

Kin Shing Holdings Limited 建成控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1630

2021/22 Interim Report



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Leung Chi Kit (Chairman)
Ms. Tso Yuk Ching
Mr. Chow Dik Cheung (Chief Executive Officer)
Mr. Chan Sik Mau
Mr. Chiu Sin Nang Kenny

Independent Non-Executive Directors

Mr. Chang Chun Pong
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

AUDIT COMMITTEE

Mr. Lam Kai Yeung (Chairman)
Mr. Chang Chun Pong
Mr. Tsui Leung Cho

REMUNERATION COMMITTEE

Mr. Chang Chun Pong (Chairman)
Mr. Leung Chi Kit
Ms. Tso Yuk Ching
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

NOMINATION COMMITTEE

Mr. Leung Chi Kit (Chairman)
Ms. Tso Yuk Ching
Mr. Chang Chun Pong
Mr. Tsui Leung Cho
Mr. Lam Kai Yeung

COMPANY SECRETARY

Ms. Tsui Wai Ting, Rosalie

AUTHORISED REPRESENTATIVES

Mr. Leung Chi Kit
Mr. Chow Dik Cheung

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Grand Cayman
KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER

TC & Co., Solicitors, Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited

PRINCIPAL BANKER

The Bank of East Asia, Limited
DBS Bank (HK) Limited
Bank of China (Hong Kong) Limited

STOCK CODE

1630

WEBSITE

<http://www.kinshingholdings.com.hk>

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Kin Shing Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present the interim report of the Group for the six months ended 30 September 2021.

REVIEW

The total revenue of our Group increased by approximately HK\$83.3 million or 40.5% from approximately HK\$205.9 million for the six months ended 30 September 2020 to approximately HK\$289.2 million for the six months ended 30 September 2021. Our Group's loss attributable to owners of the Company decreased by approximately HK\$1.3 million or 17.0% to approximately HK\$6.2 million, compared to approximately HK\$7.5 million for the corresponding period of 2020. The decrease in loss was mainly due to the decrease in administrative expenses during the six months ended 30 September 2021.

The revenue generated from the private sector projects accounted for approximately HK\$274.8 million for the six months ended 30 September 2021 (six months ended 30 September 2020: approximately HK\$171.6 million), which represents approximately 95.0% of the total revenue of the Group (six months ended 30 September 2020: approximately 83.3%). The revenue generated from the public sector projects accounted for approximately HK\$14.4 million for the six months ended 30 September 2021 (six months ended 30 September 2020: approximately HK\$34.3 million), which represents approximately 5.0% of the total revenue of the Group (six months ended 30 September 2020: approximately 16.7%).

The continuation of the novel Coronavirus (COVID-19) epidemic and the overall economic environment in Hong Kong during the six months ended 30 September 2021 continuously brought negative impacts to the Group, such as to gross profit margin, cash flow, operational effectiveness and completion progress on certain final stage projects. During the six months ended 30 September 2021, the Group had been awarded one new contract with total contract sum of approximately HK\$17.5 million during the period under review.

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of any interim dividend for the six months ended 30 September 2021 (2020: nil).

OUTLOOK AND PROSPECT

The total revenue of the Group has increased, however, the performance of the Group is affected by the competitive building formwork industry. The market share of the Group has decreased since the infrastructure formwork market players responsible for the aforesaid infrastructure formwork works also compete with the building formwork market players for new tenders in the building formwork industry. As a result, the profit margin of new building formwork contracts awarded has reduced.

In addition, due to the uncertainty of the private property market in Hong Kong, Hong Kong private property developers may adopt conservative development plans and pricing strategy in the near future. Consequently, there will be a trend of keen competition for new building formwork contracts in the market.

CHAIRMAN'S STATEMENT

In view of the aforesaid, in addition to adjusting the profit margin in bidding new contracts, the Group will continue to try its best endeavour to explore new customers, implement stringent cost control measures on existing projects, strengthen the effectiveness of project management and improve the efficiency of work flow throughout the construction process in order to maintain the competitiveness for the best interests of the Group.

As disclosed in the 2021 Annual Report, to mitigate the market risk and to diversify the business scope in different kinds of construction projects and to cope with the increasing supply in public housing units in coming future, the Group has also engaged in formwork works for construction of public housing. During the six months ended 30 September 2021, the Group has generated revenue from two formwork works contract for public housing.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our management and staff members for their continuous commitment and contribution, and to all our shareholders, customers, subcontractors, suppliers and business partners for their endless support, and to maintain the good relationship with the Group.

Leung Chi Kit

Chairman

Hong Kong, 30 November 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the six months ended 30 September 2021, there were 20 projects contributing revenue of approximately HK\$289.2 million, whereas a revenue of approximately HK\$205.9 million for the corresponding period in 2020 was contributed by 25 projects. The increase of revenue during the six months ended 30 September 2021 was mainly due to several projects which were awarded to the Group during late 2020 are at the peak construction stage, hence the revenue generated for the period ended 30 September 2021 is maximal.

The Group primarily focused in the Hong Kong market during both the six months ended 30 September 2021 and 2020.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$0.6 million or 42.5% from approximately HK\$1.4 million for the six months ended 30 September 2020 to approximately HK\$2.0 million for the six months ended 30 September 2021. The Group's gross profit margin remains approximately 0.7% for both the six months ended 30 September 2020 and the six months ended 30 September 2021.

Other income

Other income decreased by approximately HK\$68,000 from approximately HK\$1,686,000 for the six months ended 30 September 2020 to approximately HK\$1,618,000 for the six months ended 30 September 2021, representing a decrease of approximately 4.0%. Such change was mainly attributable to the decrease in interest income of approximately HK\$455,000 and the absence of Government grants under the Anti-epidemic Fund of approximately HK\$794,000, whereas an increase of rental income of approximately HK\$1,253,000 was recognised during the reporting period.

Other gain

Other gain decreased by approximately HK\$4,000 from approximately HK\$7,000 for the six months ended 30 September 2020 to HK\$3,000 for the six months ended 30 September 2021.

Administrative expenses

Administrative expenses decreased from approximately HK\$10.4 million for the six months ended 30 September 2020 to approximately HK\$8.6 million for the six months ended 30 September 2021, representing a decrease of approximately 17.6%. Such decrease was mainly attributable to the decrease in administrative staff's salary.

Income tax

No income tax credit has been recognised for the six months ended 30 September 2021, while approximately HK\$1.2 million had been recognised for the six months ended 30 September 2020, representing a decrease of approximately 100%.

Loss attributable to owners of the Company

As a result of the foregoing, the loss attributable to owners of the Company amounted to approximately HK\$6.2 million for the six months ended 30 September 2021 as compared to the loss attributable to owners of the Company of approximately HK\$7.5 million for the six months ended 30 September 2020, representing a decrease of approximately 17.0%. The decrease in loss for the six months ended 30 September 2021 was mainly attributable to the decrease in administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

As at 30 September 2021, the Group had cash and cash equivalents of approximately HK\$165.2 million as compared with HK\$186.6 million as at 31 March 2021, representing a decrease of approximately 11.5%. The decrease was mainly due to the early settlement of certain trade payables and the increase amount of direct cost during the six months ended 30 September 2021.

The Group has no bank borrowing as at 30 September 2021 (31 March 2021: Nil). The gearing ratio is calculated based on the amount of total debts, which include amount due to a related company, amount due to a director and lease liabilities, divided by total equity. The gearing ratio of the Group as at 30 September 2021 was approximately 93.4% (31 March 2021: approximately 86.6%).

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the senior management and executive directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of assets

At 30 September 2021, the Group did not pledge its assets.

Capital commitments

As at 30 September 2021, the Group had no material capital commitments.

Contingent liabilities

As at 30 September 2021, the Group had no material contingent liabilities.

Foreign exchange risk

The Group mainly operates in Hong Kong and the majority of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the six months ended 30 September 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the reporting period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the reporting period, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 31 May 2017 (the "Prospectus"), the Group does not have other plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group employed 1,152 employees in Hong Kong (30 September 2020: 902 employees). The increase in the number of employees was mainly due to the peak construction stage of a formwork works project which generated a large portion of revenue during the period ended 30 September 2021 and the Group has employed extra employees to meet the Group's human resources needs. Remuneration packages are reviewed based on their performance and experience of the employees and the prevailing industry practice. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. In addition to salary payments and discretionary bonuses, the Group also provides eligible staff other employment benefits such as provident fund and educational subsidies. The total remuneration cost recognised to profit or loss for the six months ended 30 September 2021 was approximately HK\$145.2 million when compared to approximately HK\$130.2 million for the six months ended 30 September 2020.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The shares of the Company (the "Shares") have been listed and traded on the Main Board of the Stock Exchange since 16 June 2017 (the "Listing"). The net proceeds (after deducting the underwriting fees, commissions and all related expenses) from the Listing amounted to approximately HK\$75.0 million. After the Listing, these net proceeds have been and will be utilised in accordance with the future plans and use of proceeds as set out in the prospectus of the Company dated 31 May 2017.

Details of the utilisation of the net proceeds raised by the Company from the date of listing up to 30 September 2021 are stated below:

	Planned use of net proceeds	Amount utilised up to 31 March 2021	Amount utilised during the period ended 30 September 2021	Amount utilised up to 30 September 2021	Unutilised balance up to 30 September 2021	Expected timeline
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Acquire additional machineries and equipment	32.8	30.2	0.8	31.0	1.8	End of 2022
Purchase aluminum formwork systems	21.3	21.3	–	21.3	–	
Invest in human resources	9.6	9.0	0.2	9.2	0.4	End of 2022
Additional rental expense for leasing of a warehouse	4.3	4.3	–	4.3	–	
General working capital	7.0	7.0	–	7.0	–	
Total	75.0	71.8	1.0	72.8	2.2	

The unutilised amount of the net proceeds of approximately HK\$2.2 million has been deposited into licensed banks in Hong Kong.

OTHER INFORMATION

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix 10 of the Rules governing the listing of securities on the Stock Exchange (the “**Listing Rules**”). On specific enquiries made, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2021.

Corporate Governance Practices

In the opinion of the Directors, the Company has complied with all relevant code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2021.

Details of the Company’s corporate governance policies and practices had been discussed in the Company’s 2021 annual report.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee consists of three Independent Non-executive Directors, namely, Mr. Lam Kai Yeung, Mr. Chang Chun Pong and Mr. Tsui Leung Cho. Mr. Lam Kai Yeung is the chairman of the Audit Committee.

The Audit Committee has approved and reviewed with the management of the Company the accounting principles and policies adopted by the Group, and the financial information of the Group and the interim results announcement of the Company for the six months ended 30 September 2021.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2021, interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) held by the Directors and chief executive of the Company 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 were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/ Interested in	Approximate percentage of Company's issued share capital
Mr. Leung Chi Kit (“ Mr. Leung ”) (Notes 1 and 3)	Interest in controlled corporation Interest held jointly with other people	1,125,000,000	75%
Ms. Tso Yuk Ching (“ Ms. Tso ”) (Note 2)	Family interest	1,125,000,000	75%

Notes:

- Five Continental Enterprise Limited (“**Five Continental**”) is legally interested in 1,125,000,000 Shares upon Listing. As 85% of the shareholding interest of Five Continental is owned by Mr. Leung, Mr. Leung is deemed to be interested in the Shares held by Five Continental under the SFO.
- Ms. Tso is the spouse of Mr. Leung. Accordingly, Ms. Tso is deemed to be interested in the Shares in which Mr. Leung has interest under the SFO.
- On 17 July 2018, Five Continental pledged 1,125,000,000 shares in favour of Kingston Finance Limited (“**Kingston**”), an independent third party, as a security of a loan granted to Five Continental in the amount of HK\$500,000,000.

(ii) Long position in Five Continental, an associated corporation of the Company

Name of Director	Capacity/Nature	Percentage of shareholding
Mr. Leung	Beneficial owner (Note)	85%
Ms. Tso	Family interest (Note)	85%

Note: Mr. Leung is the spouse of Ms. Tso. Accordingly, Ms. Tso is deemed to be interested in the Shares in which Mr. Leung has interest under the SFO.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

So far as is known to the Directors and taking no account any Shares which may be issued upon exercise of any options which may be granted under the Scheme, the following persons (not being a Director or chief executive of the Company) have interests or short positions in the Shares or underlying Shares which would fall 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, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature of Interest	Number of Shares/ Underlying Shares held	Percentage of Company's issued share capital
Mr. Chow Siu Yu (<i>Note 1</i>)	Interest in controlled corporation. Interest held jointly with other people.	1,125,000,000	75%
Five Continental (<i>Notes 2 and 3</i>)	Beneficial owner. Interest held jointly with other people.	1,125,000,000	75%
Ample Cheer Limited ("Ample Cheer") (<i>Note 4</i>)	Interest in controlled corporation	1,125,000,000	75%
Best Forth Limited ("Best Forth") (<i>Note 4</i>)	Interest in controlled corporation	1,125,000,000	75%
Chu Yuet Wah ("Mrs Chu") (<i>Note 4</i>)	Interest in controlled corporation	1,125,000,000	75%
Kingston (<i>Note 4</i>)	Interest in controlled corporation	1,125,000,000	75%

Notes:

- On 5 August 2016, Mr. Leung, Ms. Tso and Mr. Chow Siu Yu ("Mr. Chow") entered into a Concert Parties Confirmatory Deed (as defined in the Prospectus dated 31 May 2017) to acknowledge and confirm, among other things, that they are parties acting in concert in respect of (i) Leung Pui Form Mould & Engineering Co., Limited ("Leung Pui") and Ho Yip Construction Company Limited ("Ho Yip") since the incorporation of Leung Pui and Ho Yip and (ii) each of the members of our Group upon the Listing Date and will continue so as of and after the date of the Concert Parties Confirmatory Deed. As such, pursuant to the parties acting in concert arrangement, each of Mr. Leung, Ms. Tso and Mr. Chow is deemed to be interested in 75% of the issued share capital of our Company.
- Five Continental is owned as to 85% by Mr. Leung and 15% by Mr. Chow, who is the uncle of the Executive Director Mr. Chow Dik Cheung. As Ms. Tso is the spouse of Mr. Leung, Ms. Tso is deemed to be interested in the shares of Five Continental held by Mr. Leung. Accordingly, Ms. Tso is deemed to be interested in the Shares held by Five Continental under the SFO.
- On 17 July 2018, Five Continental pledged 1,125,000,000 Shares in favour of Kingston, an independent third party, as a security of a loan granted to Five Continental in the amount of HK\$500,000,000.
- Based on the notices of disclosure of interest filed by Ample Cheer, Best Forth, Mrs. Chu and Kingston on 17 July 2018, Mrs. Chu, Ample Cheer and Best Forth are deemed to be interested in 1,125,000,000 shares of the Company in which Kingston has an interest.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended 30 September 2021.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 23 May 2017. The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus. The Share Option Scheme is an incentive scheme established to recognise and motivate the contributions that employees (full-time and part-time), Directors, suppliers, customers, advisers or service providers of the Group have made or may make to the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 23 May 2017, and there is no outstanding share option as at 30 September 2021.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 September 2021 and up to the date of this report.

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 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3	289,221	205,861
Direct costs		(287,182)	(204,430)
Gross profit		2,039	1,431
Other income	5	1,618	1,686
Other gain	6	3	7
Impairment losses under expected credit loss model, net of reversal	7	138	20
Administrative expenses		(8,606)	(10,445)
Finance costs	8	(1,408)	(1,430)
Loss before tax		(6,216)	(8,731)
Income tax credit	9	–	1,246
Loss and total comprehensive expense for the period	10	(6,216)	(7,485)
Loss and total comprehensive expense for the period attributable to owners of the Company		(6,216)	(7,485)
Loss per share — Basic (HK cents)	12	(0.41)	(0.50)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		30,834	34,923
Right-of-use assets		6,084	1,710
		36,918	36,633
Current assets			
Trade and other receivables	13	53,482	82,644
Contract assets	14	98,275	80,660
Tax recoverable		2,050	4,572
Cash and cash equivalents		165,217	186,621
		319,024	354,497
Total assets		355,942	391,130
Current liabilities			
Trade and other payables	15	45,541	75,066
Contract liabilities	16	–	4,971
Amount due to a related company	17	143,796	142,423
Amount due to a director	18	–	212
Lease liabilities	19	2,098	1,271
		191,435	223,943
Net current assets		127,589	130,554
Total assets less current liabilities		164,507	167,187

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Non-current liabilities			
Lease liabilities	19	4,002	466
Net assets		160,505	166,721
Capital and reserves			
Share capital	20	15,000	15,000
Reserves		145,505	151,721
Total equity		160,505	166,721

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 HK\$'000
As at 1 April 2020 (audited)	15,000	75,694	140	73,256	164,090
Loss and total comprehensive expense for the period	–	–	–	(7,485)	(7,485)
As at 30 September 2020 (unaudited)	15,000	75,694	140	65,771	156,605
As at 1 April 2021 (audited)	15,000	75,694	140	75,887	166,721
Loss and total comprehensive expense for the period	–	–	–	(6,216)	(6,216)
As at 30 September 2021 (unaudited)	15,000	75,694	140	69,671	160,505

Note: Other reserve represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired upon the group reorganisation and the consideration paid for the acquisition.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(15,898)	(9,873)
Net cash used in investing activities	(3,893)	(10,610)
Net cash used in financing activities	(1,613)	(2,640)
Net decrease in cash and cash equivalents	(21,404)	(23,123)
Cash and cash equivalents at the beginning of the period	186,621	187,521
Cash and cash equivalents at the end of the period	165,217	164,398
Represented by:		
Bank balances and cash	34,753	32,381
Cash held by securities broker	130,464	132,017
	165,217	164,398

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

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 presented in the Group’s annual financial statements for the year ended 31 March 2021.

Application of 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 30 June 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 period has had no material impact 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

3. REVENUE

Disaggregation of revenue from contracts with customers

Six months ended 30 September 2021 (unaudited)

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
Type of services			
Formwork works	289,221	–	289,221
Geographical markets			
Hong Kong	289,221	–	289,221
Timing of revenue recognition			
Over time	289,221	–	289,221

Six months ended 30 September 2020 (unaudited)

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
Type of services			
Formwork works	205,821	–	205,821
Building construction works	–	40	40
	205,821	40	205,861
Geographical markets			
Hong Kong	205,821	40	205,861
Timing of revenue recognition			
Over time	205,821	40	205,861

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

4. SEGMENT INFORMATION

The Group's reportable and operating segments are as follows:

1. Formwork works — Provision of formwork works and related ancillary works
2. Building construction works — Provision of building construction works

Segment revenue and results

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

Six months ended 30 September 2021 (unaudited)

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
Revenue			
External sales and segment revenue	289,221	–	289,221
Segment loss	(628)	(7)	(635)
Interest income			149
Unallocated expenses			(4,322)
Finance costs			(1,408)
Loss before tax			(6,216)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Six months ended 30 September 2020 (unaudited)

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
Revenue			
External sales and segment revenue	205,821	40	205,861
Segment (loss)/profit	(3,516)	39	(3,477)
Interest income			604
Unallocated expenses			(4,428)
Finance costs			(1,430)
Loss before tax			(8,731)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of interest income, central administration costs and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

There were no sales transactions between the operating segments.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment.

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Segment assets		
Formwork works	188,625	199,788
Building construction works	–	–
Total segment assets	188,625	199,788
Unallocated	167,317	191,342
Consolidated assets	355,942	391,130
Segment liabilities		
Formwork works	43,950	78,686
Building construction works	8	8
Total segment liabilities	43,958	78,694
Unallocated	151,479	145,715
Consolidated liabilities	195,437	224,409

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than cash and cash equivalents, tax recoverable and unallocated corporate assets.
- all liabilities are allocated to operating segments other than amount due to a related company, amount due to a director, lease liabilities and unallocated corporate liabilities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

5. OTHER INCOME

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Government grants	–	794
Interest income from cash and cash equivalents	149	604
Rental income	1,468	215
Sundry income	1	73
	1,618	1,686

6. OTHER GAIN

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net foreign exchange gain	3	7

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Impairment losses reversed/(recognised) on:		
Trade receivables	204	108
Contract assets	(66)	(88)
	138	20

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

8. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expense on:		
Lease liabilities	35	57
Amount due to a related company	1,373	1,373
	1,408	1,430

9. INCOME TAX CREDIT

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	–	554
Deferred tax:		
Current period	–	(1,800)
	–	(1,246)

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%.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	8,131	4,553
Depreciation of right-of-use assets	1,355	1,199
Staff costs (including directors' emoluments)	145,228	130,195
Expense relating to:		
Short-term leases	9,115	1,076
Leases of low value assets	18	5

11. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

12. LOSS PER SHARE

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

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000

Loss

Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	(6,216)	(7,485)
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	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)

Number of shares

Weighted average number of ordinary shares for the purpose of basic loss per share	1,500,000,000	1,500,000,000
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No diluted loss per share for the periods ended 30 September 2021 and 2020 were presented as there were no potential ordinary shares in issue for both periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Trade receivables	50,932	79,737
Less: Allowance for credit losses	(189)	(393)
	50,743	79,344
Prepayments	50	486
Deposits and other receivables	2,689	2,814
	53,482	82,644

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aging analysis of the Group's trade receivables net of allowance for credit losses at the end of the reporting period, presented based on the progress payment certificate date:

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
0–30 days	24,343	39,180
31–60 days	11,003	18,686
Over 60 days	15,397	21,478
	50,743	79,344

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

14. CONTRACT ASSETS

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Unbilled revenue (Note (a))	49,035	26,600
Retention money receivables (Note (b))	49,705	54,459
	98,740	81,059
Less: Allowance for credit losses	(465)	(399)
	98,275	80,660

Notes:

- (a) Unbilled revenue 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.
- (b) Retention money receivables included in contract assets represents the Group's right to receive consideration for work performed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

15. TRADE AND OTHER PAYABLES

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Trade payables	13,326	15,601
Accruals and other payables		
— Accrued salaries	9,666	26,251
— Accrued sub-contracting fee	14,062	25,233
— Others	8,487	7,981
	45,541	75,066

The following is an aging analysis of the Group's trade payables at the end of the reporting period, presented based on the invoice date:

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
0–30 days	3,736	10,766
31–60 days	5,044	3,664
61–90 days	3,635	868
Over 90 days	911	303
	13,326	15,601

At the end of the reporting period, the amount due to a connected party included in the Group's trade payables is as follows:

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
King Fu Plastic Products Limited ("King Fu")	1,976	1,153

King Fu is owned as to 50% by Mr. Tso Kwong Wa and 50% by Ms. Wong Siu Fong, who are the brother and sister-in-law of Ms. Tso Yuk Ching, a director of the Company, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

16. CONTRACT LIABILITIES

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Advances from customers	–	4,971

When the Group receives advances from customers before the construction activity commences, this will give rise to contract liabilities, until the revenue recognised on the relevant contract exceeds the amount of the advances from customers.

17. AMOUNT DUE TO A RELATED COMPANY

The amount represents a balance due to Century Bond Limited (“**Century Bond**”), a company controlled by Mr. Leung Chi Kit, a director of the Company. The amount due to a related company is non-trade nature, unsecured, interest-bearing at 2% per annum and repayable on demand.

18. AMOUNT DUE TO A DIRECTOR

The amount due to a director is non-trade nature, unsecured, interest-free and repayable on demand.

19. LEASE LIABILITIES

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Lease liabilities payable:		
Within one year	2,098	1,271
More than one year, but not more than two years	2,173	323
More than two years, but not more than five years	1,829	143
	6,100	1,737
Less: Amount due for settlement with 12 months shown under current liabilities	(2,098)	(1,271)
Amount due for settlement after 12 months shown under non-current liabilities	4,002	466

In October 2019, the Group entered into a new lease agreement for the use of office with Five Dragons Properties Limited (“**Five Dragons Properties**”), a company in which Mr. Leung Chi Kit and Ms. Tso Yuk Ching have beneficial interests, for 2 years. As at 30 September 2021, lease liabilities payable to Five Dragons Properties amounted to approximately HK\$52,000 (31 March 2021: approximately HK\$363,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

20. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2020, 30 September 2020, 1 April 2021 and 30 September 2021 (unaudited)	3,120,000	31,200
Issued and fully paid:		
At 1 April 2020, 30 September 2020, 1 April 2021 and 30 September 2021 (unaudited)	1,500,000	15,000

21. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Transactions with connected or related parties

During the current interim period, the Group entered into the following significant transactions with connected or related parties:

Name of connected/ related party	Nature of transaction	Six months ended 30 September	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
King Fu	Purchases of tools and materials	4,050	2,823
Five Dragons Properties	Interest expense on lease liabilities	5	17
Century Bond	Interest expense	1,373	1,373

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

21. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with connected or related parties

Details of outstanding balances with the connected or related parties of the Group at the end of the reporting period are set out in notes 15, 17, 18 and 19.

(c) Compensation to key management personnel

Compensation to key management personnel of the Group which represents directors of the Company, during the period are as follows:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	3,533	3,518
Post-employment benefits	45	42
	3,578	3,560