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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 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Ling Yui Holdings Limited (the “**Company**”) presents the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018 as follow:

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

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	188,910	101,465
Direct costs		(174,357)	(107,722)
Gross profit/(loss)		14,553	(6,257)
Other income	5	546	468
Other gains and losses	5	23	–
Administrative expenses		(12,971)	(10,563)
Finance costs	6	(1,074)	(934)

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

For the six months ended 30 September 2019

	<i>Notes</i>	Six months ended 30 September	
		2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit/(Loss) before taxation	7	1,077	(17,286)
Income tax expense	8	(450)	(20)
Profit/(Loss) and total comprehensive income/ (expense) for the period		<u>627</u>	<u>(17,306)</u>
Profit/(Loss) and total comprehensive income/ (expense) attributable to owners of the Company		<u>627</u>	<u>(17,306)</u>
		HK cents	HK cents
Earnings/(Loss) per share attributable to owners of the Company			
– Basic and diluted	10	<u>0.08</u>	<u>(2.16)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	<i>Notes</i>	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Non-current assets			
Property and equipment	<i>11</i>	61,138	64,389
Deposits	<i>13</i>	3,945	3,898
Right-of-use assets		2,260	–
		67,343	68,287
Current assets			
Trade receivables	<i>12</i>	48,528	42,842
Deposits, prepayments and other receivables	<i>13</i>	4,627	4,913
Tax recoverable		2,160	2,610
Contract assets		116,508	99,106
Bank balances and cash	<i>14</i>	12,312	26,367
		184,135	175,838
Current liabilities			
Trade payables	<i>15</i>	49,541	60,963
Other payables and accrued charges	<i>16</i>	35,321	27,078
Obligations under finance leases	<i>17</i>	18,103	13,745
Bank borrowings	<i>18</i>	33,445	31,817
Lease liabilities		738	–
		137,148	133,603
Net current assets		46,987	42,235
Total assets less current liabilities		114,330	110,522

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2019*

		As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current liabilities			
Deferred tax liabilities		1,137	1,137
Obligations under finance leases	<i>17</i>	6,314	4,531
Lease liabilities		1,398	–
		8,849	5,668
Net assets		105,481	104,854
Equity attributable to owners of the Company			
Share capital	<i>19</i>	8,000	8,000
Reserves		97,481	96,854
Total equity		105,481	104,854

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	
Balance at 1 April 2018 (audited)	8,000	123,367	(60,130)	55,609	126,846
Loss and total comprehensive expense for the period	—	—	—	(17,306)	(17,306)
Balance at 30 September 2018 (unaudited)	8,000	123,367	(60,130)	38,303	109,540
Balance at 1 April 2019 (audited)	8,000	123,367	(60,130)	33,617	104,854
Profit and total comprehensive income for the period	—	—	—	627	627
Balance at 30 September 2019 (unaudited)	8,000	123,367	(60,130)	34,244	105,481

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL

Ling Yui Holdings Limited (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. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company’s principal place of business in Hong Kong of the Company is located at Units 1702-03, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) are 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 of Hong Kong Limited (the “**Stock Exchange**”) 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

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the principles of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“**AG 5**”) issued by the HKICPA and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. 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 2019:**

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and 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 these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group has applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contract entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For the contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

The Group did not recognise lease liabilities and right-of-use assets on 1 April 2019.

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

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after beginning of the first annual period beginning on or after 1 January 2020

The Directors are in process of assessing the potential impact of the new and revised HKFRSs, and at this stage have not yet anticipated or determined the effect of the application of these new and revised HKFRSs on the financial performance and financial position of the Group.

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\$61,138,000 (31 March 2019: HK\$64,389,000) 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 is as follows:

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	147,732	36,045
Customer B	N/A ¹	21,200
Customer C	N/A ¹	11,656
Customer D	N/A ¹	20,008

¹ Less than 10% of the Group's total revenue for the six months ended 30 September 2019.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income from investment asset	71	6
Income from sale of rock	–	23
Machine rental income	88	–
Sundry income	387	439
	<u>546</u>	<u>468</u>

Other gains and losses

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Gain on disposal of property and equipment	23	–
	<u>23</u>	<u>–</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Finance costs on:		
Lease liabilities/obligations under finance leases	479	319
Bank borrowings	595	615
	<u>1,074</u>	<u>934</u>

7. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(Loss) before taxation has been arrived at after charging:		
Auditor's remuneration	600	500
Depreciation of property and equipment	5,631	4,192
Depreciation of right-of-use assets	205	–
Directors' remuneration	1,378	1,438
Other staff costs		
Salaries and other benefits	27,285	19,652
Retirement benefits scheme contributions	869	726
Total staff costs	29,532	21,816
Minimum lease payments under operating leases in respect of:		
– land and buildings	463	920
– machineries and construction equipment	3,565	496
	4,028	1,416

8. INCOME TAX EXPENSE

For the six months ended 30 September 2019 and 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.

The amount of income tax expense charged to the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
Current tax	450	20
Deferred tax	–	–
	450	20

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil)

10. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Six months ended 30 September	
	2019	2018
Earnings/(Loss) for the period attributable to owners of the Company (HK\$'000)	627	(17,306)
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (in thousand)	800,000	800,000
Earnings/(Loss) per share (expressed in HK cents per share)	<u>0.08</u>	<u>(2.16)</u>

For the six months ended 30 September 2019 and 2018, the weighted average number of ordinary shares for the purpose of calculating earnings per share were derived from 800,000,000 shares.

(b) Diluted

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share due to the absence of dilutive potential ordinary share for six months ended 30 September 2019 and 2018.

11. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired certain items of property, plant and equipment of approximately HK\$2,182,000 (six months ended 30 September 2018: HK\$13,638,000).

During the six months ended 30 September 2019, the Group disposed a motor vehicle with carrying amount of approximately HK\$7,000 (six months ended 30 September 2018: Nil) and recognised a gain of approximately HK\$23,000 during the six months ended 30 September 2019 (six months ended 30 September 2018: Nil) in the unaudited 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.

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
0 – 30 days	37,695	34,707
31 – 60 days	4,405	2,332
61 – 90 days	591	5,258
91 – 365 days	6,800	–
Over 365 days	261	1,561
	<hr/>	<hr/>
	49,752	43,858
Less: impairment loss allowance	(1,224)	(1,016)
	<hr/>	<hr/>
	48,528	42,842
	<hr/> <hr/>	<hr/> <hr/>

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Deposits for acquisition of property and equipment	200	200
Deposits	4,203	3,762
Receivable from the proceeds of disposal of property and equipment	–	180
Other receivables	420	891
Prepayments	4	80
Payment for life insurance policy	3,745	3,698
	<hr/>	<hr/>
Total	8,572	8,811
	<hr/> <hr/>	<hr/> <hr/>
Presented as non-current assets	3,945	3,898
Presented as current assets	4,627	4,913
	<hr/>	<hr/>
Total	8,572	8,811
	<hr/> <hr/>	<hr/> <hr/>

14. BANK BALANCES AND CASH

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.

15. 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:

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
0 – 30 days	34,889	35,261
31 – 60 days	5,101	17,904
Over 60 days	9,551	7,798
	<u>49,541</u>	<u>60,963</u>

16. OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Accrued charges	10,747	7,603
Retention payable	24,574	19,475
	<u>35,321</u>	<u>27,078</u>

17. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its machineries and motor vehicles under finance leases with terms ranged from two to three years. The interest rates were ranged from 1.8% to 4.3% per annum as at 30 September 2019 and 31 March 2019, respectively.

The Group's obligations under finance leases were secured by the lessor's charge over the machineries and motor vehicles and were guaranteed by the corporate guarantee provided by the Company.

18. BANK BORROWINGS

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Guaranteed bank borrowings repayable within one year		
– Secured	23,693	21,901
– Unsecured	9,752	9,916
	<u>33,445</u>	<u>31,817</u>

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

The Group's bank borrowings as at 30 September 2019 were secured and guaranteed by:

- (a) life insurance policy of the Group; and
- (b) corporate guarantees provided by the Company.

As at 30 September 2019, the Group has discounted trade receivables with full recourse amounting to approximately HK\$27,661,000 (31 March 2019: HK\$26,319,000) to banks for short term borrowings and the associated borrowings amounted to approximately HK\$23,693,000 (31 March 2019: HK\$21,901,000).

19. SHARE CAPITAL

The share capital balance as at 30 September 2019 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:

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2019 and 30 September 2019	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 31 March 2019 and 30 September 2019	<u>800,000,000</u>	<u>8,000</u>

20. CAPITAL COMMITMENTS

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the condensed consolidated financial statements	—	—

21. 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 2019 and 2018 were as follows:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	2,031	1,890
Post-employment benefits	45	54
	2,076	1,944

BUSINESS REVIEW

The Group is a Hong Kong-based subcontractor principally providing foundation works including excavation and lateral support 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.

For the six months ended 30 September 2019, the Group recorded net profit of approximately HK\$0.6 million as compared with a net loss of approximately HK\$17.3 million for the corresponding period in 2018. The Directors consider that such turnaround from net loss to net profit was mainly due to (i) increase in value of works undertaken by the Group; and (ii) the impact of the additional cost increased for variations instructed by the customer for the foundation project in Tuen Mun for the six months ended 30 September 2018.

OUTLOOK

The Board considered pricing competition would be an unavoidable scene alongside with the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong, as contractors in the public sector would flow into competition which in turn, would indirectly squeeze the tender prices in the private foundation sector where the Group mainly engages its business in. The shrinking profit margin is becoming the market trend of the industry. Accordingly, the Group has to tender projects at lower profit margin to maintain its competitiveness.

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 on projects. The Group will also proactively seek for potential business opportunities which 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 increased by approximately 86.2% from approximately HK\$101.5 million for the six months ended 30 September 2018 to approximately HK\$188.9 million for the six months ended 30 September 2019. Such increase was mainly due to the significant business growth in the foundation and site formation industry.

Direct Costs

The Group's direct costs for the six months ended 30 September 2019 was approximately HK\$174.4 million, representing an increase of approximately 61.9% from approximately HK\$107.7 million for the six months ended 30 September 2018. Such increase was primarily due to increase in revenue.

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

The Group's gross profit for the six months ended 30 September 2019 were approximately HK\$14.6 million as compared to gross loss for the six months ended 30 September 2018 of approximately HK\$6.3 million. The Group recorded a gross profit margin for the six months ended 30 September 2019 of approximately 7.7%, as compared to gross loss margin for the six months ended 30 September 2018 of approximately 6.2%. Such increase was primarily due to (i) improvement in cost control; and (ii) the impact of the additional cost increased for variations instructed by the customer for the foundation project in Tuen Mun for the six months ended 30 September 2018.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 September 2019 were approximately HK\$13.0 million, representing an increase of approximately 22.8% from approximately HK\$10.6 million for the six months ended 30 September 2018, primarily as a result of increase in staff cost of approximately HK\$1.9 million to support our significant business growth in the foundation and site formation industry.

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

As a result of the foregoing, the Group recorded a net profit of approximately HK\$0.6 million for the six months ended 30 September 2019 as compared to a net loss of approximately HK\$17.3 million for the same period in 2018.

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 2019.

Business plan as set out in the Prospectus

Progress up to 30 September 2019

Funding the 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. |

Business plan as set out in the Prospectus**Progress up to 30 September 2019***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 fifteen 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 2019:

	Planned use of proceeds HK\$'000	Actual use of proceeds from the Listing Date to 30 September 2019 HK\$'000	Unutilised balance as at 30 September 2019 HK\$'000
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	12,069	144
Enhancing the machinery	12,252	12,252	–
General working capital	4,705	4,705	–
	52,015	51,871	144

The remaining unutilised net proceeds as at 30 September 2019 were placed as deposits with licensed banks in Hong Kong and are currently intended to be applied in the manner consistent with the proposed allocations as set out in the Prospectus.

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 2019, the Group had cash and bank balances of approximately HK\$12.3 million (31 March 2019: HK\$26.4 million).

As at 30 September 2019, the Group's total equity attributable to owners of the Company amounted to approximately HK\$105.5 million (31 March 2019: HK\$104.9 million). As of the same date, the Group's total debt amounted to approximately HK\$146.0 million (31 March 2019: HK\$139.3 million).

BORROWINGS AND GEARING RATIO

As at 30 September 2019, the Group had borrowings of approximately HK\$57.9 million which was denominated in Hong Kong dollars (31 March 2019: HK\$50.1 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 September 2019, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 138.4% (31 March 2019: 132.8%).

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

Save as disclosed in this announcement, 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 2019. There is no other plans for material investments or capital assets as at 30 September 2019.

CHARGE ON GROUP ASSETS

As at 30 September 2019, the Group has pledged its machineries and construction equipment with an aggregate net book value of HK\$40.5 million (31 March 2019: HK\$30.6 million) and motor vehicles with an aggregate net book value of HK\$0.7 million (31 March 2019: 0.9 million) to the banks to secure the short-term bank loans and other general banking facilities granted to the Group.

As at 30 September 2019, payment for life insurance policy of approximately HK\$3.7 million was pledged to a bank to secure the banking facilities granted to the Group (31 March 2019: HK\$3.7 million).

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 2019, the Group did not have any material contingent liabilities (31 March 2019: Nil).

COMMITMENTS

As at 30 September 2019, the Group had no capital commitments in respect of acquisition of property and equipment (31 March 2019: Nil).

SEGMENT INFORMATION

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

INFORMATION ON EMPLOYEES

As at 30 September 2019, the Group had 135 full-time employees working in Hong Kong (As at 31 March 2019: 116). 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 2019 amounted to approximately HK\$29.5 million (for the six months ended 30 September 2018: HK\$21.8 million).

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (30 September 2018: Nil).

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

As at 30 September 2019, the following Directors or chief executives of the Company had or was deemed to have interests or short positions 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”)) (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”):

Long Position in shares and underlying shares of the Company

Name of Director	Capacity/Nature	Number of Shares held/ Interested	Approximate percentage of shareholding
Mr. Lee Kim Ming (<i>Note 1</i>)	Interested in a controlled corporation	542,910,000	67.86%
Mr. Chan Siu Hung (<i>Note 2</i>)	Interested in a controlled corporation	57,090,000	7.14%

Notes:

- (1) Mr. Lee Kim Ming (“Mr. Lee”) legally and beneficially owns the entire issued share capital of Simple Joy Investments Limited (“Simple Joy”). Therefore, Mr. Lee is deemed, or taken to be, interested in all the Shares held by Simple Joy for the purpose of the SFO. Mr. Lee is the sole director of Simple Joy.
- (2) Mr. Chan Siu Hung (“Mr. Chan”) legally and beneficially owns the entire issued share capital of Simply Marvel Limited (“Simply Marvel”). Therefore, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Simply Marvel for the purpose of the SFO. Mr. Chan is the sole director of Simply Marvel.

Save as disclosed above, as at 30 September 2019, none of the Directors or chief executives of the Company had registered an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation (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 interest and short positions which he was taken or deemed to have under provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, as at 30 September 2019, the following persons/entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the shares, underlying shares or debentures of the Company 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 which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long Positions in shares and underlying shares of the Company

Name	Capacity/ Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding
Simple Joy	Beneficial owner	542,910,000	67.86%
Ms. Yeung Yuen Man (<i>Note 1</i>)	Interest of spouse	542,910,000	67.86%
Simply Marvel	Beneficial owner	57,090,000	7.14%
Ms. Fu Jingyan (<i>Note 2</i>)	Interest of spouse	57,090,000	7.14%

Notes:

- (1) Ms. Yeung Yuen Man (“**Ms. Yeung**”) is the spouse of Mr. Lee. Under the SFO, Ms. Yeung is deemed to be interested in the same number of Shares in which Mr. Lee is interested.
- (2) Ms. Fu Jingyan (“**Ms. Fu**”) is the spouse of Mr. Chan. Under the SFO, Ms. Fu is deemed to be interested in the same number of Shares in which Mr. Chan is interested.

Save as disclosed above, as at 30 September 2019, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had any interest or a short position in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 2019.

COMPETING BUSINESS

During the six months ended 30 September 2019, none of the Directors or the controlling shareholders of the Company (the “**Controlling Shareholders**”) and their respective associates (as defined in the Listing Rules) had any interests in a business, apart from the business of the Group, which competes or may compete, either directly or indirectly, 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, 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.

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 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 and its code of conduct during the six months ended 30 September 2019.

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.

For the six months ended 30 September 2019, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Share Option Scheme.

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 during the six months ended 30 September 2019 and up to date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (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 include 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 2019 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 2019 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

EVENTS AFTER REPORTING PERIOD

The Company has entered into a memorandum of understanding with Mr. Ling Chi Fai on 12 November 2019 in relation to the possible acquisition of the entire issued share capital of Skyblue Environmental Energy Company Limited (the "**Possible Acquisition**"). For details, please refer to the voluntary announcement of the Company dated 12 November 2019 in relation to the Possible Acquisition. Save as disclosed above and in this announcement, there is no other important event affecting the Group since 30 September 2019 and up to date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and the interim report are published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.lingyui.com.hk. The interim report of the Company for the six months ended 30 September 2019 will be dispatched to the shareholders of the Company. Should the shareholders of the Company have any difficulties in accessing the corporate communications electronically, please request the printed interim report, free of charge, at any time by writing to the Company or the Company's registrar, Tricor Investor Services Limited.

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

Hong Kong, 21 November 2019

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