

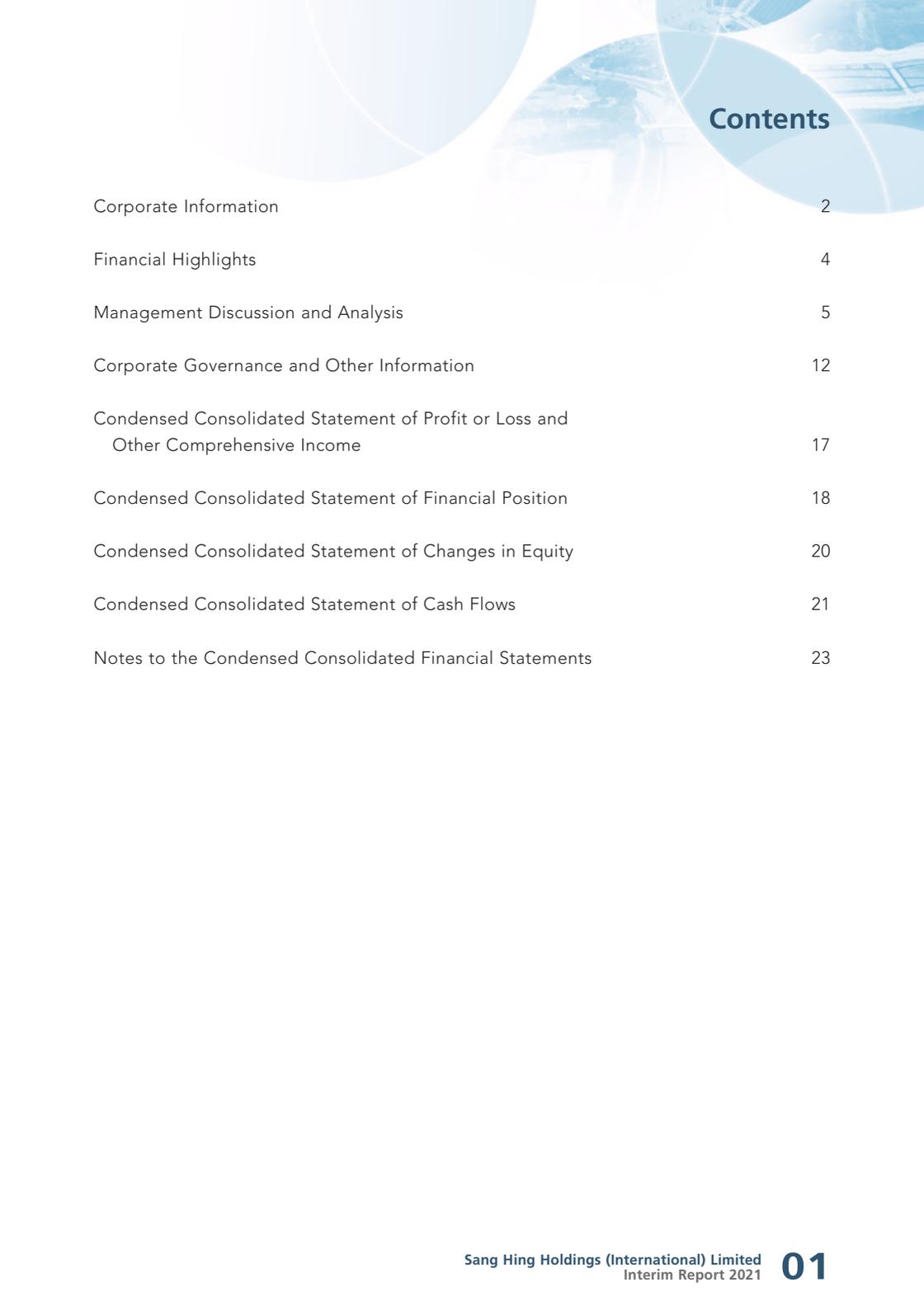


Sang Hing Holdings (International) Limited 生興控股(國際)有限公司

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



Interim Report
2021



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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

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

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

Corporate Information

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
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

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

LEGAL ADVISER

As to Hong Kong law
Khoo & Co.
15th & 16th Floor
Tern Centre, Tower 2
251 Queen's Road Central
Hong Kong

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		
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	Decrease %
Revenue	157,877	236,394	33.2
EBITDA	15,334	28,113	45.5
Profit before tax	9,823	23,732	58.6
Profit for the period attributable to owners of the Company	8,467	19,668	57.0
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>HK cents</i>)	0.85	1.97	56.9

EBITDA is defined as profit before finance costs, taxation and depreciation.

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 2021, together with the comparative figures for the six months ended 30 September 2020.

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 2021, the Group’s revenue was approximately HK\$157.9 million (2020: approximately HK\$236.4 million), a decrease of 33.2% as compared with the same corresponding period in 2020. The profit attributable to owners of the Company for the six months ended 30 September 2021 was approximately HK\$8.5 million while the profit for the six months ended 30 September 2020 was approximately HK\$19.7 million, representing a decrease of 57.0%, which was mainly due to decrease in revenue from civil engineering works of Projects W52 and W56 and decrease in income from government and other subsidies and net gain on disposal of financial assets at fair value through profit or loss during the period.

Management Discussion and Analysis

Analysis of revenue of each project during the six months ended 30 September 2021 was as follows:

Project Code	Type of works	Location	2021 HK\$'000	2020 HK\$'000
On-going projects				
W55	Development of columbarium and infrastructural works	North District	52,386	56,295
W56	Land decontamination and advance engineering works	North District	35,785	100,177
W57	Development of Long Valley Nature Park	North District	26,260	33,219
W58	Construction of sewers and sewerage system	Northern Tuen Mun	14,626	—
W59	Site formation and infrastructure works for public housing development	Kam Tin South, Yuen Long	13,506	—
Projects completed or substantially completed				
W46	Construction of sewage pumping station and associated sewage works	Tuen Mun District	—	855
W49	Construction of sewers and sewerage system	Tuen Mun District	—	6,208
W52	Remaining works of cycle tracks	North District and Tuen Mun District	15,314	39,398
W54	Temporary construction waste sorting facilities	Sai Kung District and Tuen Mun District	—	242
Total revenue			157,877	236,394

During the six months ended 30 September 2021, we recognised revenue from 6 projects in total, of which one project was completed. The revenue for the six months ended 30 September 2021 was decreased as compared with the same corresponding period in last year due to decrease in revenue from Projects W52 and W56 in which work progress of Project W52 was substantially completed during the period.

Management Discussion and Analysis

The gross profit margin for the six months ended 30 September 2021 was 12.2% (2020: 10.3%). Increase in gross profit margin as compared with the same corresponding period in last year was due to higher profit margin works and orders performed by Projects W57, W58 and W59.

Other income and net gain for the six months ended 30 September 2021 was amounting to approximately HK\$1.6 million (2020: approximately HK\$10.6 million), representing a decrease of 84.9% as compared with the same corresponding period in last year, which was due to decrease in government and other subsidies amounting to approximately HK\$5.2 million and net gain on disposals of financial assets at fair value through profit or loss amounting to approximately HK\$3.4 million. During the both periods, government and other subsidies were mainly received from Employment Support Scheme and net gain on disposals of financial assets at fair value through profit or loss was derived from trading of equity securities listed in Hong Kong. As at 30 September 2021, the Group holds financial assets at fair value through profit or loss amounting to approximately HK\$8.6 million (31 March 2021: approximately HK\$11.5 million).

Administrative and operating expenses for the six months ended 30 September 2021 were amounting to approximately HK\$11.1 million (2020: approximately HK\$11.4 million), representing a slightly decrease of 2.9% as compared with the same corresponding period in last year, which was mainly due to decrease in staff costs. During the interim period of 2020, staff costs included payment of one-off bonuses to our staff but not included in the same corresponding period of 2021.

As at 30 September 2021, prepayments, deposits and other receivables mainly represented amounts paid for insurance and subcontracting fee prepayments, deposits for material purchases, deposits for rental and utilities, deposits for acquisition of plant and machinery and other receivables. During the period, prepayments, deposits and other receivables increased by approximately HK\$9.4 million which was mainly due to increase in amount due from other joint operator of a joint operation.

Management Discussion and Analysis

OUTLOOK

Looking forward the second half of year 2021/2022, 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 by the clients for bidding projects, it has become difficult and progressively 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 capitalize 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 2021, the Group had cash and cash equivalents of approximately HK\$53.7 million (31 March 2021: approximately HK\$74.9 million) and pledged bank deposits of approximately HK\$6.6 million (31 March 2021: approximately HK\$6.6 million). The decrease of approximately HK\$21.2 million in cash and cash equivalents was mainly attributable to an increase in trade receivables and contract assets. All of the bank balances were placed with banks in Hong Kong and are denominated in Hong Kong dollars. As at 30 September 2021, the Group had not experienced any liquidity problems in settling its payables in the normal course of business.

There has been no change in the capital structure of the Company during the six months ended 30 September 2021. The capital of the Company only comprises of ordinary shares. As at 30 September 2021, there was a total of 1,000,000,000 shares (31 March 2021: 1,000,000,000 shares) in issue.

Management Discussion and Analysis

GEARING RATIO

As at 30 September 2021, the Group's gearing ratio was approximately 0.2% (31 March 2021: approximately 0.2%). 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 2021 and 2020.

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

As at 30 September 2021, 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 2021, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

PLEDGE OF ASSETS

As at 30 September 2021, the banking facilities of the Group were secured by its bank deposits of approximately HK\$6.6 million (31 March 2021: approximately HK\$6.6 million) and corporate guarantees executed by the Company.

CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2021, the Group had a total of 225 employees (31 March 2021: 230) who were directly employed by the Group in Hong Kong. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$35.5 million for the six months ended 30 September 2021 (2020: approximately HK\$43.2 million).

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.

Management Discussion and Analysis

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 2021, the Group has utilised approximately HK\$68.6 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 2021, the net proceeds had been utilised as follows:

Intended use of net proceeds as stated in the Prospectus	Net proceeds available <i>HK\$ million</i>	Utilised amount as at 30 September 2021 <i>HK\$ million</i>	Unutilised amount as at 30 September 2021 <i>HK\$ million</i>
Acquisition of additional plant and machinery	58.3	49.0	9.3
Recruitment and retiring additional staff	3.4	1.5	1.9
Costs for upgrading information technology system	2.9	2.9	–
Additional working capital	15.2	15.2	–
Total	79.8	68.6	11.2

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; (iii) delay in projects due to clients design changes and/or order in variations; and (iv) the difficulty in recruiting suitable candidates. The balance of the unutilised proceeds is expected to be utilised in the coming financial year.

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 2021, except for the following deviation:

Under code provision C.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 2021, the management of the Company provided to the Board interim updates with consolidated financial statement of the Company’s performance, position and prospects in sufficient details during regular Board meetings of the Company. In addition, 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.

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 2021. 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 2021.

Corporate Governance and Other Information

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors and chief executives since the date of the 2021 annual report of the Company are set out below:

Mr. Zhang Senquan has been appointed as the company secretary of China General Education Group Limited, the shares of which were listed on the Stock Exchange (stock code: 2175) in July 2021.

Ms. Tsang Wing Kiu has resigned as the chief financial officer and company secretary of Kelfred Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1134), in September 2021.

Mr. Shum Tze Yeung, the chief financial officer of the Company, has been appointed as a non-executive director, a member of risk management committee and one of the authorised representatives of Jimu Group Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8187), with effect from 14 November 2021.

Save as disclosed above, there is no other information regarding 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 2021 (2020: 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 2021, 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 2021, 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 2021, 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 2021, 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 2021.

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

During the six months ended 30 September 2021, 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 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 2021. 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 2021

	Notes	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	157,877	236,394
Cost of services		(138,556)	(211,858)
Gross profit		19,321	24,536
Other income and net gain	5	1,601	10,631
Administrative and operating expenses		(11,073)	(11,403)
Profit from operations		9,849	23,764
Finance costs	6	(26)	(32)
Profit before tax	7	9,823	23,732
Income tax	8	(1,356)	(4,064)
Profit and total comprehensive income for the period		8,467	19,668
Profit and total comprehensive income for the period attributable to owners of the Company		8,467	19,668
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>HK cents</i>)	9	0.85	1.97

Condensed Consolidated Statement of Financial Position

At 30 September 2021

	<i>Notes</i>	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	11	34,475	37,322
Right-of-use assets		479	569
Contract assets	13	1,828	1,329
Deposit paid	14	24,178	24,178
		60,960	63,398
Current assets			
Trade receivables	12	31,705	11,802
Contract assets	13	83,352	61,639
Prepayments, deposits and other receivables	14	142,306	132,898
Financial assets at fair value through profit or loss		8,562	11,473
Tax recoverable		–	877
Pledged bank deposits		6,637	6,637
Cash and cash equivalents		53,730	74,907
		326,292	300,233
Current liabilities			
Trade and retention payables	15	45,114	34,434
Other payables and accruals	16	7,012	7,547
Tax payable		1,080	–
Contract liabilities		12,036	7,269
Lease liabilities		387	496
		65,629	49,746
Net current assets		260,663	250,487
Total assets less current liabilities		321,623	313,885

Condensed Consolidated Statement of Financial Position

At 30 September 2021

		As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current liabilities			
Deferred tax liabilities		7,245	7,988
Lease liabilities		105	91
		7,350	8,079
Net assets		314,273	305,806
Capital and reserves			
Share capital	17	10,000	10,000
Reserves		304,273	295,806
Total equity attributable to owners of the Company		314,273	305,806

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note)	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2020 (audited)	10,000	91,979	21,149	166,254	289,382
Profit and total comprehensive income for the period	-	-	-	19,668	19,668
Dividend declared and paid	-	(10,000)	-	-	(10,000)
At 30 September 2020 (unaudited)	10,000	81,979	21,149	185,922	299,050
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

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 2021

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Operating activities		
Profit before tax	9,823	23,732
Adjustments for:		
Depreciation of property, plant and equipment	5,054	4,008
Depreciation of right-of-use assets	431	341
Bank interest income	(30)	(362)
Finance costs	26	32
Net gain on disposal of financial assets at fair value through profit or loss	(709)	(4,089)
Unrealised loss on financial assets at fair value through profit or loss	872	–
Loss/(gain) on disposal of property, plant and equipment	5	(20)
Allowance for expected credit losses on other receivables	144	204
Operating cash inflow before movements in working capital	15,616	23,846
(Increase)/decrease in trade receivables	(19,903)	19,206
Increase in contract assets	(22,212)	(40,652)
Increase in prepayments, deposits and other receivables	(9,552)	(24,276)
Increase/(decrease) in trade and retention payables	10,680	(14,383)
Decrease in other payables and accruals	(535)	(6,179)
Increase in contract liabilities	4,767	73
Cash used in operations	(21,139)	(42,365)
Hong Kong tax paid	(142)	(2,731)
Net cash used in operating activities	(21,281)	(45,096)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Investing activities		
Interest received	30	362
Purchases of property, plant and equipment	(2,214)	(16,857)
Proceeds from disposal of property, plant and equipment	2	20
Purchases of financial assets at fair value through profit or loss	(30,012)	(21,547)
Proceeds from disposal of financial assets at fair value through profit or loss	32,760	25,636
Withdrawal of pledged bank deposit	–	603
Net cash generated from/(used in) investing activities	566	(11,783)
Financing activities		
Dividend paid	–	(10,000)
Repayment of lease liabilities	(436)	(370)
Interest paid	(26)	(32)
Net cash used in financing activities	(462)	(10,402)
Net decrease in cash and cash equivalents	(21,177)	(67,281)
Cash and cash equivalents at the beginning of the period	74,907	172,214
Cash and cash equivalents at the end of the period	53,730	104,933
Analysis of balances of cash and cash equivalents		
Cash and bank balances	53,730	104,933

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2021

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 2021 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 March 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2021

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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from civil engineering works	157,877	236,394

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2021

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 2021 and 2020 contributing individually over 10% of the Group's revenue is as follows:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Customer A	143,251	230,186

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2021

5. OTHER INCOME AND NET GAIN

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	30	362
Government and other subsidies	363	5,577
Income from supplying construction materials, labour and others	–	410
Management fee income	128	156
Net gain on disposal of financial assets at fair value through profit or loss	709	4,089
(Loss)/gain on disposal of property, plant and equipment	(5)	20
Dividend income from listed equity securities	340	–
Sundry income	36	17
	1,601	10,631

6. FINANCE COSTS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on bank overdrafts	7	2
Interest on lease liabilities	19	30
	26	32

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2021

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Auditor's remuneration	850	600
Depreciation		
– Depreciation of property, plant and equipment	5,054	4,008
– Depreciation of right-of-use assets	431	341
Less: amounts included in cost of services	(4,407)	(3,104)
	1,078	1,245
Staff costs (excluding directors' remuneration)		
– Wages, salaries, allowance and bonus	33,625	39,779
– Retirement benefits schemes contributions	1,202	1,443
	34,827	41,222
Less: amounts included in cost of services	(30,621)	(36,540)
	4,206	4,682
Allowance for expected credit losses on other receivables	144	204
Short-term lease expenses	255	215
Unrealised loss on financial assets at fair value through profit or loss	872	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2021

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 2020: 16.5%) of the estimated assessable profits arising in Hong Kong during the period.

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

Accordingly, the Hong Kong profits tax 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Provision for Hong Kong profits tax:		
– Current tax	2,099	4,053
Deferred tax	(743)	11
Total tax charge for the period	1,356	4,064

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2021

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of approximately HK\$8,467,000 (six months ended 30 September 2020: approximately HK\$19,668,000) 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	
	2021 (Unaudited)	2020 (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 2021 (six months ended 30 September 2020: Nil).

During the six months ended 30 September 2020, a final dividend of HK\$0.01 per ordinary share, in respect of the year ended 31 March 2020 has been declared and paid out of share premium account of the Company.

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\$2,214,000 (six months ended 30 September 2020: approximately HK\$16,857,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2021

12. TRADE RECEIVABLES

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Trade receivables	31,705	11,802

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, is as follows:

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
0-30 days	31,705	11,802

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 2021

13. CONTRACT ASSETS

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Unbilled receivables (<i>note (i)</i>)	74,598	49,575
Retention receivables (<i>note (ii)</i>)	10,582	13,393
	85,180	62,968
Less: Non-current portion of retention receivables	(1,828)	(1,329)
	83,352	61,639

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 2021

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Prepayments (note(a))	67,352	67,627
Deposits (note(b))	27,236	26,571
Other receivables (note(c))	52,357	62,206
Amount due from other joint operator of a joint operation (note(d))	20,689	1,678
	167,634	158,082
Less: Allowance for expected credit losses	(1,150)	(1,006)
	166,484	157,076
Less: Non-current portion of deposits	(24,178)	(24,178)
	142,306	132,898

notes:

- (a) As at 30 September 2021, the prepayments mainly represent subcontractor charge of amount approximately HK\$58,707,000 (31 March 2021: approximately HK\$62,080,000) which were prepaid to independent third parties.
- (b) As at 30 September 2021, the deposits mainly include the amount of deposit for property, plant and equipment of approximately HK\$24,778,000 (31 March 2021: approximately HK\$24,178,000).
- (c) As at 30 September 2021, included in the other receivables was an aggregate amount of approximately HK\$52,110,000 (31 March 2021: approximately HK\$61,956,000) 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 2021

15. TRADE AND RETENTION PAYABLES

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Trade payables	36,496	27,060
Retention payables	8,618	7,374
	45,114	34,434

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 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
0-30 days	6,188	10,530
31-60 days	8,387	3,431
61-90 days	2,131	2,150
Over 90 days	19,790	10,949
	36,496	27,060

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2021

16. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Other payables and accruals	1,228	1,565
Accrued staff costs	5,284	5,482
Employee benefit obligations	500	500
	7,012	7,547

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 2020 (audited),		
31 March 2021 (audited), 1 April 2021 (audited)		
and 30 September 2021 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2020 (audited),		
31 March 2021 (audited), 1 April 2021 (audited)		
and 30 September 2021 (unaudited)	1,000,000,000	10,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2021

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 2021 (Unaudited)

Financial assets	Fair value as at 30 September 2021	Fair value hierarchy	Valuation technique and key input
Financial assets at fair value through profit or loss			
– Held for trading-listed equity securities	HK\$8,562,000	Level 1	Quoted bid price in an active market

Fair value hierarchy as at 31 March 2021 (Audited)

Financial assets	Fair value as at 31 March 2021	Fair value hierarchy	Valuation technique and key input
Financial assets at fair value through profit or loss			
– Held for trading-listed equity securities	HK\$1,045,000	Level 1	Quoted bid price in an active market
– Held for trading-listed equity securities	HK\$10,428,000	Level 2	Quoted price (<i>note</i>)

note: During the year ended 31 March 2021, the Group has entered into sale and purchase agreement with independent third parties to dispose of the financial assets at fair value through profit or loss at a total consideration of approximately HK\$10,428,000. The fair value of these financial assets at fair value through profit or loss was determined based on the consideration to be received.

There were no transfer between Level 1, 2 and 3 in both period/year.

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 2021

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on lease liabilities to Mr. Lai Wai	8	4

- b) On 8 June 2021, the Company entered into a provisional sale and purchase 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. Further details of the acquisition were set out in the Company's announcement dated 8 June 2021. The acquisition has not been completed as at the date of this report.

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Salaries, fees and allowances	3,780	3,270
Discretionary bonuses	–	90
Retirement benefit	63	56
	3,843	3,416