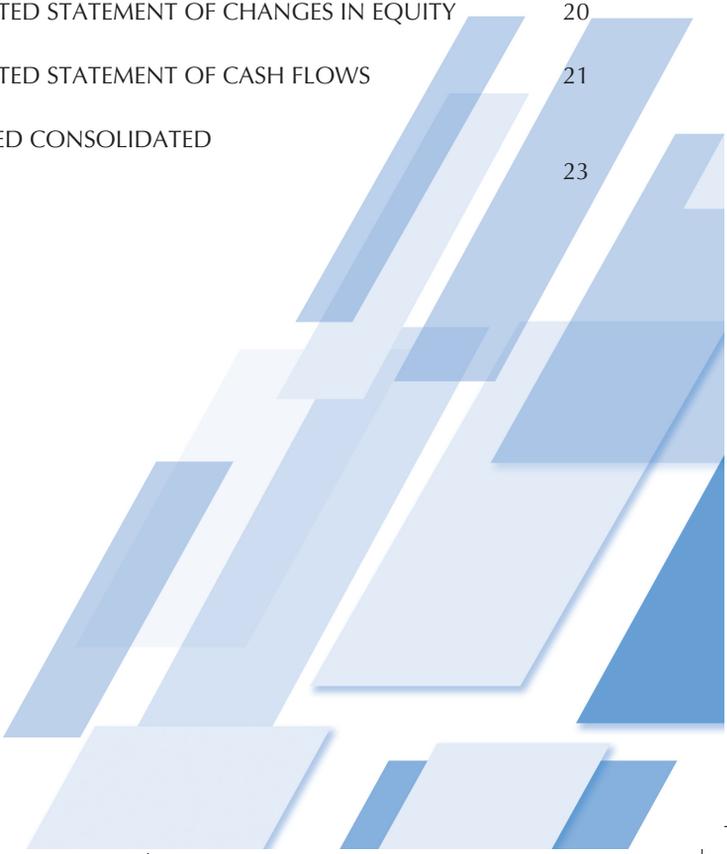


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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lo Yuen Cheong (*Chairman*)

Lo Yick Cheong

Non-executive Director

Chan Wai Ying

Independent non-executive Directors

Leung Wai Tat Henry

Lo Man Chi

Chau Wai Yung

AUDIT COMMITTEE

Leung Wai Tat Henry (*Chairman*)

Chan Wai Ying

Chau Wai Yung

Lo Man Chi

REMUNERATION COMMITTEE

Chau Wai Yung (*Chairman*)

Lo Yuen Cheong

Leung Wai Tat Henry

Lo Man Chi

NOMINATION COMMITTEE

Lo Yuen Cheong (*Chairman*)

Lo Yick Cheong

Chau Wai Yung

Leung Wai Tat Henry

Lo Man Chi

COMPANY SECRETARY

Wan Ho Yin

SOLICITORS

CFN Lawyers in association

with Broad & Bright

Maples and Calder

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Industrial and Commercial Bank of China
(Asia) Limited

REGISTERED OFFICE

PO Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

PRINCIPAL OFFICE

Unit D, 10/F

Skyline Tower

18 Tong Mi Road

Mongkok, Kowloon

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

PO Box 1093

Boundary Hall, Cricket Square

Grand Cayman

KY1-1102

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

2193

WEBSITE

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing civil engineering services in Hong Kong as main contractor.

The engineering works undertaken by the Group are mainly related to (i) roads and drainage (including associated building works and electrical and mechanical works); (ii) site formation (including associated infrastructure works); and (iii) port works (including barging facilities for marine logistics of construction materials). The Group undertakes engineering projects in both public and private sectors and, being a main contractor, participates in the procurement of materials, machineries and equipment, selection of subcontractors, carrying out on-site supervision, monitoring work progress and overall co-ordination of day-to-day work of the projects.

As at 30 September 2019, the Group had eight projects in progress, and several completed projects yet to receive the final contract sum, with a total estimated outstanding contract sum and work order value of approximately HK\$714.8 million. Subsequent to 30 September 2019, we have secured a contract from public sector with total contract sum of approximately HK\$34.8 million.

FUTURE OUTLOOK

Although the HKSAR government policies support the growth in infrastructure development, the social disruptions in the past few months severely affect the approval pace of public works. Many of them were either postponed or pending for approval during the current interim period. In addition, because of the year-long US-China trade war and the dire competition business environment in Hong Kong, the construction sector is getting worse and obviously these are challenges to us.

During these difficult times, we maintained profit by implementing more tighten cost controls.

Despite the gross profit margin of 11.3% during the current interim period was slightly reduced when compared to the corresponding last period of 12.8%, the cost control on administrative expenses and the share of profit of the associate entity enhanced the net profit of the Group by triple to approximately HK\$3.0 million.

In the last annual report, we had mentioned our 20.3% interest in the One Belt One Road project would commence bareboat charter and coal transshipment services from the mid-September 2019. The actual coal transshipment operation however slightly fell behind schedule to early October 2019 instead due to the unstable sea condition at the transshipment area in September 2019. The latest news are that our operation team worked very hard and professional to transship the coal of approximately 480,000 tons from the incoming ocean going vessels to the jetty up to the mid-November 2019. The result of testing and commissioning period was satisfying and passed in the mid-November 2019, indicating our technical capability to handle this project. The next stage is the charter period, in which higher charter fee rate comparing to the testing and commissioning period is expected. We remain affirmative that the investment will not only be beneficial to our Group financial performance but also a robust platform for building our experience and strength in the worldwide transshipment business.

FINANCIAL REVIEW

Condensed consolidated statement of profit or loss

Revenue

The Group's revenue for the six months ended 30 September 2019 was approximately HK\$110.5 million, representing an increase of approximately 13.4% from approximately HK\$97.4 million in the same period of the last financial year. This increase was mainly due to the combined effect of:

- (i) higher revenue of approximately HK\$17.5 million for a new public sector project commenced during the six months ended 30 September 2019;
- (ii) higher revenue of approximately HK\$19.6 million for seven projects in progress during the six months ended 30 September 2019;
- (iii) lower revenue of approximately HK\$0.6 million and HK\$22.8 million for a project completed during the six months ended 30 September 2019 and a project completed before 2019, respectively; and
- (iv) lower service income from trading of construction materials of approximately HK\$0.6 million during the six months ended 30 September 2019.

Gross profit

The gross profit margin decreased from approximately 12.8% for the six months ended 30 September 2018 to approximately 11.3% for the six months ended 30 September 2019. The decrease is primarily due to substantial completion of projects on hand with higher profit margin and less additional contract sums agreed at the final stage were recognised for the six months ended 30 September 2019. The expected gross profit margin for new projects is lower than those undertaken in previous years which reflects keen competition in the construction industry.

Other income

Other income was approximately HK\$1,161,000 and HK\$1,172,000 for the six months ended 30 September in 2019 and 2018, respectively. The slight decrease was mainly due to the combined effect of decrease in interest income earned from bank deposits and the increase in sundry income.

Other gains and losses

Other gains and losses switched from a gain of approximately HK\$173,000 for the six months ended 30 September 2018 to a loss of approximately HK\$632,000 for the six months ended 30 September 2019, primarily due to decrease in net change in fair value of financial assets at fair value through profit or loss of approximately HK\$869,000, offset by the decrease in net exchange loss of approximately HK\$64,000.

Administrative expenses

Administrative expenses for the six months ended 30 September 2019 were approximately HK\$11.1 million, representing a decrease of 10.5% from approximately HK\$12.4 million in same period of the last financial year. This was mainly attributable to the decrease in the administrative staff costs and tender expenses.

Finance costs

The Group has obtained new bank borrowing during the six months ended 30 September 2019 and accordingly bank loan interest expenses increased to approximately HK\$83,000 (2018: HK\$58,000). In addition, the Group recognised interest expenses on the lease liabilities of approximately HK\$24,000 (2018: nil) after the new adoption of HKFRS 16. Therefore, total finance costs was approximately HK\$107,000 (2018: HK\$58,000).

Share of profit of an associate

Share of profit of an associate relates to the Group's 20.3% interest in an associate for the provision of bareboat charter and coal transshipment services in Pakistan. The Group's share of profit of an associate for the six months ended 30 September 2019 was approximately HK\$1,060,000 (2018: nil).

Income tax expense

The effective tax rate for the six months ended 30 September 2018 was approximately 31.1%. The Group recorded income tax credit of approximately HK\$73,000 for the six months ended 30 September 2019.

Profit for the period

For the six months ended 30 September 2019, the Group recorded net profit of approximately HK\$3.0 million, as compared to a net profit of approximately HK\$1.0 million for the corresponding period in the last financial year. This was mainly due to stricter cost control on administrative expenses and the recognition of share of profit of an associate during the six months ended 30 September 2019.

Condensed consolidated statement of financial position

Net assets of the Group slightly increased 1.3% from approximately HK\$235.5 million as at 31 March 2019 to approximately HK\$238.5 million as at 30 September 2019.

Non-current assets increased by 14.2% from approximately HK\$90.6 million to approximately HK\$103.5 million, primarily due to the increase in interest in an associate.

Net current assets decreased by 6.9% from approximately HK\$145.3 million to approximately HK\$135.4 million, primarily due to the decrease in bank balances and cash arising from the acquisition of interest in an associate, increase in amounts due to other partners of joint operations as a result of new project worked with joint operation partner, offset with the effect on increase in trade receivables and prepayments and the decrease in creditors and accrued charges.

Liquidity and financial resources

As at 30 September 2019, the Group had bank balances and cash of approximately HK\$52.9 million (31 March 2019: HK\$96.9 million), which were mainly denominated in Hong Kong dollars and British Pound. The Group is exposed to the currency risks for fluctuation in exchange rates of British Pound. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instruments. The Group will continue to monitor its exposure to the currency risks closely.

As at 30 September 2019, the Group had interest bearing borrowings of approximately HK\$5.1 million (31 March 2019: HK\$1.9 million) with a repayable on demand clause. Such borrowings were denominated in Hong Kong dollars, carried at variable interest rate and had no financial instrument for hedging purpose.

The Group had available unutilised bank borrowings facilities of approximately HK\$68.2 million as at 30 September 2019 (31 March 2019: HK\$49.3 million).

Capital structure and gearing ratio

As at 30 September 2019, the Group's total equity was approximately HK\$238.5 million (31 March 2019: HK\$235.5 million) comprising ordinary share capital, share premium and reserves.

The gearing ratio of the Group, defined as a percentage of interest bearing liabilities divided by the total equity, is approximately 2.7% as at 30 September 2019 (31 March 2019: 0.8%).

For details of pledged assets and performance bonds and contingent liability of the Group, please refer to notes 16 and 22 to the condensed consolidated financial statements accordingly.

New business

During the six months ended 30 September 2019, the Company did not commence any new type of business.

Significant investments

During the six months ended 30 September 2019, the Company did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 September 2019, there was no material acquisition or disposal of subsidiaries and associated companies by the Company.

DISCLOSURE INTERESTS IN SECURITIES

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS IN THE SHARES OF THE COMPANY

As at 30 September 2019, the interests and/or short positions of the Directors and Chief Executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), which or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

| Name of Director and Group member/associated corporation | Capacity/nature | Number of issued ordinary shares held (long position) | Percentage of the issued share capital of the company |
|--|--|---|---|
| Lo Yuen Cheong of the Company | Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse ^(Note) | 300,000,000 | 71.46% |
| | Beneficial owner | 4,512,000 | 1.07% |
| Lo Yick Cheong of the Company | Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse ^(Note) | 300,000,000 | 71.46% |
| Chan Wai Ying of the Company | Beneficial owner | 1,500,000 | 0.36% |
| Leung Wai Tat Henry of the Company | Beneficial owner | 100,000 | 0.02% |

| Name of Director and Group member/associated corporation | Capacity/nature | Number of issued ordinary shares held (long position) | Percentage of the issued share capital of the company |
|--|--|---|---|
| Lo Yuen Cheong of Jade Vantage Holdings Limited | Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse ^(Note) | 50,000 of US\$1 each | 100% |
| Lo Yick Cheong of Jade Vantage Holdings Limited | Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse ^(Note) | 50,000 of US\$1 each | 100% |

Note: Jade Vantage Holdings Limited, which owns 71.46% of the issued share capital of our Company, is owned as to 100% by LOs Brothers (PTC) Limited, the trustee of the Los Family Trust. Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong and each of their spouses are co-founders of the Los Family Trust, which holds the entire issued share capital of Jade Vantage Holdings Limited, which holds 300,000,000 Shares. By virtue of the SFO, Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong are deemed to be interested in the shares of the Company in which Jade Vantage Holdings Limited is interested.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

None of the Directors nor the Chief Executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) during the six months ended 30 September 2019.

SUBSTANTIAL SHAREHOLDERS AND OTHER INTERESTS

As at 30 September 2019, so far as the Directors are aware, the following persons (not being a Director or a Chief Executive of the Company) will have an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

| Name of shareholder | Nature of interest | Number of issued ordinary shares held (long position) | Percentage of the issued share capital of the Company |
|-------------------------------|--|---|---|
| LOs Brothers (PTC) Limited | Interest in a controlled corporation | 300,000,000 | 71.46% |
| Jade Vantage Holdings Limited | Beneficial owner | 300,000,000 | 71.46% |
| Tam Wai Sze, Vera | Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse ^(Note) | 300,000,000 | 71.46% |
| | Beneficial owner | 1,564,000 | 0.37% |
| Cheung Suk Ching, Savonne | Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse ^(Note) | 300,000,000 | 71.46% |

Note: Jade Vantage Holdings Limited, which owns 71.46% of the issued share capital of our Company, is owned as to 100% by LOs Brothers (PTC) Limited, the trustee of the Los Family Trust. Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong and each of their spouses are co-founders of the Los Family Trust, which holds the entire issued share capital of Jade Vantage Holdings Limited, which holds 300,000,000 Shares. By virtue of the SFO, Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong are deemed to be interested in the shares of the Company in which Jade Vantage Holdings Limited is interested.

Save as disclosed above, no other person (other than Directors or Chief Executive of the Company) has an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme on 3 June 2015, and such scheme has become effective on the listing of the Company on the Stock Exchange on 3 July 2015 (the “Share Option Scheme”). The purpose of the Share Option Scheme is to recognise and acknowledge the contribution of the eligible participants made to the Group. The Board may, at its discretion, grant options pursuant to the Share Option Scheme to Directors (including the independent non-executive Directors), the Company’s subsidiaries, employees of the Group and other persons the Board considers have contributed or will contribute to the Group. The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the grant date, unless otherwise approved by the shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share. The Share Option Scheme shall remain effective within a period of 10 years from that date.

No option was granted, exercised or lapsed during the six months ended 30 September 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company has adopted, applied and complied with the code provisions of Corporate Governance Code (the “CG Code”) set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2019, except for provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

According to provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Lo Yuen Cheong is the Chairman and Chief Executive Officer of the Company, responsible for the financial and operational aspects of the Group, and is jointly responsible for the formulation of business development strategies of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer has the benefit of managing the Group’s business and overall operation in an efficient manner. The Board considers that the balance of power and authority under the present arrangement will not be impaired in light of the operations of the Board with half of them being independent non-executive Directors. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Upon specific enquiry with each of the Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended 30 September 2019.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 September 2019.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2019.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company and the Company's external auditor have reviewed the accounting policies adopted by the Group and the unaudited consolidated interim financial results for the six months ended 30 September 2019.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors by reference to the Company's operating results, individual performance and comparable market rates. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

As at 30 September 2019, the Group had an aggregate of 122 full-time employees (31 March 2019: 130 full-time employees). Employee costs excluding directors' emoluments totalled approximately HK\$30.6 million for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$25.1 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the directors with reference to individual performance and current market salary scale.

By Order of the Board
Lo Yuen Cheong
Chairman and Executive Director

29 November 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF MAN KING HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Man King Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 17 to 50, which comprises the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| | NOTES | Six months ended | |
|---|-------|---|---|
| | | 30.9.2019 HK\$'000 (Unaudited) | 30.9.2018 <i>HK\$'000</i> (Unaudited) |
| Revenue | 3 | 110,487 | 97,413 |
| Cost of services | | (97,996) | (84,961) |
| Gross profit | | 12,491 | 12,452 |
| Other income | 4 | 1,161 | 1,172 |
| Other gains and losses | 5 | (632) | 173 |
| Administrative expenses | | (11,053) | (12,355) |
| Finance costs | | (107) | (58) |
| Share of profit of an associate | | 1,060 | – |
| Profit before tax | 6 | 2,920 | 1,384 |
| Income tax credit (expense) | 7 | 73 | (430) |
| Profit and total comprehensive income for the period | | 2,993 | 954 |
| Earnings per share | | | |
| Basic and diluted (in HK cents) | 8 | 0.71 | 0.23 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

| | NOTES | 30.9.2019 HK\$'000 (Unaudited) | 31.3.2019 <i>HK\$'000</i> (Audited) |
|---|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 13,947 | 16,159 |
| Interest in an associate | 11 | 88,251 | 74,469 |
| Right-of-use assets | | 1,300 | – |
| | | 103,498 | 90,628 |
| Current assets | | | |
| Inventories | | 6,902 | 8,063 |
| Contract assets | 12 | 47,985 | 49,781 |
| Debtors, deposits and prepayments | 13 | 52,369 | 35,022 |
| Amounts due from joint operations | 14(i) | 20,754 | 21,844 |
| Tax recoverable | | 571 | 310 |
| Financial assets at fair value through profit or loss | | 3,872 | 4,486 |
| Debt investment | 15 | 3,500 | 3,500 |
| Pledged bank deposits | 16 | 5,206 | 5,206 |
| Bank balances and cash | 16 | 52,927 | 96,909 |
| | | 194,086 | 225,121 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30 SEPTEMBER 2019

| | NOTES | 30.9.2019 HK\$'000 (Unaudited) | 31.3.2019 HK\$'000 (Audited) |
|--|--------|--------------------------------------|------------------------------------|
| Current liabilities | | | |
| Contract liabilities | | 1,280 | 2,889 |
| Creditors and accrued charges | 17 | 32,182 | 61,656 |
| Amounts due to other partners of joint operations | 14(ii) | 18,875 | 13,364 |
| Lease liabilities | | 1,285 | – |
| Tax liabilities | | 2 | 19 |
| Bank borrowings | 18 | 5,107 | 1,873 |
| | | <u>58,731</u> | <u>79,801</u> |
| Net current assets | | <u>135,355</u> | <u>145,320</u> |
| Total assets less current liabilities | | <u>238,853</u> | <u>235,948</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 19 | – |
| Deferred tax liabilities | | 294 | 401 |
| | | <u>313</u> | <u>401</u> |
| Net assets | | <u>238,540</u> | <u>235,547</u> |
| Capital and reserves | | | |
| Share capital | 19 | 4,198 | 4,198 |
| Share premium and reserves | | 234,342 | 231,349 |
| Total equity | | <u>238,540</u> | <u>235,547</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| | Share capital | Share premium | Property revaluation reserve | Other reserve | Retained earnings | Total |
|---|------------------|------------------|------------------------------------|------------------|----------------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April 2018 (audited and restated) | 4,198 | 86,474 | 1,193 | 33,600 | 127,410 | 252,875 |
| Profit and total comprehensive income for the period | - | - | - | - | 954 | 954 |
| Dividend paid (note 9) | - | (14,694) | - | - | - | (14,694) |
| | <u>4,198</u> | <u>71,780</u> | <u>1,193</u> | <u>33,600</u> | <u>128,364</u> | <u>239,135</u> |
| At 30 September 2018 (unaudited) | 4,198 | 71,780 | 1,193 | 33,600 | 124,776 | 235,547 |
| Profit and total comprehensive income for the period | - | - | - | - | 2,993 | 2,993 |
| | <u>4,198</u> | <u>71,780</u> | <u>1,193</u> | <u>33,600</u> | <u>127,769</u> | <u>238,540</u> |
| At 30 September 2019 (unaudited) | 4,198 | 71,780 | 1,193 | 33,600 | 127,769 | 238,540 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| | Six months ended | |
|---|--------------------|-------------------|
| | 30.9.2019 | 30.9.2018 |
| | HK\$'000 | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| OPERATING ACTIVITIES | | |
| Operating cash flows before movements in working capital | 5,613 | 2,757 |
| Decrease in contract assets | 1,796 | 3,676 |
| (Increase) decrease in debtors, deposits and prepayments | (17,347) | 8,401 |
| Decrease in financial assets at fair value through profit or loss | 166 | 3,753 |
| Decrease in contract liabilities | (1,609) | (10,087) |
| (Decrease) increase in creditors and accrued charges | (454) | 4,819 |
| Increase in amounts due to other parties of joint operations | 5,227 | 1,058 |
| Other operating cash flows | 711 | 2,008 |
| | <u> </u> | <u> </u> |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | (5,897) | 16,385 |
| | <u> </u> | <u> </u> |
| INVESTING ACTIVITIES | | |
| Interest income | 295 | 728 |
| Purchase of property, plant and equipment | (403) | (1,058) |
| Payment for acquisition of interest in an associate | (29,020) | – |
| Capital contribution to an associate | (12,722) | – |
| Advances to joint operations | (3,134) | (3,597) |
| Repayment from joint operations | 4,362 | 1,102 |
| | <u> </u> | <u> </u> |
| NET CASH USED IN INVESTING ACTIVITIES | (40,622) | (2,825) |
| | <u> </u> | <u> </u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| | Six months ended | |
|---|------------------|-----------------|
| | 30.9.2019 | 30.9.2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| FINANCING ACTIVITIES | | |
| Interest paid | (107) | (58) |
| New bank loans raised | 4,400 | 3,400 |
| Repayment of bank borrowings | (1,166) | (3,974) |
| Dividend paid | – | (14,694) |
| Advances from other partners of a joint operation | 284 | – |
| Repayment to other partners of joint operations | – | (2,292) |
| Repayment of leases liabilities | (690) | – |
| | <hr/> | <hr/> |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | 2,721 | (17,618) |
| | <hr/> | <hr/> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (43,798) | (4,058) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 96,909 | 153,624 |
| Effect of foreign exchange rate changes | (184) | (248) |
| | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash | 52,927 | 149,318 |
| | <hr/> | <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Man King Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|-----------------------|--|
| 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 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

2.1 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* ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of 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.

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 condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 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 standard 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 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 earnings and comparative information has not been restated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

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 the 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; and
- ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$1,994,000 and right-of-use assets of HK\$1,994,000 as at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 2.83%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

| | At 1 April 2019 <i>HK\$'000</i> |
|--|---|
| Operating lease commitments disclosed as at 31 March 2019 | 2,313 |
| Lease liabilities discounted at relevant incremental borrowing rates | 2,270 |
| Less: Recognition exemption — short-term leases | (276) |
| Lease liabilities relating to operating leases recognised upon application of HKFRS 16 (i.e. 1 April 2019) | 1,994 |
| Analysed as | |
| Current | 1,390 |
| Non-current | 604 |
| | 1,994 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

| | Right-of-use assets <i>HK\$'000</i> |
|--|---|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | <u>1,994</u> |
| By class: | |
| Land and building | <u>1,994</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on civil engineering works and service income from trading of construction materials.

| | Six months ended | |
|--|-------------------------|-------------|
| | 30.9.2019 | 30.9.2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Civil engineering works | 110,487 | 96,852 |
| Service income from trading of construction materials | — | 561 |
| | 110,487 | 97,413 |
| Time of revenue recognition | | |
| Over time | 110,487 | 96,852 |
| At a point in time | — | 561 |
| | 110,487 | 97,413 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the six months ended 30 September 2019

| | Civil engineering works HK\$'000 | Total HK\$'000 |
|---|---|-------------------|
| Segment revenue | | |
| External sales | <u>110,487</u> | <u>110,487</u> |
| Segment profit | <u>12,491</u> | 12,491 |
| Unallocated income, other gains and losses | | 529 |
| Unallocated administrative expenses | | (11,053) |
| Unallocated finance costs | | (107) |
| Unallocated share of profit of an associate | | <u>1,060</u> |
| Profit before tax | | <u>2,920</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 September 2018

| | Civil engineering works HK\$'000 | Trading of construction materials HK\$'000 | Total HK\$'000 |
|--|---|---|-------------------|
| Segment revenue | | | |
| External sales | <u>96,852</u> | <u>561</u> | <u>97,413</u> |
| Segment profit | <u>11,891</u> | <u>561</u> | 12,452 |
| Unallocated income, other gains and losses | | | 1,345 |
| Unallocated administrative expenses | | | (12,355) |
| Unallocated finance costs | | | <u>(58)</u> |
| Profit before tax | | | <u>1,384</u> |

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is on a project by project basis. Each individual project constitutes an operating segment, and for operating segments that have similar economic characteristics, they are produced using similar production process, distributed and sold to similar classes of customers and under similar regulatory environment, and their segment information are aggregated as "civil engineering works" reportable segment. During the current interim period, the business in acting agent for trading of construction materials becomes inactive. No analysis of the Group's assets and liabilities is disclosed as such information is not regularly provided to the directors of the Company for review.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

4. OTHER INCOME

| | Six months ended | |
|--|------------------|-----------------|
| | 30.9.2019 | 30.9.2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Bank interest income | 243 | 623 |
| Interest income from debt investment | 105 | 105 |
| Dividend income from financial assets at fair value through profit or loss ("FVTPL") | 216 | 306 |
| Others | 597 | 138 |
| | <u>1,161</u> | <u>1,172</u> |

5. OTHER GAINS AND LOSSES

| | Six months ended | |
|---|------------------|-----------------|
| | 30.9.2019 | 30.9.2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Change in fair value of financial assets at FVTPL, net | (448) | 421 |
| Net exchange losses | (184) | (248) |
| | <u>(632)</u> | <u>173</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

6. PROFIT BEFORE TAX

| | Six months ended | |
|---|-------------------------|---------------|
| | 30.9.2019 | 30.9.2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit before tax has been arrived at after charging: | | |
| Directors' emoluments | 3,827 | 3,544 |
| Other staff salaries and other allowances | 29,884 | 24,280 |
| Other staff retirement benefit scheme contributions | 744 | 797 |
| | <u>34,455</u> | <u>28,621</u> |
| Depreciation of property, plant and equipment | 2,615 | 2,321 |
| Depreciation of right-of-use assets | 694 | – |
| | <u>3,309</u> | <u>2,321</u> |

7. INCOME TAX CREDIT (EXPENSE)

| | Six months ended | |
|--|-------------------------|--------------|
| | 30.9.2019 | 30.9.2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Hong Kong Profits Tax — current period | (34) | (1,095) |
| Deferred taxation | 107 | 665 |
| | <u>73</u> | <u>(430)</u> |

The Group is subjected to Hong Kong Profits Tax at a rate of 16.5% for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

8. EARNINGS PER SHARE

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

| | Six months ended | |
|---|------------------|----------------|
| | 30.9.2019 | 30.9.2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Earnings | | |
| Earnings for the purpose of basic and diluted earnings per share | <u>2,993</u> | <u>954</u> |
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share | <u>419,818</u> | <u>419,818</u> |

9. DIVIDEND

During the six months ended 30 September 2018, a final dividend of HK3.5 cents per share amounting to HK\$14,694,000 in respect of the year ended 31 March 2018 was declared and paid to the owners of the Company.

No dividends were paid, declared or proposed by the Company during the current interim period.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent HK\$403,000 (six months ended 30 September 2018: HK\$1,058,000) on property, plant and equipment, mainly including office equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

11. INTEREST IN AN ASSOCIATE

During the current interim period, the Company has further injected a cash consideration of HK\$12,722,000 to the associate, which is in proportion of its equity interest in that associate. As a result, there is no change in the proportion of ownership interest and voting rights held by the Company in that associate.

12. CONTRACT ASSETS

| | 30.9.2019 HK\$'000 (Unaudited) | 31.3.2019 HK\$'000 (Audited) |
|--|---|------------------------------------|
| Analysed as current: | | |
| Unbilled revenue of civil engineering works <i>(note a)</i> | 40,518 | 40,140 |
| Retention receivables of civil engineering works <i>(note b)</i> | 7,467 | 9,641 |
| | 47,985 | 49,781 |
| Retention receivables of civil engineering works | | |
| Due within one year | 3,404 | 5,351 |
| Due after one year | 4,063 | 4,290 |
| | 7,467 | 9,641 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

12. CONTRACT ASSETS *(Continued)*

Notes:

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

The Group classifies these contracts as current because the Group expects to realise them in its normal operating cycle.

The expected credit losses ("ECL") for contract assets is insignificant as at the end of the reporting period.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

| | 30.9.2019 HK\$'000 (Unaudited) | 31.3.2019 HK\$'000 (Audited) |
|---|---|------------------------------------|
| Trade receivables | 23,421 | 11,754 |
| Other debtors, deposits and prepayments | | |
| — Deposits and prepaid expenses <i>(note)</i> | 28,466 | 22,273 |
| — Others | 482 | 995 |
| | 52,369 | 35,022 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

13. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Note: As at 30 September 2019, included in deposits and prepaid expenses is a deposit of HK\$3,348,000 (31 March 2019: HK\$25,000) which has been placed and pledged to insurance institutions to secure performance bonds issued by that institutions to customers of the Group (note 22); and (ii) a rental deposit of HK\$238,000 (31 March 2019: HK\$238,000) paid to C & P (Holdings) Hong Kong Limited, which is a related company of the Group (note 20). The remaining amounts mainly represent prepaid operating expenses and prepaid construction costs.

As at 30 September 2019 and 31 March 2019, trade receivables from contract with customers amounted to HK\$23,421,000 and HK\$11,754,000, respectively.

The Group allows credit period up to 60 days to certain customers. The ageing analysis of the Group's trade receivables based on certification date at the end of each reporting period is as follows:

| | 30.9.2019 HK\$'000 (Unaudited) | 31.3.2019 HK\$'000 (Audited) |
|--------------------|---|------------------------------------|
| Trade receivables: | | |
| 0–30 days | 18,842 | 7,652 |
| 31–60 days | 1,919 | 3,902 |
| Over 60 days | 2,660 | 200 |
| | 23,421 | 11,754 |

As at 30 September 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$2,660,000 which are past due within 90 days and is not considered as in default (31 March 2019: HK\$200,000). Based on the assessment by the management of the Group, it is considered that the ECL for trade receivables is insignificant at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

14. AMOUNTS WITH JOINT OPERATIONS AND OTHER PARTNERS OF JOINT OPERATIONS

- (i) The amounts due from joint operations comprise:

| | 30.9.2019 <i>HK\$'000</i> (Unaudited) | 31.3.2019 <i>HK\$'000</i> (Audited) |
|-------------------------------------|---|---|
| Trade related (<i>note a</i>) | 401 | 263 |
| Non-trade related (<i>note b</i>) | 20,353 | 21,581 |
| | 20,754 | 21,844 |

Notes:

- (a) The Group allows a credit period of up to 60 days. The ageing analysis of the Group's trade-related amounts due from joint operations based on invoice date at the end of each reporting period is as follows:

| | 30.9.2019 <i>HK\$'000</i> (Unaudited) | 31.3.2019 <i>HK\$'000</i> (Audited) |
|------------|---|---|
| 0–30 days | 401 | 69 |
| 31–60 days | – | 194 |
| | 401 | 263 |

As at 30 September 2019 and 31 March 2019, no trade-related amounts due from joint operations are past due.

- (b) The amounts are unsecured, interest-free and expected to be realised within twelve months from the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

14. AMOUNTS WITH JOINT OPERATIONS AND OTHER PARTNERS OF JOINT OPERATIONS *(Continued)*

(ii) The amounts due to other partners of joint operations comprise:

| | 30.9.2019 HK\$'000 (Unaudited) | 31.3.2019 <i>HK\$'000</i> (Audited) |
|-----------------------------------|---|---|
| Trade related <i>(note a)</i> | 15,861 | 10,634 |
| Non-trade related <i>(note b)</i> | 3,014 | 2,730 |
| | 18,875 | 13,364 |

Notes:

(a) The Group allows a credit period at up to 60 days. The ageing analysis of the Group's trade-related amounts due to other partners of joint operations based on invoice date at the end of each reporting period is as follows:

| | 30.9.2019 HK\$'000 (Unaudited) | 31.3.2019 <i>HK\$'000</i> (Audited) |
|--------------|---|---|
| 0–30 days | 6,088 | 157 |
| 31–60 days | – | 295 |
| 61–90 days | 136 | 126 |
| Over 90 days | 9,637 | 10,056 |
| | 15,861 | 10,634 |

(b) The amounts are unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

15. DEBT INVESTMENT

| | 30.9.2019 <i>HK\$'000</i> (Unaudited) | 31.3.2019 <i>HK\$'000</i> (Audited) |
|------------------------------------|---|---|
| Debt instrument, at amortised cost | <u>3,500</u> | <u>3,500</u> |

The Group's debt investment is issued by a company listed on the Stock Exchange, and carries fixed interest at 6% per annum, payable quarterly, and matures in October 2019.

16. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits of the Group are pledged to a bank for securing the performance bond issued by a bank to a customer on behalf of the Group as a guarantee (note 22). The project is expected to be completed within one year after the end of the reporting period.

The bank balances comprise cash held by the Group and other short-term bank deposits with an original maturity of three months or less.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

17. CREDITORS AND ACCRUED CHARGES

| | 30.9.2019 <i>HK\$'000</i> (Unaudited) | 31.3.2019 <i>HK\$'000</i> (Audited) |
|---|---|---|
| Trade payables | 15,841 | 16,059 |
| Retention payables | 11,964 | 11,284 |
| Consideration payable for acquisition of an associate | – | 29,020 |
| Other payables and accruals | | |
| Accrued wages | 243 | 4,167 |
| Accrued operating expenses | 238 | 20 |
| Other payables | 3,896 | 1,106 |
| | 32,182 | 61,656 |

The credit period on trade purchases is 30 to 60 days. The ageing analysis of the Group's trade payables based on invoice dates at the end of each reporting period is as follows:

| | 30.9.2019 <i>HK\$'000</i> (Unaudited) | 31.3.2019 <i>HK\$'000</i> (Audited) |
|-----------------|---|---|
| Trade payables: | | |
| 0–30 days | 10,821 | 6,930 |
| 31–60 days | 3,847 | 7,881 |
| 61–90 days | 323 | 1,050 |
| Over 90 days | 850 | 198 |
| | 15,841 | 16,059 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

17. CREDITORS AND ACCRUED CHARGES *(Continued)*

| | 30.9.2019 | 31.3.2019 |
|---------------------|--------------------|-----------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Retention payables: | | |
| Due within one year | 2,351 | 3,744 |
| Due after one year | 9,613 | 7,540 |
| | 11,964 | 11,284 |

18. BANK BORROWINGS

During the current interim period, the Group obtained a new bank loan amounting to HK\$4,400,000 (six months ended 30 September 2018: HK\$3,400,000). The loan carries interest at variable market rate of 1.75% per annum above the Hong Kong Inter-bank Offered Rate and is repayable by instalments of 36 months that contains a repayable on demand clause. Repayment amounting to HK\$1,166,000 (six months ended 30 September 2018: HK\$3,974,000) has been made to the bank during current interim period.

19. SHARE CAPITAL

| | Number of shares | Amount HK\$ |
|---|------------------------|----------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 1 April 2018, 31 March 2019 and 30 September 2019 | <u>200,000,000,000</u> | <u>2,000,000,000</u> |
| Issued and fully paid: | | |
| At 1 April 2018, 31 March 2019 and 30 September 2019 | <u>419,818,000</u> | <u>4,198,180</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

20. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following transactions with related parties during the current interim period:

| Name of related party | Nature of transaction | Six months ended | |
|--|--|---|---|
| | | 30.9.2019 <i>HK\$'000</i> (Unaudited) | 30.9.2018 <i>HK\$'000</i> (Unaudited) |
| C&P (Holdings) Hong Kong Limited (<i>note</i>) | Interest expenses on lease liabilities | 24 | – |
| | Repayment of lease liabilities | 690 | – |
| | Rental expense | – | 610 |

Note: C&P (Holdings) Hong Kong Limited is a related company in which a sibling of the directors and a shareholder of the Company own its entire interest.

(ii) Balances and other transactions

Details of balances and other transactions with related parties are set out in note 13.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

20. RELATED PARTY DISCLOSURES *(Continued)*

(iii) Compensation of key management personnel

The remuneration of executive directors of the Company and other members of key management was as follows:

| | Six months ended | |
|--------------------------|------------------|-----------------|
| | 30.9.2019 | 30.9.2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Short term benefits | 5,670 | 6,259 |
| Post-employment benefits | 45 | 57 |
| | <hr/> | <hr/> |
| | 5,715 | 6,316 |
| | <hr/> | <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Held-for-trading non-derivative financial assets are measured at fair value at 30 September 2019. The following table gives information about how the fair value of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement is categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets that is measured at fair value on a recurring basis *(Continued)*

| Financial asset at FVTPL | Fair value as at 30 September 2019 (Unaudited) | Fair value hierarchy | Valuation technique and key input |
|--|--|-----------------------------|---|
| Held-for-trading non-derivative financial assets | Listed equity securities in Hong Kong: HK\$1,430,000 (31 March 2019: HK\$1,653,000) | Level 1 | Quoted bid prices in an active market |
| Held-for-trading non-derivative financial assets | Global fund: HK\$2,442,000 (31 March 2019: HK\$2,833,000) | Level 2 | Quoted prices provided by the fund administrator with reference to the net asset value of the investment fund |

There is no transfer between the different levels of the fair value hierarchy during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

22. PERFORMANCE BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for the performance of contract works in the form of performance bonds and secured either by other deposits and pledged bank deposits (notes 13 and 16). The performance bonds are released when the construction contracts are completed or substantially completed.

At the end of each reporting period, the Group had outstanding performance bonds as follows:

| | 30.9.2019 HK\$'000 (Unaudited) | 31.3.2019 <i>HK\$'000</i> (Audited) |
|----------------------------------|---|---|
| Issued by the Group's banks | 5,206 | 16,621 |
| Issued by insurance institutions | 3,348 | 25 |
| | 8,554 | 16,646 |