating activities | | | |
| Net cash (used in)/generated from operations | | (9,821) | 24,427 |
| Interest paid | | (500) | (628) |
| Interest received | | 38 | 1,128 |
| Interest element of lease payments | 8 | (230) | (109) |
| Restricted bank balances | 14 | (12) | (32) |
| Hong Kong profits tax refunded | | – | 2,090 |
| | | <hr/> | <hr/> |
| Net cash (used in)/generated from operating activities | | (10,525) | 26,876 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Cash flows from investing activity | | | |
| Purchase of plant and equipment | | (7,133) | (3,978) |
| | | <hr/> | <hr/> |
| Net cash used in investing activity | | (7,133) | (3,978) |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Cash flows from financing activities | | | |
| Drawdown of long-term bank loans | | 16,800 | – |
| Repayment of long-term bank loans | | (5,750) | (4,285) |
| Drawdown of short-term bank loans | | 176,372 | 66,914 |
| Repayment of short-term bank loans | | (152,204) | (114,639) |
| Principal elements of lease payments | | (4,164) | (4,507) |
| Repayment to a director | | (50,000) | – |
| Dividend paid | | – | (33,600) |
| | | <hr/> | <hr/> |
| Net cash used in financing activities | | (18,946) | (90,117) |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

| | Unaudited | |
|---|-------------------------|-----------------|
| | Six months ended | |
| | 30 September | |
| | 2021 | 2020 |
| <i>Note</i> | HK\$'000 | HK\$'000 |
| Net decrease in cash and cash equivalents | (36,604) | (67,219) |
| Cash and cash equivalents at beginning of the period | <u>168,087</u> | <u>207,321</u> |
| Cash and cash equivalents at end of the period | <u>131,483</u> | <u>140,102</u> |
| Analysis of cash and cash equivalents | | |
| Cash and cash equivalents | 131,483 | 142,513 |
| Bank overdraft | <i>18</i> <u>–</u> | <u>(2,411)</u> |
| | <u>131,483</u> | <u>140,102</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in foundation works and ancillary services in Hong Kong and Macau.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated and was approved for issue on 25 November 2021.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and has been prepared under the historical cost convention except for financial assets at fair value through other comprehensive income which are measured at fair values.

2.2 Accounting policies

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2021 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

In the current interim period, the Group has applied, for the first time, the following amendments to HKAS issued by the HKICPA which are relevant to the Group:

| | |
|--|--|
| HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments) | Interest Rate Benchmark Reform – Phase 2 |
| HKFRS 16 (Amendments) | COVID-19 Related Rent Concessions |

The application of the above amendments to existing standards and revised conceptual framework in the current period has no material impact on the Group’s results and financial position.

3 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 March 2021.

During the Period, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and liabilities.

4 Critical accounting estimates and judgements

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the annual financial statements for the year ended 31 March 2021.

5 Revenue from contract with customers and segment information

Revenue from contract with customers, which is also the Group's turnover, represents gross contract receipts on foundation works and ancillary services in the ordinary course of business. Revenue recognised is as follows:

| | Unaudited | |
|---|-------------------------|----------|
| | Six months ended | |
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Foundation works and ancillary services | 217,031 | 128,472 |

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as a single operating segment and review financial information accordingly. Therefore, no segment information is presented.

6 Expenses by nature

| | Unaudited | |
|---|-------------------------|----------|
| | Six months ended | |
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Cost of sales | | |
| Construction contracts costs <i>(note)</i> | 188,659 | 149,153 |
| Depreciation – owned plant and equipment | 12,483 | 14,150 |
| Depreciation – right-of-use assets | – | 97 |
| Repair and maintenance | 8,043 | 4,802 |
| Others | 432 | 709 |
| | 209,617 | 168,911 |
| Administrative expenses | | |
| Staff costs, including directors' emoluments | 8,562 | 8,393 |
| Depreciation – owned plant and equipment | 441 | 363 |
| Depreciation – right-of-use assets | 4,222 | 3,470 |
| Operating leases rental in respect of | | |
| – office and storage premises | 2,580 | 2,374 |
| – directors' quarters | – | 723 |
| Professional fees | 1,445 | 2,048 |
| Exchange losses/(gains) | 212 | (142) |
| Motor vehicle expenses | 1,547 | 1,367 |
| Others | 2,589 | 2,157 |
| | 21,598 | 20,753 |
| Total cost of sales and administrative expenses | 231,215 | 189,664 |

Note:

Construction contract costs included but not limited to costs of construction materials, staff costs, consultancy fee, parts and consumables, subcontracting charges and transportation.

7 Other income

| | Unaudited | |
|--|-------------------------|----------|
| | Six months ended | |
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Other income: | | |
| – Government grant (<i>note</i>) | – | 9,226 |
| – Machinery and equipment leasing income | – | 253 |
| – Other | 59 | – |
| | <hr/> | <hr/> |
| | 59 | 9,479 |
| | <hr/> | <hr/> |

Note:

Government grant recognised during the Previous Period mainly included wage subsidies of HK\$9,047,000 granted from the Hong Kong SAR government's Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from June to September 2020.

8 Finance income and costs

| | Unaudited | |
|--|-------------------------|----------|
| | Six months ended | |
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Finance income: | | |
| – Interest income on bank deposits | 38 | 1,128 |
| | <hr/> | <hr/> |
| Finance costs: | | |
| – Interest expense on bank loans | (493) | (626) |
| – Interest expense on bank overdrafts | (7) | (2) |
| – Interest expense on leases liabilities | (230) | (109) |
| – Interest expense on amount due to a director | (12) | (32) |
| | <hr/> | <hr/> |
| | (742) | (769) |
| | <hr/> | <hr/> |
| Finance (costs)/income, net | (704) | 359 |
| | <hr/> | <hr/> |

9 Income tax credit

Hong Kong profits tax has been provided at the rate of 16.5%, on the estimated assessable profit for the Period and the Previous Period.

| | Unaudited | |
|-----------------------|-------------------------|----------|
| | Six months ended | |
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Hong Kong profits tax | | |
| Current income tax | 34 | 514 |
| Deferred income tax | (2,570) | (8,965) |
| | (2,536) | (8,451) |

10 Loss per share

(a) Basic

Basic loss/earnings per share is calculated by dividing the loss/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods.

| | Unaudited | |
|---|-------------------------|-----------|
| | Six months ended | |
| | 30 September | |
| | 2021 | 2020 |
| Loss attributable to equity holders of the Company (HK\$'000) | (12,293) | (42,903) |
| Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (thousands) | 1,680,000 | 1,680,000 |
| Basic loss per share (HK cents) | (0.73) | (2.55) |

(b) Diluted

Diluted loss/earnings per share is of the same amount as the basic loss/earnings per share as there were no potential dilutive ordinary shares outstanding at Period end.

11 Dividends

The Board resolved not to declare interim dividend for the Period (2020: Nil).

12 Plant and equipment

| | Unaudited Six months ended 30 September | |
|-----------------------------------|--|----------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| At 1 April | 544,783 | 543,671 |
| Transfer from right-of-use assets | – | 7,986 |
| Additions | 7,133 | 3,978 |
| Depreciation | (12,924) | (14,513) |
| | 538,992 | 541,122 |

13 Trade and retention receivables

| | Unaudited 30 September 2021 | Audited 31 March 2021 |
|-----------------------|--|-----------------------------|
| | HK\$'000 | HK\$'000 |
| Trade receivables | 112,906 | 94,591 |
| Retention receivables | 87,997 | 83,167 |
| | 200,903 | 177,758 |
| Less: loss allowance | (25,009) | (25,009) |
| | 175,894 | 152,749 |

The credit period granted to trade customers other than for retention receivables was within 45 to 90 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

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

| | Unaudited 30 September 2021 | Audited 31 March 2021 |
|-----------------|--|-----------------------------|
| | HK\$'000 | HK\$'000 |
| 1 to 30 days | 90,144 | 80,961 |
| 31 to 60 days | – | 7,123 |
| 61 to 90 days | – | 6,507 |
| 91 to 180 days | 1,660 | – |
| 181 to 365 days | 21,102 | – |
| | 112,906 | 94,591 |

As at 30 September 2021 and 31 March 2021, there were no retention receivables which were past due.

14 Restricted bank balances

As at 30 September 2021 and 31 March 2021, restricted bank balances represents a deposit placed by a director.

15 Share capital and reserves

There had been no change in the share capital of the Company during the Period.

16 Trade and retention payables

| | Unaudited 30 September 2021 HK\$'000 | Audited 31 March 2021 HK\$'000 |
|--------------------|---|---|
| Trade payables | 58,745 | 46,581 |
| Retention payables | 13,906 | 12,346 |
| | 72,651 | 58,927 |

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

| | Unaudited 30 September 2021 HK\$'000 | Audited 31 March 2021 HK\$'000 |
|--------------------|---|---|
| 0 to 30 days | 29,037 | 17,596 |
| 31 to 60 days | 3,612 | 8,292 |
| 61 to 90 days | 631 | 3,030 |
| 91 to 180 days | 2,068 | 1,661 |
| 181 to 365 days | 20,668 | 15,151 |
| More than 365 days | 2,729 | 851 |
| | 58,745 | 46,581 |

17 Accruals and other payables

Accruals and other payables mainly represent the accruals and other payables for wages, legal and professional fees and other miscellaneous expenses.

18 Borrowings

| | Unaudited 30 September 2021 HK\$'000 | Audited 31 March 2021 HK\$'000 |
|--|---|---|
| Non-current | | |
| Long-term bank loans | <u>9,524</u> | <u>2,534</u> |
| Current | | |
| Short-term bank loans | 100,867 | 76,699 |
| Current portion of long-term bank loans due for repayment within one year | 11,504 | 7,444 |
| Bank overdraft | <u>–</u> | <u>19,834</u> |
| | <u>112,371</u> | <u>103,977</u> |
| Total borrowings | <u>121,895</u> | <u>106,511</u> |

19 Capital commitments

There were no capital commitments as at 30 September 2021 and 31 March 2021.

20 Related party transactions

Save as disclosed elsewhere in the condensed consolidated interim financial information, the following were carried out with related parties in normal course of business during the Period.

(a) *Rental expenses paid to related companies*

| | Unaudited Six months ended 30 September | |
|--|--|------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Rental expenses paid to: | | |
| Cheer Crown Limited | – | 1,080 |
| East Ascent Enterprise Limited | – | 23 |
| Cheer Profit International Enterprise Limited | – | 23 |
| Long Ascent Development Limited | – | 300 |
| Cheer Wealth International Development Limited | – | 438 |
| Healthy World Investment Limited | <u>–</u> | <u>300</u> |

Rental expenses in respect of storage premises and directors' quarters were paid to companies beneficially owned by certain directors of the Company based on agreements entered into between the parties involved with reference to market rates of similar properties.

20 Related party transactions (continued)

(b) *Purchase of construction materials from a related party*

| | Unaudited Six months ended 30 September | |
|---|--|-----------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Purchase of construction materials from Redland Precast Concrete Products (China) Limited | 2,250 | – |

Purchase of construction materials was paid to a company beneficially wholly-owned by a director of the Company based on the quotation obtained with more competitive price than other suppliers.

(c) *Interest expenses payable to a related party*

| | Unaudited Six months ended 30 September | |
|---|--|-----------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Interest expenses payable to a director | 12 | 32 |

Interest expenses was payable to a director, Mr. Lau Chun Ming, in respect of the amount due to a director.

(d) *Key management compensation*

Key management includes directors (executive and non-executive) of the Group. The compensation paid or payable to key management for employee services is disclosed below.

| | Unaudited Six months ended 30 September | |
|---------------------|--|-----------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Fees | 360 | 360 |
| Salaries | 1,466 | 1,466 |
| Directors' quarters | 1,084 | 1,084 |
| | 2,910 | 2,910 |

(e) *Balance – non-trade*

| | Unaudited 30 September 2021 HK\$'000 | Audited 31 March 2021 HK\$'000 |
|---|---|---|
| Payable to a director: Mr. Lau Chun Ming | 3,204 | 53,192 |

Publication of Results Announcement and Interim Report

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.samwoo-group.com. The interim report will be despatched to the shareholders of the Company and available on the above websites in due course.

On behalf of the Board of
Sam Woo Construction Group Limited
Lau Chun Ming
Chairman

Hong Kong, 25 November 2021

As at the date of this announcement, the executive directors are Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So; and the independent non-executive directors are Professor Wong Sue Cheun, Roderick, Mr. Chu Tak Sum and Mr. Ip Tin Chee, Arnold.