



Sang Hing Holdings (International) Limited 生興控股(國際)有限公司

(incorporated in the Cayman Islands with limited liability)
Stock code: 1472



Interim Report
2022

Contents

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Corporate Governance and Other Information	12
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	17
Condensed Consolidated Statement of Financial Position	18
Condensed Consolidated Statement of Changes in Equity	20
Condensed Consolidated Statement of Cash Flows	21
Notes to the Condensed Consolidated Financial Statements	23

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lai Wai (*Chairman*)

Mr. Lai Ying Wah

Mr. Lai Ying Keung

Non-executive Director

Mr. Fung Chi Kin

Independent non-executive Directors

Mr. Cheung Wai Kwok Gary

Prof. Leung Yee Tak

Mr. Zhang Senquan

Mr. Ho Tai Tung

Ms. Tsang Wing Kiu

AUDIT COMMITTEE

Mr. Zhang Senquan (*Chairman*)

Mr. Cheung Wai Kwok Gary

Prof. Leung Yee Tak

Mr. Ho Tai Tung

Ms. Tsang Wing Kiu

REMUNERATION COMMITTEE

Mr. Cheung Wai Kwok Gary (*Chairman*)

Mr. Zhang Senquan

Mr. Ho Tai Tung

Ms. Tsang Wing Kiu

NOMINATION COMMITTEE

Mr. Lai Wai (*Chairman*)

Prof. Leung Yee Tak

Mr. Ho Tai Tung

Ms. Tsang Wing Kiu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

REGISTERED OFFICE

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 215A-B, 2/F

Central Services Building

Nan Fung Industrial City

No. 18 Tin Hau Road

Tuen Mun, New Territories

Hong Kong

Corporate Information

SUSTAINABLE DEVELOPMENT COMMITTEE

Mr. Fung Chi Kin (*Chairman*)
Prof. Leung Yee Tak
Mr. Zhang Senquan
Ms. Tsang Wing Kiu

INVESTMENT COMMITTEE

Mr. Lai Wai (*Chairman*)
Mr. Au Chun Wing
Mr. Shum Tsz Yeung

COMPANY SECRETARY

Ms. Chang Kam Lai

AUTHORISED REPRESENTATIVES

Mr. Lai Wai
Ms. Chang Kam Lai

LEGAL ADVISER

Khoo & Co.

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Bank of Communications
(Hong Kong) Limited
Industrial and Commercial Bank of China
(Asia) Limited
Bank of China (Hong Kong) Limited
Shanghai Commercial Bank Ltd.

COMPANY WEBSITE

www.sang-hing.com.hk

STOCK CODE

1472

Financial Highlights

	Six months ended 30 September		Decrease %
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	
Revenue	140,464	157,877	11.0
EBITDA	7,385	15,334	51.8
Profit before tax	2,827	9,823	71.2
Profit for the period attributable to owners of the Company	2,356	8,467	72.2
Earnings per share attributable to owners of the Company Basic and diluted (<i>HK cents</i>)	0.24	0.85	71.8

Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of Sang Hing Holdings (International) Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2022, together with the comparative figures for the six months ended 30 September 2021.

BUSINESS REVIEW AND FINANCIAL RESULTS

The Group is an established main contractor with over 20 years of experience specialising in a variety of civil engineering works, including site formation, road and bridge construction, drainage and sewerage construction, watermain installation and slope works in Hong Kong. We are a Group C contractor under the “Site Formation” and “Roads and Drainage” categories with confirmed status and are qualified to tender for public works contracts of any values exceeding HK\$400 million.

For the six months ended 30 September 2022, the Group’s revenue was approximately HK\$140.5 million (2021: approximately HK\$157.9 million), a decrease of 11.0% as compared with the same corresponding period in 2021. The profit attributable to owners of the Company for the six months ended 30 September 2022 was approximately HK\$2.4 million while the profit for the six months ended 30 September 2021 was approximately HK\$8.5 million, representing a decrease of 71.8%, which was mainly due to decrease in revenue from civil engineering works of Projects W52, W55 and W56 and decrease in gross profit margin due to increase in fuel costs, raw material costs, direct wages and subcontracting costs.

Management Discussion and Analysis

Analysis of revenue of each project during the six months ended 30 September 2022 was as follows:

Project Code	Type of works	Location	2022 HK\$'000	2021 HK\$'000
On-going projects				
W55	Development of columbarium and infrastructural works	North District	23,176	52,386
W57	Development of Long Valley Nature Park	North District	51,066	26,260
W58	Construction of sewers and sewerage system	Northern Tuen Mun	16,126	14,626
W59	Site formation and infrastructure works for public housing development	Kam Tin South, Yuen Long	12,761	13,506
W60	Temporary construction waste sorting facilities	Tseung Kwan O and Tuen Mun	30,167	–
Projects completed or substantially completed				
W52	Remaining works of cycle tracks	North District and Tuen Mun District	7,168	15,314
W56	Land decontamination and advance engineering works	North District	–	35,785
Total revenue			140,464	157,877

During the six months ended 30 September 2022, we recognised revenue from 6 projects in total, of which one project was completed. The revenue for the six months ended 30 September 2022 was decreased as compared with the same corresponding period in last year due to decrease in revenue from Projects W52, W55 and W56 in which work progress of Project W52 and W56 was substantially completed during the period.

Management Discussion and Analysis

The gross profit margin for the six months ended 30 September 2022 was 7.5% (2021: 12.2%). Decrease in gross profit margin as compared with the same corresponding period in last year was due to increase in fuel costs, raw material costs, direct wages and subcontracting costs.

Other income and other gain or loss, net for the six months ended 30 September 2022 was amounting to approximately HK\$3.7 million (2021: approximately HK\$1.6 million), representing an increase of 128.5% as compared with the same corresponding period in last year, which was due to increase in government and other subsidies amounting to approximately HK\$2.4 million and management fee income amounting to approximately HK\$1.3 million. During the period, government and other subsidies were mainly received from Employment Support Scheme. As at 30 September 2022, the Group holds financial assets at fair value through profit or loss amounting to approximately HK\$4.6 million (31 March 2022: approximately HK\$7.7 million).

Administrative and operating expenses for the six months ended 30 September 2022 were amounting to approximately HK\$11.3 million (2021: approximately HK\$11.1 million), representing a slightly increase of 2.3% as compared with the same corresponding period in last year.

As at 30 September 2022, prepayments, deposits and other receivables mainly represented amounts paid for insurance and subcontracting fee prepayments, deposits for material purchases, deposits for rental and utilities and other receivables. During the period, prepayments, deposits and other receivables increased by approximately HK\$64.6 million which was mainly due to increase in prepayments, deposit for raw material purchases and other receivables regarding to contra charge due from subcontractors.

Management Discussion and Analysis

OUTLOOK

We expect that the Russia-Ukraine war will continue, the global financial and energy markets will remain volatile and the prices of energy and raw materials will remain high. Geopolitical uncertainties may result in the disruption of the raw material supply chain, which in turn leads to a shortage of supply. Despite the Group's business suffering fewer adverse effects than other industries, we expect our operating cost to remain high and the price will continue to increase in the coming year. The Group will take all reasonable measures to save energy and enhance the efficiency of resource utilisation, so as to control costs.

Looking forward to the second half of the year 2022/2023, the Group will continue to take part in tenders for projects from various government departments more rigorously and actively. Due to the fierce competition in the market and the increased technical requirements of the clients for bidding projects, it has become increasingly more difficult to successfully win bids for projects. We will enhance the Group's bidding advantages and capabilities and strive for more successful bids for projects.

The Group will capitalise its competitive advantages after listing to secure more projects, and to actively participate in bidding for works of the Hong Kong Government to achieve increase revenue. In additions, the Group will also explore various chances in construction industry to create greater value for shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The uses of cash of the Group are mainly for the financing of the operations and working capital requirements. The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers. As at 30 September 2022, the Group had cash and cash equivalents of approximately HK\$28.8 million (31 March 2022: approximately HK\$53.4 million) and pledged bank deposits of approximately HK\$4.1 million (31 March 2022: approximately HK\$6.6 million). The decrease of approximately HK\$24.6 million in cash and cash equivalents was mainly attributable to an increase in trade receivables and prepayments, deposits and other receivables. All of the bank balances were placed with banks in Hong Kong and are denominated in Hong Kong dollars. As at 30 September 2022, the Group had not experienced any liquidity problems in settling its payables in the normal course of business.

Additionally, as at 30 September 2022, the Group had unutilised banking facilities amounting to approximately HK\$76.5 million (31 March 2022: approximately HK\$76.5 million).

Management Discussion and Analysis

There has been no change in the capital structure of the Company during the six months ended 30 September 2022. The capital of the Company only comprises of ordinary shares. As at 30 September 2022, there was a total of 1,000,000,000 shares (31 March 2022: 1,000,000,000 shares) in issue.

GEARING RATIO

As at 30 September 2022, the Group's gearing ratio was approximately 0.5% (31 March 2022: approximately 0.3%). The gearing ratio is calculated by dividing lease liabilities by total equity and expressed as a percentage. With available bank balances and cash, the Directors are of the view that the Group has sufficient liquidity to satisfy the funding requirements.

TREASURY POLICY

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.

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations of the Group were denominated in Hong Kong dollars. There was no exposure to foreign exchange rate fluctuations. As such, no hedging or other arrangements was made by the Group during the six months ended 30 September 2022 and 2021.

SIGNIFICANT INVESTMENTS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 September 2022, the Group did not have any significant investments. Save as those disclosed in the prospectus of the Company dated 28 February 2020 (the "Prospectus"), the Group did not have other future plans for material investments or additions of capital assets.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 September 2022, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

PLEDGE OF ASSETS

As at 30 September 2022, the Group pledged its bank deposits of approximately HK\$4.1 million (31 March 2022: approximately HK\$6.6 million) as securities for the Group's banking facilities (including letter of credit, bank overdrafts and performance bonds). As at 30 September 2022, certain motor vehicles with carrying amounts of approximately HK\$1.5 million (31 March 2022: approximately HK\$0.8 million) were held under finance leases.

CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENTS

As at 30 September 2022, the Group did not have any material capital commitments.

EVENTS AFTER REPORTING PERIOD

No major subsequent events have occurred since the end of the reporting period and up to the date of this report.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2022, the Group had a total of 160 employees (31 March 2022: 189) who were directly employed by the Group in Hong Kong. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$32.7 million for the six months ended 30 September 2022 (2021: approximately HK\$35.5 million).

Management Discussion and Analysis

The remuneration package the Group offered to the employees includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. Share options are also available to the Group's employees. The Group provides various types of trainings to the employees and sponsor the employees to attend various training courses, including those on occupational health and safety in relation to the works. Such training courses include the internal training as well as courses organised by external parties such as the Construction Industry Council and the Occupational Safety and Health Council. The safety officers also provide training to the workers before commencement of works.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Share Offer were approximately HK\$79.8 million after deducting the listing expenses of approximately HK\$45.2 million. As at 30 September 2022, the Group has utilised approximately HK\$74.0 million of the net proceeds. The unutilised portion of the net proceeds is placed in licensed banks in Hong Kong and will be utilised as stated in the Prospectus.

As at 30 September 2022, the net proceeds had been utilised as follows:

Intended use of net proceeds as stated in the Prospectus	Net proceeds available	Utilised amount as at 30 September 2022	Unutilised amount as at 30 September 2022
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Acquisition of additional plant and machinery	58.3	52.5	5.8
Recruitment and retiring additional staff	3.4	3.4	–
Costs for upgrading information technology system	2.9	2.9	–
Additional working capital	15.2	15.2	–
Total	79.8	74.0	5.8

As disclosed above, the actual application of the net proceeds was slower than expected and such delay was mainly due to (i) the impact of the COVID-19 pandemic, which has caused delays in certain of our ongoing projects; (ii) delay of the projects due to inclement weather; and (iii) delay in projects due to clients design changes and/or order in variations. The balance of the unutilised proceeds is expected to be utilised in the financial year ended 31 March 2023.

Corporate Governance and Other Information

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the six months ended 30 September 2022, except for the following deviation:

Under code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of the shareholders. Ms. Tsang Wing Kiu, the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 9 September 2022 due to personal reasons.

Under code provision D.1.2 of the CG Code, the management should provide all members of the Board with monthly updates giving balanced and understandable assessment of the Company’s performance, position and prospects in sufficient details. During the six months ended 30 September 2022, the management has provided all members of the Board updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board.

Corporate Governance and Other Information

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

The Company has made specific enquiries to all the Directors and all the Directors have confirmed their compliance with the Model Code during the six months ended 30 September 2022. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the six months ended 30 September 2022.

CHANGES IN INFORMATION OF DIRECTORS

During the six months ended 30 September 2022 and up to the date of this report, there is no change in information of the Directors or chief executives that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 September 2022 (2021: Nil).

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long position in the issued ordinary shares of the Company (the "Shares")

Name of Director	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Mr. Lai Wai	Interest in a controlled corporation ^(Note 1)	600,000,000	60.0%

Note:

1. Mr. Lai Wai directly holds the entire issued share capital of Worldwide Intelligence Group Limited ("Worldwide Intelligence") and is therefore deemed to be interested in the same number of Shares in which Worldwide Intelligence is interested.

(ii) Long position in the shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Percentage of shareholding
Mr. Lai Wai	Worldwide Intelligence	Beneficial owner	1	100%

Corporate Governance and Other Information

Save as disclosed above, as at 30 September 2022, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 September 2022, the following person (other than the Directors or chief executive of the Company the interests of which were disclosed above) or corporation had interest or short position in the Shares which were required to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or were recorded in the register of the Company required to be kept pursuant to section 336 of the SFO:

Long positions in the Shares

Name of substantial shareholder	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Worldwide Intelligence	Beneficial owner	600,000,000	60.0%
Ms. Dun Xin Chun ^(Note 1)	Interest of spouse	600,000,000	60.0%

Note:

1. Ms. Dun Xin Chun is cohabiting with Mr. Lai Wai as spouse. By virtue of the SFO, Ms. Dun Xin Chun is deemed, or taken to be, interested in all the Shares in which Mr. Lai Wai is deemed to be interested.

Corporate Governance and Other Information

Save as disclosed above, as at 30 September 2022, the Directors were not aware of any person (other than the Directors and the chief executive of the Company) who has an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register of the Company required to be kept pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 29 January 2020.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the date of its adoption and there was no share option outstanding as at 30 September 2022.

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

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) consists of five members, namely, Mr. Cheung Wai Kwok Gary, Prof. Leung Yee Tak, Mr. Zhang Senquan, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu, all being independent non-executive Directors. Mr. Zhang Senquan is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management the Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2022. The Audit Committee is of the view that the applicable accounting standards and requirements have been complied with by the Company and that appropriate disclosure have been made.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2022

		Six months ended 30 September	
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	140,464	157,877
Cost of services		(129,925)	(138,556)
Gross profit		10,539	19,321
Other income and other gain or loss, net	5	3,658	1,601
Administrative and operating expenses		(11,329)	(11,073)
Profit from operations		2,868	9,849
Finance costs	6	(41)	(26)
Profit before tax	7	2,827	9,823
Income tax	8	(471)	(1,356)
Profit and total comprehensive income for the period		2,356	8,467
Profit and total comprehensive income for the period attributable to owners of the Company		2,356	8,467
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>HK cents</i>)	9	0.24	0.85

Condensed Consolidated Statement of Financial Position

At 30 September 2022

	Notes	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	20,353	25,040
Right-of-use assets		1,649	1,041
Contract assets	13	2,385	2,736
		24,387	28,817
Current assets			
Trade receivables	12	51,943	35,658
Contract assets	13	90,525	160,647
Prepayments, deposits and other receivables	14	152,221	87,622
Financial assets at fair value through profit or loss		4,558	7,722
Pledged bank deposits		4,140	6,639
Cash and cash equivalents		28,845	53,448
		332,232	351,736
Current liabilities			
Trade and retention payables	15	21,621	35,981
Other payables and accruals	16	7,033	7,253
Tax payable		611	5,900
Contract liabilities		1,256	7,579
Lease liabilities		735	575
		31,256	57,288
Net current assets		300,976	294,448
Total assets less current liabilities		325,363	323,265

Condensed Consolidated Statement of Financial Position

At 30 September 2022

	<i>Notes</i>	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		4,483	5,109
Lease liabilities		743	375
		5,226	5,484
Net assets			
		320,137	317,781
Capital and reserves			
Share capital	17	10,000	10,000
Reserves		310,137	307,781
Total equity attributable to owners of the Company			
		320,137	317,781

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note)	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2021 (audited)	10,000	91,979	21,149	182,678	305,806
Profit and total comprehensive income for the period	-	-	-	8,467	8,467
At 30 September 2021 (unaudited)	10,000	91,979	21,149	191,145	314,273
At 1 April 2022 (audited)	10,000	91,979	21,149	194,653	317,781
Profit and total comprehensive income for the period	-	-	-	2,356	2,356
At 30 September 2022 (unaudited)	10,000	91,979	21,149	197,009	320,137

note: Other reserve represented the difference between the Group's share of nominal values of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon the corporate reorganisation of the Group in preparation for the listing.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Operating activities		
Profit before tax	2,827	9,823
Adjustments for:		
Depreciation of property, plant and equipment	4,165	5,054
Depreciation of right-of-use assets	352	431
Bank interest income	(3)	(30)
Finance costs	41	26
Net loss/(gain) on disposal of financial assets at fair value through profit or loss	573	(709)
Unrealised loss on financial assets at fair value through profit or loss	165	872
Loss on disposal of property, plant and equipment	60	5
Allowance for expected credit losses on financial assets at amortised cost	526	144
Operating cash inflow before movements in working capital	8,706	15,616
Increase in trade receivables	(37,195)	(19,903)
Decrease/(increase) in contract assets	69,468	(22,212)
Increase in prepayments, deposits and other receivables	(58,471)	(9,552)
(Decrease)/increase in trade and retention payables	(6,714)	10,680
Increase/(decrease) in other payables and accruals	1,783	(535)
Increase in contract liabilities	1,998	4,767
Cash used in operations	(20,425)	(21,139)
Hong Kong tax paid	(6,011)	(142)
Net cash used in operating activities	(26,436)	(21,281)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Investing activities		
Interest received	3	30
Purchases of property, plant and equipment	(2,694)	(2,214)
Proceeds from disposal of property, plant and equipment	72	2
Purchases of financial assets at fair value through profit or loss	–	(30,012)
Proceeds from disposal of financial assets at fair value through profit or loss	2,426	32,760
Withdrawal of pledged bank deposit	2,499	–
Net cash generated from investing activities	2,306	566
Financing activities		
Repayment of lease liabilities	(432)	(436)
Interest paid	(41)	(26)
Net cash used in financing activities	(473)	(462)
Net decrease in cash and cash equivalents	(24,603)	(21,177)
Cash and cash equivalents at beginning of the period	53,448	74,907
Cash and cash equivalents at end of the period	28,845	53,730
Analysis of balances of cash and cash equivalents		
Cash and bank balances	28,845	53,730

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 25 June 2018 and its shares have been listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 March 2020 by way of share offer at a price of HK\$0.5 each upon Listing (the “**Share Offer**”). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 215A-B, 2/F, Central Services Building, Nan Fung Industrial City, No. 18 Tin Hau Road, Tuen Mun, New Territories, Hong Kong, respectively.

The Company’s immediate and ultimate holding company is Worldwide Intelligence Group Limited (“**Worldwide Intelligence**”), a company incorporated in the British Virgin Islands. Worldwide Intelligence is controlled by Mr. Lai Wai who is the chairman and executive director of the Company. Worldwide Intelligence and Mr. Lai Wai are referred to as the controlling shareholders of the Company.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of civil engineering works service and related services.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. All values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have 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**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 March 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

3. REVENUE

The Group's revenue represents the amount received and receivable for revenue arising on civil engineering works services and related services which is recognised over time.

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from civil engineering works	140,464	157,877

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

4. SEGMENT INFORMATION

(i) Operating segment information

The Group's most senior executive management has been identified as the executive directors who review the Group's internal reporting in order to assess performance and allocate resources. The Group's most senior executive management has determined the operating segments based on these reports.

The Group's most senior executive management assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the business of civil engineering works service and construction related services in Hong Kong. Information reported to the Group's most senior executive management for the purpose of resources allocation and performance assessment, focuses on the operating result of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating and geographical segment information is presented.

(ii) Information about major customers

Revenue from customers during the six months ended 30 September 2022 and 2021 contributing individually over 10% of the Group's revenue is as follows:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	124,338	143,251
Customer B	16,126	N/A*

* Revenue from Customer B does not contribute over 10% of the total revenue of the Group for the six months ended 30 September 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

5. OTHER INCOME AND OTHER GAIN OR LOSS, NET

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	3	30
Government and other subsidies (note (i))	2,716	363
Management fee income	1,436	128
Net (loss)/gain on disposal of financial assets at fair value through profit or loss	(573)	709
Loss on disposal of property, plant and equipment	(60)	(5)
Dividend income from listed equity securities	124	340
Sundry income	12	36
	3,658	1,601

Notes:

- (i) During the six months ended 30 September 2022, the Group recognised government subsidies of approximately HK\$2,514,000 (six months ended 30 September 2021: HK\$Nil) in respect of COVID-19 related subsidies, of which approximately HK\$2,336,000 (six months ended 30 September 2021: HK\$Nil) related to Employment Support Scheme and approximately HK\$178,000 (six months ended 30 September 2021: HK\$Nil) was related to the Anti-Epidemic Fund Scheme provided by the Government of the Hong Kong Special Administrative Region ("Government"). The amount of approximately HK\$23,000 (six months ended 30 September 2021: HK\$Nil) related to other subsidy provided by Construction Industry Council. The amount of approximately HK\$179,000 (six months ended 30 September 2021: HK\$363,000) related to other subsidy under EX-Gratia Payment Scheme provided by the Government. There are no unfulfilled conditions or contingencies relating to these subsidies.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

6. FINANCE COSTS

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on bank overdrafts	13	7
Interest on lease liabilities	28	19
	41	26

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Auditor's remuneration	250	850
Depreciation		
– Depreciation of property, plant and equipment	4,165	5,054
– Depreciation of right-of-use assets	352	431
Less: amounts included in cost of services	(3,821)	(4,407)
	696	1,078
Staff costs (excluding directors' remuneration)		
– Wages, salaries, allowance and bonus	31,080	33,625
– Retirement benefits schemes contributions	1,026	1,202
	32,106	34,827
Less: amounts included in cost of services	(27,328)	(30,621)
	4,778	4,206
Allowance for expected credit losses on financial assets at amortised cost	526	144
Short-term lease expenses	449	255
Unrealised loss on financial assets at fair value through profit or loss	165	872

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

8. INCOME TAX

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the British Virgin Islands as they are not subject to any tax during the period.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2021: 16.5%) of the estimated assessable profits arising in Hong Kong during the period.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Provision for Hong Kong profits tax:		
– Current tax	722	2,099
Deferred taxation	(251)	(743)
Tax charge for the period	471	1,356

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of approximately HK\$2,356,000 (six months ended 30 September 2021: approximately HK\$8,467,000) and the weighted average number of ordinary shares of the Company in issue during the periods is calculated as follows:

	Six months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,000,000,000	1,000,000,000

No dilutive earnings per share is presented as there was no potential dilutive ordinary shares in issue during both periods.

10. DIVIDENDS

The Board did not declare the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group's acquired property, plant and equipment at a total cost of approximately HK\$2,694,000 (six months ended 30 September 2021: approximately HK\$2,214,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

12. TRADE RECEIVABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade receivables	51,943	35,658

The average credit period on construction works is 30 days.

An aging analysis of trade receivables as at the end of the reporting period, based on the invoice date. The analysis below is net of allowance for expected credit losses:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
0-30 days	51,943	35,658

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

13. CONTRACT ASSETS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Unbilled receivables (note (i))	83,250	153,649
Retention receivables (note (ii))	9,660	9,734
	92,910	163,383
Less: non-current portion of retention receivables	(2,385)	(2,736)
	90,525	160,647

notes:

- (i) Unbilled receivables included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.
- (ii) Retention receivables included in contract assets represents the Group's right to consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over the maintenance period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically after the expiry date of the maintenance period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Prepayments (note(a))	70,659	53,016
Deposits (note(b))	11,746	2,750
Other receivables (note(c))	57,896	30,438
Amount due from other joint operator of a joint operation (note(d))	12,972	1,891
	153,273	88,095
Less: allowance for expected credit losses	(1,052)	(473)
	152,221	87,622

notes:

- (a) As at 30 September 2022, the prepayments mainly represent subcontractor charge of amount approximately HK\$66,532,000 (31 March 2022: approximately HK\$45,025,000) which were prepaid to independent third parties.
- (b) As at 30 September 2022, the deposits mainly include the amount of deposit for materials of approximately HK\$9,501,000 (31 March 2022: HK\$Nil).
- (c) As at 30 September 2022, included in the other receivables was an aggregate amount of approximately HK\$57,590,000 (31 March 2022: approximately HK\$30,109,000) representing the contra charges paid on behalf of and advance payment to the subcontractors.
- (d) The amount due from other joint operator of a joint operation is unsecured, interest-free and recoverable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

15. TRADE AND RETENTION PAYABLES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables	17,580	27,512
Retention payables	4,041	8,469
	21,621	35,981

The credit period on trade payables is up to 60 days. Aging analysis of trade payables at the end of each reporting period, based on invoice dates, is as follows:

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
0-30 days	7,957	11,070
31-60 days	2,122	2,557
61-90 days	1,636	3,111
Over 90 days	5,865	10,774
	17,580	27,512

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

16. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Other payables and accruals	1,935	1,618
Accrued staff costs	4,598	5,135
Employee benefit obligations	500	500
	7,033	7,253

17. SHARE CAPITAL

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

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2021 (audited), 31 March 2022 (audited), 1 April 2022 (audited) and 30 September 2022 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2021 (audited), 31 March 2022 (audited), 1 April 2022 (audited) and 30 September 2022 (unaudited)	1,000,000,000	10,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy as at 30 September 2022 (Unaudited)

Financial assets	Fair value as at 30 September 2022	Fair value hierarchy	Valuation technique and key input
Financial assets at fair value through profit or loss – Held for trading-listed equity securities	HK\$4,558,000	Level 1	Quoted bid price in an active market

Fair value hierarchy as at 31 March 2022 (Audited)

Financial assets	Fair value as at 31 March 2022	Fair value hierarchy	Valuation technique and key input
Financial assets at fair value through profit or loss – Held for trading-listed equity securities	HK\$7,722,000	Level 1	Quoted bid price in an active market

There were no transfer between Level 1, 2 and 3 for the six months ended 30 September 2022 and year ended 31 March 2022.

The directors of the Company consider the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

19. MATERIAL RELATED PARTIES TRANSACTIONS

Material related party transactions identified during the periods are summarised as follows:

a) Recurring transactions

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on lease liabilities to Mr. Lai Wai	2	8

- b) On 8 June 2021, the Company entered into a provisional sale and purchase agreement (the “**Provisional Agreement**”) with Mr. Lai Wai, an executive Director and the controlling shareholder of the Company, pursuant to which, the Company agreed to purchase and Mr. Lai Wai agreed to sell a property at a consideration of HK\$6.0 million. The acquisition constitutes a connected transaction. As at 30 September 2021, a deposit of HK\$600,000 had been paid to Mr. Lai Wai. On 30 December 2021, the Company entered into a termination agreement with Mr. Lai Wai pursuant to which the Company and Mr. Lai Wai agreed to mutually terminate the Provisional Agreement. Upon termination of the Provisional Agreement, Mr. Lai Wai has refunded the sum of HK\$600,000 being the deposit and additional compensation of HK\$600,000 to the Company, the obligations and liabilities of both parties in relation to the Provisional Agreement were released.

c) Key management personnel remuneration

The emoluments of the directors and senior management of the Group, who represent the key management personnel during the periods are as follows:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries, fees and allowances	3,878	3,780
Retirement benefit	63	63
	3,941	3,843