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## LING YUI HOLDINGS LIMITED

### 凌銳控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 784)

#### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board (the “**Board**”) of directors (the “**Directors**”) of Ling Yui Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2018, together with the comparative figures for the corresponding period in 2017 as follow:

#### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Notes	Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	4	101,465	151,720
Direct costs		<u>(107,722)</u>	<u>(126,478)</u>
Gross (loss)/profit		(6,257)	25,242
Other income	5	468	1,033
Other gains and losses	5	–	150
Administrative expenses		(10,563)	(7,869)
Listing expenses		–	(4,673)
Finance costs	6	<u>(934)</u>	<u>(570)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2018*

		<b>Six months ended 30 September</b>	
	<i>Notes</i>	<b>2018 <i>HK\$'000</i> (Unaudited)</b>	<b>2017 <i>HK\$'000</i> (Unaudited)</b>
(Loss)/Profit before taxation	7	<b>(17,286)</b>	13,313
Income tax expense	8	<b>(20)</b>	<b>(3,016)</b>
(Loss)/Profit and total comprehensive (expense)/income for the period		<b><u>(17,306)</u></b>	<b><u>10,297</u></b>
(Loss)/Profit and total comprehensive (expense)/income attributable to:			
Owners of the Company		<b>(17,306)</b>	8,800
Non-controlling interests		<b>–</b>	<b>1,497</b>
		<b><u>(17,306)</u></b>	<b><u>10,297</u></b>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share attributable to owners of the Company			
– Basic and diluted	10	<b><u>(2.16)</u></b>	<b><u>1.30</u></b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		As at 30 September 2018 <i>HK\$'000</i> (Unaudited)	As at 31 March 2018 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property and equipment	11	49,405	39,958
Deposits	13	200	876
Pledged investment assets	14	3,645	–
		<u>53,250</u>	<u>40,834</u>
Current assets			
Trade receivables	12	19,074	24,229
Deposits, prepayments and other receivables	13	5,658	5,189
Tax recoverable		3,559	3,579
Contract assets		101,878	–
Amounts due from customers for contract work		–	108,270
Pledged bank deposits	15	–	3,500
Bank balances and cash	15	17,680	47,722
		<u>147,849</u>	<u>192,489</u>
Current liabilities			
Trade payables	16	21,397	39,373
Other payables and accrued charges	17	19,710	21,187
Obligations under finance leases	18	10,855	4,599
Contract liabilities		234	–
Amounts due to customers for contract work		–	2,443
Bank borrowings	19	25,876	32,921
		<u>78,072</u>	<u>100,523</u>
Net current assets		<u>69,777</u>	<u>91,966</u>
Total assets less current liabilities		<u>123,027</u>	<u>132,800</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		As at 30 September 2018 <i>HK\$'000</i> (Unaudited)	As at 31 March 2018 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Deferred tax liabilities		4,973	4,973
Obligations under finance leases	18	8,514	981
		<u>13,487</u>	<u>5,954</u>
Net assets		<u><b>109,540</b></u>	<u><b>126,846</b></u>
Equity attributable to owners of the Company			
Issued share capital		8,000	8,000
Reserves		101,540	118,846
Total equity		<u><b>109,540</b></u>	<u><b>126,846</b></u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law on 24 January 2017 and its shares were listed on the Main Board of the The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 December 2017. The address of the Company’s registered office and the principal place of business is Units 1702-03, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong. The immediate holding company of the Company is Simple Joy Investments Limited (“**Simple Joy**”), which is incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Lee Kim Ming (“**Mr. Lee**”) who is also the executive Director of the Company.

The Company is an investment holding company. The Group is principally engaged in provision of foundation engineering services in Hong Kong.

The shares of the Company were listed on the Main Board of the Stock Exchange (the “**Listing**”) by way of public offer and placing (the “**Share Offer**”) on 28 December 2017 (the “**Listing Date**”).

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group.

## 2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the disclosure requirements of the Hong Kong Companies Ordinance, Chapter 622 of the Laws of Hong Kong. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

## 3. PRINCIPAL ACCOUNTING POLICIES

(a) **The following new and amended HKFRSs have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2018:**

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
Hong Kong (IFRIC) Interpretations (“HK(IFRIC)-Int”) 22	Foreign currency transactions and advance consideration
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial instruments” with HKFRS 4 “Insurance contracts”
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle
Amendments to HKAS 40	Transfers of investment property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

## **Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers**

The Group has applied HKFRS 15 “Revenue from Contracts with Customers” for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the provision of foundation engineering services.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

### **Key changes in accounting policies resulting from application of HKFRS 15**

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### Summary of effects arising from initial application of HKFRS 15

The revenue is recognised under output method by reference to the stage of completion of the contract activity at the end of the reporting period, which is measured based on the proportion that work performed with reference to surveys of work performed to date, customers' correspondence or other documents under HKFRS 15 and it is similar to the method used under HKAS 11. Accordingly, the application of HKFRS 15 does not have material impact on the retained profits of the Group as at 31 March 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. The table below shows only the items impacted by the adoption of HKFRS 15.

	<b>Carrying amounts previously reported at 31 March 2018</b>	<b>Reclassification</b>	<b>Carrying amounts under HKFRS 15 1 April 2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current assets</b>			
Contract assets	–	108,270	108,270
Amounts due from customers for contract work	108,270	(108,270)	–
<b>Current liabilities</b>			
Contract liabilities	–	2,443	2,443
Amounts due to customers for contract work	2,443	(2,443)	–

The following table summarises the estimated impact of the adoption of HKFRS 15 on the unaudited condensed consolidated financial statements, by comparing the amounts reported under HKFRS 15 with estimates of the hypothetical amounts that would have been recognised under HKAS 11 if it had continued to be applied in 2018 instead of HKFRS 15. The table below shows only the items impacted by the adoption of HKFRS 15.

**Unaudited condensed consolidated statement of financial position at 30 September 2018 (Extract)**

	<b>Impact of changes in accounting policies</b>		
	<b>Amounts reported in accordance with HKFRS 15 <i>HK\$'000</i></b>	<b>Estimated impact of the adoption of HKFRS 15 <i>HK\$'000</i></b>	<b>Hypothetical amount under HKAS 11 <i>HK\$'000</i></b>
<b>Current assets</b>			
Contract assets	101,878	(101,878)	–
Amounts due from customers for contract work	–	101,878	101,878
<b>Current liabilities</b>			
Contract liabilities	234	(234)	–
Amounts due to customers for contract work	–	234	234

**(b) The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:**

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance contracts <sup>3</sup>
HK(IFRIC)-Int 23	Uncertainty over income tax treatments <sup>1</sup>
Amendments to HKFRS 9	Prepayment features with negative compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>2</sup>
Amendments to HKAS 19	Plan amendment, curtailment or settlement <sup>1</sup>
Amendments to HKAS 28	Long-term interests in associates and joint ventures <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

The Group will apply the above HKFRSs when they become effective. The Group is in the process of making an assessment of the impact of the above HKFRSs.



#### 4. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable from the foundation engineering services provided by the Group to external customers. The Group's revenue is solely derived from foundation engineering services in Hong Kong. For the purpose of resources allocation and performance assessment, the chief operating decision maker representing the Directors reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies of the Group. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

##### Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's property and equipment amounting to approximately HK\$49,405,000 (31 March 2018: HK\$39,958,000) are all located in Hong Kong by physical location of assets.

##### Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue during the period are as follows:

	Six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	36,045	66,902
Customer B	N/A <sup>1</sup>	42,905
Customer C	21,200	N/A <sup>1</sup>
Customer D	11,656	N/A <sup>1</sup>
Customer E	20,008	N/A <sup>1</sup>

<sup>1</sup> Less than 10% of the Group's total revenue for the six months ended 30 September 2018 and 2017.

## 5. OTHER INCOME AND OTHER GAINS AND LOSSES

### Other income

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest income from investment asset	6	–
Income from sale of rock	23	974
Sundry income	439	59
	<u>468</u>	<u>1,033</u>

### Other gains and losses

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Gain on disposal of property and machinery equipment	–	150
	<u>–</u>	<u>150</u>

## 6. FINANCE COSTS

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on:		
Obligations under finance leases	319	276
Bank borrowings	615	294
	<u>934</u>	<u>570</u>

## 7. (LOSS)/PROFIT BEFORE TAXATION

Six months ended	
30 September	
2018	2017
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

(Loss)/Profit before taxation has been arrived at after charging:

Auditor's remuneration	500	30
Depreciation of property and equipment	4,192	2,781
Directors' remuneration	1,438	841
Other staff costs		
Salaries and other benefits	19,652	18,463
Retirement benefits scheme contributions	726	661
Total staff costs	21,816	19,965
Minimum lease payments under operating leases in respect of:		
– land and buildings	920	881
– machineries and construction equipment	496	1,427
	<u>1,416</u>	<u>2,308</u>

## 8. INCOME TAX EXPENSE

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.

For the six months ended 30 September 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2017.

The amount of income tax expense charged to the unaudited condensed consolidated statement of comprehensive income represents:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Hong Kong Profits Tax:		
Current tax	<b>20</b>	2,548
Deferred tax	–	468
	<u>20</u>	<u>3,016</u>

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil)

## 10. (LOSS)/EARNINGS PER SHARE

### (a) Basic

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
(Loss)/Earnings for the period attributable to owners of the Company (HK\$'000)	<b>(17,306)</b>	8,800
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	<b>800,000</b>	660,000
Loss/Earnings per share (expressed in HK cents per share)	<u><b>(2.16)</b></u>	<u>1.30</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the period ended 30 September 2017 was derived from 660,000,000 ordinary shares (comprising 1 ordinary share in issue and 659,999,999 ordinary shares issued under the capitalisation issue) as if these 660,000,000 ordinary shares were outstanding throughout the period.

### (b) Diluted

Diluted loss per share is the same as basic loss per share due to the absence of dilutive potential ordinary share for six months ended 30 September 2018.

## 11. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired certain items of property, plant and equipment of approximately HK\$13,638,000 (six months ended 30 September 2017: HK\$11,029,000).

During the six months ended 30 September 2018, no machinery was disposed (six months ended 30 September 2017: HK\$680,000) and no gain on disposal on machinery was recognised during the six months ended 30 September 2018 (six months ended 30 September 2017: HK\$150,000) in the condensed combined statement of profit or loss and other comprehensive income.

## 12. TRADE RECEIVABLES

The Group grants credit terms of 7 to 30 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2018 HK\$'000 (Audited)</b>
0 – 30 days	17,143	20,854
31 – 60 days	1,931	3,375
	<u>19,074</u>	<u>24,229</u>

## 13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2018 HK\$'000 (Audited)</b>
Deposits for acquisition of property and equipment	200	876
Deposits	3,583	3,470
Receivable from the proceeds of disposal of property and equipment	180	280
Other receivables	1,766	1,315
Prepayments	129	124
Total	<u>5,858</u>	<u>6,065</u>
Presented as non-current assets	200	876
Presented as current assets	<u>5,658</u>	<u>5,189</u>
Total	<u>5,858</u>	<u>6,065</u>

#### 14. PLEDGED INVESTMENT ASSETS

Pledged investment assets represented a life insurance policy with cash value.

As at 30 September 2018, pledged investment asset pledged to a bank to secure the banking facilities granted to the Group amounted to HK\$3.6 million (31 March 2018: Nil).

#### 15. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 March 2018, pledged bank deposits represent deposits pledged to a bank to secure the banking facilities granted to the Group, and carried with prevailing market interest rate of 0.01% per annum.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate of 0.01% per annum.

#### 16. TRADE PAYABLES

The credit period is 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2018 HK\$'000 (Audited)</b>
0 – 30 days	15,117	30,937
31 – 60 days	732	7,195
Over 60 days	5,548	1,241
	<u>21,397</u>	<u>39,373</u>

#### 17. OTHER PAYABLES AND ACCRUED CHARGES

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2018 HK\$'000 (Audited)</b>
Accrued charges	5,037	5,630
Retention payable	14,673	15,557
	<u>19,710</u>	<u>21,187</u>

#### 18. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its machineries and motor vehicles under finance leases with terms ranged from two to four years. The interest rates were ranged from 1.8% to 4.3% and 2.3% to 4.3% per annum as at 30 September 2018 and 31 March 2018, respectively.

The Group's obligations under finance leases were secured by the lessor's charge over the machineries and motor vehicles and was guaranteed by Mr. Lee before Listing, subsequently was guaranteed by the Company.

## 19. BANK BORROWINGS

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	As at 31 March 2018 HK\$'000 (Audited)
Guaranteed bank borrowings repayable within one year		
– Secured	<b>8,564</b>	29,290
– Unsecured	<b>17,312</b>	3,631
	<b><u>25,876</u></b>	<b><u>32,921</u></b>

All bank borrowings contain repayment on demand clause and repayable within one year based on scheduled repayment dates set out in the loan agreements.

The Group's bank borrowings as at 30 September 2018 were secured and guaranteed by:

- (a) pledged investment asset; and
- (b) corporate guarantees provided by the Company.

As at 30 September 2018, the Group has discounted trade receivables with full recourse amounting to approximately HK\$5,100,000 (31 March 2018: HK\$14,284,000) to banks for short term borrowings and the associated borrowings amounted to approximately HK\$5,100,000 (31 March 2018: HK\$10,000,000).

## 20. SHARE CAPITAL

The share capital balance as at 30 September 2018 in the unaudited condensed consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:.

### The Company

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2018 and 30 September 2018	<b><u>2,000,000,000</u></b>	<b><u>20,000</u></b>
Issued and fully paid:		
At 31 March 2018 and 30 September 2018	<b><u>800,000,000</u></b>	<b><u>8,000</u></b>

## 21. CAPITAL COMMITMENTS

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2018 HK\$'000 (Audited)</b>
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the unaudited condensed consolidated financial statements	<b><u>2,838</u></b>	<b><u>2,704</u></b>

## 22. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

The remuneration of directors and other members of key management during the six months ended 30 September 2018 and 2017 were as follows:

	<b>Six months ended 30 September</b>	
	<b>2018 HK\$'000 (Unaudited)</b>	<b>2017 HK\$'000 (Unaudited)</b>
Short-term benefits	<b>1,890</b>	1,662
Post-employment benefits	<b><u>54</u></b>	<u>45</u>
	<b><u>1,944</u></b>	<b><u>1,707</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a Hong Kong-based subcontractor principally providing foundation works including ELS works, pile cap works and pile construction, site formation works and other ancillary services such as road and drainage works for foundation projects in the private sector.

During the six months ended 30 September 2018, the Group encountered progress delays in the project in Kwun Tong and the project at Island Road as the relevant project owners have revised the building plans and were pending approval by the relevant government department. Such delays have significantly affected the amount of revenue recognised by the Group for the six months ended 30 September 2018.



## **OUTLOOK**

Upon obtaining the relevant approvals by the government department, the project in Kwun Tong resumed operation in September 2018 and the project at Island Road resumed operation in October 2018. The Group expects the abovementioned projects will provide positive impact to the Group's revenue for the six months ending 31 March 2019.

The Group always strives to improve its operation efficiency and profitability of its business. The Group plans to expand its fleet of machinery and equipment, which will enhance its technical capability to bid future projects. The Group will also proactively seek potential business opportunities that will broaden the sources of income and enhance value to the shareholders. The net proceeds from the Share Offer thereby provide financial resources to the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in foundation and site formation works.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue decreased by approximately 33.1% from approximately HK\$151.7 million for the six months ended 30 September 2017 to approximately HK\$101.5 million for the six months ended 30 September 2018. Such decrease was mainly due to progress delays in the project in Kwun Tong with contract sum of approximately HK\$306.0 million and the project at Island Road with contract sum of approximately HK\$45.0 million as the relevant project owners have revised the building plans of the said projects which were pending approval by the relevant government department.

### **Direct Costs**

The Group's direct costs for the six months ended 30 September 2018 was approximately HK\$107.7 million, representing a decrease of approximately 14.9% from approximately HK\$126.5 million for the six months ended 30 September 2017. Despite the decrease in the Group's direct costs, there is (i) additional cost incurred for the variations instructed by the customer for the foundation project in Tuen Mun; and (ii) increase in cost of construction materials driven by the significant increase in purchase price of steel and concrete.

### **Gross (Loss)/Profit and Gross (Loss)/Profit Margin**

The Group's gross loss for the six months ended 30 September 2018 were approximately HK\$6.3 million as compared to gross profit for the six months ended 30 September 2017 of approximately HK\$25.2 million. The Group recorded a gross loss margin for the six months ended 30 September 2018 was approximately 6.2%, as compared to gross profit margin for six months ended 30 September 2017 of approximately 16.6%. Such decrease was primarily due to (i) additional cost incurred for the variations instructed by the customer for the foundation project in Tuen Mun; the Group is also negotiating with the customer in relation to the value of work done by the Group to be certified in the final account of this project, and (ii) the increase in cost of construction materials driven by the significant increase in purchase price of steel and concrete.

## **Administrative Expenses**

The Group's administrative expenses for the six months ended 30 September 2018 were approximately HK\$10.6 million, representing an increase of approximately 34.2% from approximately HK\$7.9 million for the six months ended 30 September 2017, primarily as a result of the increase in staff costs due to the increase in the number of back office staff to support the future business development and professional fee incurred after Listing.

## **(Loss)/Profit and Total Comprehensive (Expense)/Income for the Period Attributable to Owners of the Company**

As a result of the foregoing, the Group recorded a net loss of approximately HK\$17.3 million for the six months ended 30 September 2018 as compared to a net profit of approximately HK\$10.3 million for the same period in 2017.

## **COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**

The following is a comparison of the Group's business plan as set out in the prospectus of the Company dated 13 December 2017 (the "**Prospectus**") with actual business progress up to 30 September 2018.

### **Business plan as set out in the Prospectus**

### **Progress up to 30 September 2018**

*Funding the initial and/or the operating costs to be incurred in the early stage of three existing foundation works projects*

- |                          |   |
|--------------------------|---|
| – Island Road Project    | The funding costs of approximately HK\$7.9 million was fully utilised.  |
| – Java Road Project      | The funding costs of approximately HK\$4.2 million was fully utilised.  |
| – Wong Chuk Hang Project | The funding costs of approximately HK\$10.8 million was fully utilised. |

*Strengthening the manpower*

- |   |  |
|---|--|
| – Employ project management and supervision | The Group has hired one assistant quantity surveyor, two engineers, two site agents and one project manager. |
| – Employ machinery operator                 | The Group has hired four machinery operators.  |

*Enhancing the machinery*

- |                          |   |
|--------------------------|---|
| – Purchase new machinery | The Group has purchased 15 excavators and four cranes and breakers. |
|--------------------------|---|

## USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Share Offer of the Group at the time of Listing, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK\$52.0 million.

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date to 30 September 2018:

	<b>Planned use of proceeds</b> <i>HK\$'000</i>	<b>Actual use of proceeds from the Listing Date to 30 September 2018</b> <i>HK\$'000</i>	<b>Unutilised balance as at 30 September 2018</b> <i>HK\$'000</i>
Funding the costs to be incurred in the early stage of three existing foundation works projects	22,845	22,845	—
Strengthening the manpower	12,213	2,159	10,054
Enhancing the machinery	12,252	8,459	3,793
General working capital	4,705	4,705	—
	<u>52,015</u>	<u>38,168</u>	<u>13,847</u>

## Capital Structure, Liquidity and Financial Resources

The shares of the Company were successfully listed on Main Board of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Group since the Listing Date and up to date of this announcement. The capital of the Group only comprises of ordinary shares.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 30 September 2018, the Group had cash and bank balances of approximately HK\$17.7 million (31 March 2018: HK\$47.7 million).

As at 30 September 2018, the Group's total equity attributable to owners of the Company amounted to approximately HK\$109.5 million (31 March 2018: HK\$126.8 million). As of the same date, the Group's total debt amounted to approximately HK\$91.6 million (31 March 2018: HK\$106.5 million).

## **BORROWINGS AND GEARING RATIO**

As at 30 September 2018, the Group had borrowings of approximately HK\$45.2 million which was denominated in Hong Kong Dollars (31 March 2018: HK\$38.5 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 September 2018, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 83.7% (31 March 2018: 84.0%).

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

Save as disclosed in this announcement and the Prospectus, there was no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures by the Company during the six months ended 30 September 2018. There is no other plans for material investments or capital assets as at 30 September 2018.

## **CHARGE ON GROUP ASSETS**

As at 30 September 2018, the Group has pledged its machineries and construction equipment with an aggregate net book value of HK\$32.6 million (31 March 2018: HK\$11.6 million) and motor vehicles with an aggregate net book value of HK\$0.4 million (31 March 2018: 1.1 million) to the banks to secure the short-term bank loans and other general banking facilities granted to the Group.

As at 30 September 2018, investment asset of approximately HK\$3.6 million was pledged to a bank to secure the banking facilities granted to the Group (31 March 2018: Nil).

## **FOREIGN EXCHANGE EXPOSURE**

All of the revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong Dollars which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

## **TREASURY POLICIES**

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.

## **CONTINGENT LIABILITIES**

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: Nil).

## **COMMITMENTS**

As at 30 September 2018, the Group had capital commitment of approximately HK\$2.8 million (31 March 2018: HK\$2.7 million).

The Group is the lessee in respect of office premises, quarters and warehouses under operating leases. As at 30 September 2018, the Group's total future minimum lease payments under non-cancellable operating leases were approximately HK\$1.2 million (31 March 2018: HK\$1.7 million).

## **SEGMENT INFORMATION**

The Group principally operated in one business segment, which is the foundation subcontractors in the foundation and site formation industry.

## **INFORMATION ON EMPLOYEES**

As at 30 September 2018, the Group had 112 full-time employees working in Hong Kong (As at 31 March 2018: 110). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including Director's emoluments and mandatory provident funds contributions) for the six months ended 30 September 2018 amounted to approximately HK\$22.0 million (for the six months ended 30 September 2017: HK\$20.0 million).

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2018 (31 March 2018: Nil).

## **PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.

## **COMPETING BUSINESS**

During the six months ended 30 September 2018, none of the Directors or the controlling shareholders of the Company (the "**Controlling Shareholders**") and their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

## **Non-Competition Undertaking**

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Lee and Simple Joy (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group) on 4 December 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the covenantors also gave certain non-competition undertakings under the Deed of Non-competition as set out in the section headed “Relationship With Our Controlling Shareholders – Non-competition undertaking” in the Prospectus.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code since the Listing Date up to the date of this announcement.

## **SHARE OPTION SCHEME**

The Company’s share option scheme (the “**Share Option Scheme**”) was conditionally adopted on 4 December 2017. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Prospectus.

## **CORPORATE GOVERNANCE PRACTICE**

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholder value and safeguarding interest of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise on a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules. In the opinion of the Board, the Company has complied with the CG Code since the Listing Date up to the date of this announcement.

## UPDATE IN DIRECTORS' PARTICULARS

An update of the information of the Directors is as follows:

Mr. Chong Kam Fung, an independent non-executive Director, has resigned as a non-executive director of Hao Bai International (Cayman) Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8431) with effect from 16 May 2018.

Mr. Ho Chun Chung Patrick, an independent non-executive Director, has resigned as a non-executive director of Asia Investment Finance Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 33) with effect from 16 October 2018.

## AUDIT COMMITTEE

The Audit Committee was established on 4 December 2017. The chairman of the Audit Committee is Mr. Ho Chun Chung Patrick, the independent non-executive Director, and other members included Mr. Chong Kam Fung and Mr. Shi Wai Lim William, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2018 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

By order of the Board  
**Ling Yui Holdings Limited**  
**Lee Kim Ming**  
*Chairman and Executive Director*

Hong Kong, 20 November 2018

*As at the date of this announcement, the Board comprises Mr. Lee Kim Ming and Mr. Chan Siu Hung as executive Directors; and Mr. Chong Kam Fung, Mr. Ho Chun Chung Patrick and Mr. Shi Wai Lim William as independent non-executive Directors.*