SHING CHI HOLDINGS LIMITED
成志控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1741)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2019

The board (the "**Board**") of directors (the "**Directors**") of Shing Chi Holdings Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 March 2019, together with the comparative figures for the corresponding period in 2018 as follow:

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

For the six months ended 31 March 2019

		Six months ended 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Revenue	*3*	**162,823**	189,233
Cost of sales		**(142,829)**	(167,182)
Gross profit		**19,994**	22,051
Other income, gains and losses	*3*	**584**	29
Administrative and other operating expenses		**(19,044)**	(18,520)
Net impairment losses on trade and other receivables and contract assets		**(379)**	(58)
Operating profit		**1,155**	3,502
Finance costs	*4*	**(49)**	(1)
Profit before income tax	*5*	**1,106**	3,501
Income tax expense	*6*	**(2,052)**	(2,378)
(Loss)/profit and total comprehensive (expense)/income for the period		**(946)**	1,123
(Loss)/profit and total comprehensive (expense)/income attributable to:			
Owners of the Company		**(946)**	930
Non-controlling interests		**–**	193
(Loss)/profit and total comprehensive (expense)/income for the period		**(946)**	1,123
Basic and diluted (loss)/earnings per share (HK cents)	*8*	**(0.12)**	0.16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	31 March 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**5,995**	3,616
Deferred tax assets		**1,022**	41
		7,017	3,657
Current assets			
Trade and other receivables	*10*	**58,364**	103,959
Amounts due from customers for contract work		–	51,516
Contract assets		**68,595**	–
Financial assets at fair value through profit or loss		**353**	344
Cash and bank balances	*11*	**175,964**	88,167
		303,276	243,986
Total assets		**310,293**	247,643
EQUITY			
Capital and reserves			
Share capital		**8,000**	–*
Reserves		**196,377**	91,929
Total equity		**204,377**	91,929

* Less than HK$1,000

	Notes	31 March 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Finance lease liabilities		**506**	–
Deferred tax liabilities		**297**	227
		803	227
Current liabilities			
Trade and other payables	*12*	**70,282**	119,285
Amounts due to customers for contract work		–	28,816
Contract liabilities		**28,214**	–
Finance lease liabilities		**2,843**	2,212
Income tax payable		**3,774**	5,174
		105,113	155,487
Total liabilities		**105,916**	155,714
Total equity and liabilities		**310,293**	247,643
Net current assets		**198,163**	88,499
Total assets less current liabilities		**205,180**	92,156

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2019

1 GENERAL INFORMATION AND BASIS OF PREPARATION AND PRESENTATION

The Company is an investment holding company. The Group is principally engaged in the provision of (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; and (iv) construction related consultancy services in Hong Kong. The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and the Company's principal place of business is Units 1901-1904, China Merchants Building, 152-155 Connaught Road Central, Hong Kong.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2018 (the "**Listing**"). Its parent company and ultimate holding company is Elite Bright Developments Limited, a company incorporated in the British Virgin Islands and wholly-owned by Dr. Lau Chi Wang, Mr. Lau Chi Ming and Dr. Lau Chi Keung, the controlling shareholders of the Company.

The interim condensed consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the interim periods presented in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The interim condensed consolidated statement of profit or loss and other comprehensive income for the periods presented, which include the results of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the periods presented, or since their respective dates of incorporation, where this is a shorter period.

These interim condensed consolidated financial statements of the Group for the six months ended 31 March 2019 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the HKICPA and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 30 September 2018, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

These interim condensed consolidated financial statements have been approved for issue by the Board on 31 May 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time for the current accounting period, which are mandatorily effective for the accounting period beginning on or after 1 January 2018 for the preparation of the Group's interim condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Hong Kong (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of recognition of contract costs and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed below.

Under the transition method chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 October 2018. Comparative information is not restated.

New and Amendments to HKFRSs that are mandatorily effective for the current period

HKFRS 15 Revenue from Contracts with Customers

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

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

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Foundation and site formation works
- General building works and associated services
- Other construction works
- Construction related consultancy services

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained earnings at 1 October 2018.

	HK$'000
Retained earnings	
Reversal of recognition of construction costs	9,062
Tax effect	(1,495)
Impact at 1 October 2018	7,567

The following adjustments were made to the amounts recognised in the interim condensed consolidated statement of financial position at 1 October 2018. Line items that were not affected by the changes have not been included.

Impact on the interim condensed consolidated statement of financial position

	Notes	**Carrying amounts previously reported at 30 September 2018** ***HK$'000***	**Impact** ***HK$'000***	**Carrying amounts under HKFRS 15 at 1 October 2018*** ***HK$'000***
Current assets				
Trade and other receivables	*(b)*	103,959	(53,312)	50,647
Gross amounts due from customers for contract work	*(a)&(c)*	51,516	(51,516)	–
Contract assets	*(b)&(c)*	–	97,144	97,144
Current liabilities				
Trade and other payables	*(a)&(d)*	119,285	(18,865)	100,420
Gross amounts due to customers for contract work	*(a)&(c)*	28,816	(28,816)	–
Contract liabilities	*(a)&(d)*	–	30,935	30,935
Income tax payable	*(a)*	5,174	1,495	6,669
Capital and reserves				
Retained earnings	*(a)*	81,079	7,567	88,646

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) In relation to construction contracts previously accounted for under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to the date of initial application of HKFRS 15. Construction costs of approximately HK$9,062,000 included in gross amounts due from/(to) customers for contract work were adjusted to retained earnings. The related tax effect of approximately HK$1,495,000 was recognised in income tax payable and retained earnings.

(b) At the date of initial application, retention receivables of approximately HK$53,312,000 arising from the construction contracts was reclassified from trade and other receivables to contract assets.

(c) At the date of initial application, amount of approximately HK$43,832,000 arising from the construction contracts are for work completed and not billed because the rights are conditioned on factors other than passage of time, and such amount was reclassified from gross amounts due from/(to) customers for contract work to contract assets.

(d) At the date of initial application, receipts in advance of approximately HK$18,865,000 arising from the construction contracts was reclassified from trade and other payables to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's interim condensed consolidated statement of financial position as at 31 March 2019 and its interim condensed consolidated statement of profit or loss and other comprehensive income for the current period for each of the line items affected and basic and diluted loss per share for the current period. Line items that were not affected by the changes have not been included.

Impact on the interim condensed consolidated statement of financial position

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	***HK$'000***	***HK$'000***
Current assets			
Trade and other receivables	58,364	50,480	108,844
Gross amounts due from customers for contract work	–	12,697	12,697
Contract assets	68,595	(68,595)	–
Current liabilities			
Trade and other payables	70,282	28,214	98,496
Contract liabilities	28,214	(28,214)	–
Capital and reserves			
Retained earnings	84,993	(5,418)	79,575

Impact on the interim condensed consolidated statement of profit or loss and other comprehensive income

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Cost of sales	142,829	979	143,808

Impact on the basic and diluted loss per share

	As reported	Adjustments	Amounts without application of HKFRS 15
Basic and diluted loss per share (HK cent)	(0.12)	(0.13)	(0.25)

The explanations of the above changes in the current period by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related interpretations are similar to the explanations set out in notes (a) to (d) above for describing the adjustments made to the interim condensed consolidated statement of financial position at 1 October 2018 upon adoption of HKFRS 15.

HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses ("**ECL**") for financial assets and other items (for example, contract assets); and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 October 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 October 2018. The difference between the carrying amounts as at 30 September 2018 and the carrying amounts as at 1 October 2018 are recognised in the opening retained earnings and other component of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of HKFRS 9

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 October 2018 have not been impacted by the initial application of HKFRS 9.

Impairment under ECL Model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, contract assets and trade receivables have been assessed individually with significant balances and the remaining balances are grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables and cash and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 October 2018, additional credit loss allowance of approximately HK$3,243,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

All loss allowances as at 30 September 2018 reconciled to the opening loss allowances as at 1 October 2018 are as follows:

	Contract assets	Trade and other receivables
	HK$'000	*HK$'000*
At 30 September 2018 – HKAS 39	**–**	**195**
Amount remeasured through retained earnings	**1,524**	**1,719**
At 1 October 2018 – HKFRS 9	**1,524**	**1,914**

The following table summarises the impact of transition to HKFRS 9 on retained earnings at 1 October 2018:

	HK$'000
Retained earnings	
Recognition of impairment loss	(3,243)
Tax effect	536
Impact at 1 October 2018	(2,707)

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

As a result of the changes in the Group's accounting policies above, the table below illustrates the overall application on HKFRS 9 and HKFRS 15 at the date of initial application, 1 October 2018. Line items that were not affected by the changes have not been included.

Impact on the interim condensed consolidated statement of financial position

	30 September 2018 (Audited) *HK$'000*	**HKFRS 15** *HK$'000*	**HKFRS 9** *HK$'000*	**1 October 2018 (Restated)** *HK$'000*
Non-current asset				
Deferred tax assets	41	–	536	577
Current assets				
Trade and other receivables	103,959	(53,312)	(1,719)	48,928
Gross amounts due from customers for contract work	51,516	(51,516)	–	–
Contract assets	–	97,144	(1,524)	95,620
Current liabilities				
Trade and other payables	119,285	(18,865)	–	100,420
Gross amounts due to customers for contract work	28,816	(28,816)	–	–
Contract liabilities	–	30,935	–	30,935
Income tax payable	5,174	1,495	–	6,669
Capital and Reserves				
Retained earnings	81,079	7,567	(2,707)	85,939

Note: For the purposes of reporting cash flows from operating activities under indirect method for the six months ended 31 March 2019, movements in working capital have been computed based on opening interim condensed consolidated statement of financial position as at 1 October 2018 as discussed above.

The adoption of these standards has no impact on the net cash flow from operating, investing and financing activities on the interim condensed consolidated statement of cash flows.

3 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION

Revenue and other income, gains and losses recognised during the respective periods are as follows:

	Six months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue		
Foundation and site formation works	**39,386**	63,902
General building works and associated services	**47,143**	79,664
Other construction works	**73,521**	40,631
Construction related consultancy services	**2,773**	5,036
	162,823	189,233

	Six months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Timing of revenue recognition		
Over time	**162,823**	189,233

	Six months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Other income, gains and losses		
Rental income	**–**	8
Bank interest income	**225**	8
Gain/(loss) on disposal of property, plant and equipment	**131**	(27)
Dividend income from financial assets at fair value through profit or loss	**9**	9
Fair value change on financial assets at fair value through profit or loss	**9**	24
Others	**210**	7
	584	29

Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "**CODM**"), being the executive directors of the Company, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- Foundation and site formation works;
- General building works and associated services;
- Other construction works; and
- Construction related consultancy services.

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

	Foundation and site formation works	**General building works and associated services**	**Other construction works**	**Construction related consultancy services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 31 March 2019					
Segment revenue	**39,386**	**47,143**	**73,521**	**2,773**	**162,823**
Segment results	**499**	**3,343**	**15,587**	**565**	**19,994**
Other income and gains					**584**
Administrative and other operating expenses					**(19,044)**
Net impairment losses on trade and other receivables and contract assets					**(379)**
Finance costs					**(49)**
Profit before income tax					**1,106**

	Foundation and site formation works	General building works and associated services	Other construction works	Construction related consultancy services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 31 March 2018					
Segment revenue	63,902	79,664	40,631	5,036	189,233
Segment results	9,760	8,028	2,432	1,831	22,051
Other income, gains and losses					29
Administrative and other operating expenses					(18,520)
Impairment losses on trade receivables					(58)
Finance costs					(1)
Profit before income tax					3,501

Geographical information

No geographical segment information is presented as the Group principally engages its business in Hong Kong and all of its revenue is derived from Hong Kong during the period under review.

4 FINANCE COSTS

	Six months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest on finance leases	**49**	1

5 PROFIT BEFORE INCOME TAX

	Six months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit before income tax has been arrived at after charging:		
Depreciation	**628**	199
Operating lease payments	**799**	521
Auditors' remuneration	**–**	18
Employee benefit expenses, including directors' emoluments	**11,906**	9,668
Listing expenses	**5,065**	10,916

6 INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations 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 a flat rate of 16.5%.

Hong Kong profits tax has been provided at the rate of 8.25% for the first HK$2 million of assessable profits and 16.5% for the remaining of the assessable profits for the six month ended 31 March 2019 (six months ended 31 March 2018: at a standard rate of 16.5%).

	Six months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong profits tax:		
– Current income tax	**2,427**	2,407
Deferred income tax	**(375)**	(29)
Income tax expense	**2,052**	2,378

7 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2019 (six months ended 31 March 2018: Nil).

8 (LOSS)/EARNINGS PER SHARE

	Six months ended 31 March	
	2019	2018
	(Unaudited)	(Audited)
(Loss)/profit for the period attributable to owners of the Company (HK$'000)	**(946)**	930
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	**757,547**	600,000
Basic (loss)/earnings per share (HK cents)	**(0.12)**	0.16

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been determined on the assumption that the corporate reorganisation and capitalisation issue had been effective on 1 October 2018.

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there was no dilutive potential shares.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 March 2019, the Group acquired certain items of property, plant and equipment with a cost of approximately HK$3,061,000 (six months ended 31 March 2018: HK$3,309,000).

During the six months ended 31 March 2019, certain motor vehicles at the aggregated carrying amount of approximately HK$54,000 were disposed (six months ended 31 March 2018: HK$29,000) and gain on disposal of motor vehicles of approximately HK$131,000 was recognised during the six months ended 31 March 2019 (six months ended 31 March 2018: loss on disposal of motor vehicle of HK$27,000) in the interim condensed consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2019, certain machinery and motor vehicles were held under finance leases with carrying amounts of approximately HK$2,575,000 and HK$1,961,000, respectively (30 September 2018: HK$2,904,000 and nil, respectively).

10 TRADE AND OTHER RECEIVABLES

	31 March	30 September
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**44,498**	43,246
Less: provision for impairment of trade receivables	**(2,823)**	(781)
	41,675	42,465
Retention receivables	**–**	53,312
Other receivables, deposits and prepayments	**16,740**	8,182
Less: provision for impairment of other receivables	**(51)**	–
	16,689	8,182
	58,364	103,959

Notes:

(a) The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate.

(b) The ageing analysis of the trade receivables based on payment certificate date and invoice date is as follows:

	31 March 2019	30 September 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-30 days	**32,647**	34,850
31-60 days	**4,095**	1,787
61-90 days	**826**	702
Over 90 days	**4,107**	5,126
	41,675	42,465

11 CASH AND BANK BALANCES

	31 March 2019	30 September 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Cash and cash equivalents	**132,631**	88,167
Fixed deposits held at banks with original maturity over three months	**43,333**	–
	175,964	88,167

12 TRADE AND OTHER PAYABLES

	31 March 2019	30 September 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**18,264**	28,575
Retention payables	**22,530**	27,259
Accruals and other payables	**29,488**	44,586
Receipts in advance	**–**	18,865
	70,282	119,285

The ageing analysis of the trade payables based on invoice date is as follows:

	31 March 2019	30 September 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-30 days	**12,645**	20,253
31-60 days	**933**	3,030
61-90 days	**872**	1,477
Over 90 days	**3,814**	3,815
	18,264	28,575

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a construction contractor in Hong Kong principally providing (i) foundation and site formation works, which mainly include piling works, excavation and lateral support (ELS) works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works. The Group is able to undertake construction works as either a main contractor or a subcontractor. Besides construction, the Group also provides construction related consultancy services including engineering consulting on construction designs and works supervision, and construction contract administration services.

As at 31 March 2019, the Group had 31 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately HK$834.4 million. As at 30 September 2018, the Group had 34 construction projects on hand with a total contract value of approximately HK$1,161.2 million.

OUTLOOK

The shares of the Company were listed on the Main Board of the Stock Exchange on 16 October 2018 (the "**Listing Date**") by way of public offer and placing (the "**Share Offer**"). The Directors believe that the Listing could enhance the Group's profile and recognition which will enhance the customers' confidence in the Group. In addition, the net proceeds from the Share Offer will provide additional resources for the Group to expand its business.

As supported by the government's initiatives in infrastructure development and increase in housing supply, the general outlook of the construction industry in Hong Kong is expected to stay positive. Even though the construction industry will remain under intense competition, the Group is confident that it will be able to maintain its competitiveness and expand its business.

The Group will also from time to time look for good business opportunities to drive the business growth of the Group. In March 2019, the Group has incorporated Shanghai Finance & Welfare Health Management Co. Ltd* (上海財康樂健康管理有限公司), a wholly-owned subsidiary of the Group, in Shanghai to explore development opportunities in the health management and consultancy industry in the People's Republic of China. It is believed that such business development will enable the Group to broaden and diversify its business, thereby enhancing the profitability of the Group's business as a whole.

* The English name of the subsidiary established in the People's Republic of China represent management's best effort at translating the Chinese name of such subsidiary as no English name has been registered.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$26.4 million, or 14.0%, from approximately HK$189.2 million for the six months ended 31 March 2018 to approximately HK$162.8 million for the six months ended 31 March 2019. The following table sets out a breakdown of the Group's revenue during the six months ended 31 March 2018 and 2019 by segments:

	Six months ended 31 March			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Foundation and site formation works	**39,386**	**24.2**	63,902	33.8
General building works and associated services	**47,143**	**29.0**	79,664	42.1
Other construction works	**73,521**	**45.1**	40,631	21.4
Construction related consultancy works	**2,773**	**1.7**	5,036	2.7
Total	**162,823**	**100.0**	189,233	100.0

The decrease in the Group's revenue was primarily driven by the decrease in revenue contribution from foundation and site formation works, general building works and associated services and construction related consultancy works during the six months ended 31 March 2019. Such decrease was mainly due to (i) delays in commencement or work progress of certain projects; and (ii) the cessation of provision of engineering consulting services to an engineering expert witness service provider since January 2018. The decrease was partially offset by the increased revenue generated from the other construction works since the Group has undertaken more works on design and installation of rockfall/debris flow protection barriers during the period under review.

Cost of sales

Cost of sales decreased by approximately HK$24.4 million, or 14.6%, from approximately HK$167.2 million for the six months ended 31 March 2018 to approximately HK$142.8 million for the six months ended 31 March 2019. Such decrease was mainly driven by the corresponding decrease in revenue.

Gross profit and gross profit margin

Gross profit decreased by approximately HK$2.1 million, or 9.5%, from approximately HK$22.1 million for the six months ended 31 March 2018 to approximately HK$20.0 million for the six months ended 31 March 2019. The Group's gross profit margin was approximately 11.7% and 12.3% for the six months ended 31 March 2018 and 2019, respectively.

During the six months ended 31 March 2019, the Group recorded a decrease in gross profit margins for foundation and site formation works (2018: 15.3%; 2019: 1.3%), general building works and associated services (2018: 10.1%; 2019: 7.1%) and construction related consultancy services (2018: 36.4%; 2019: 20.4%), mainly due to (i) delays in commencement or work progress of certain projects; and (ii) the cessation of provision of engineering consultancy services to an engineering expert witness service provider since January 2018. Such decrease was partially offset by the increase in gross profit margin for other construction works (2018: 6.0%; 2019: 21.2%), which is primarily due to more work done for projects involving design and installation of rockfall/debris flow protection barriers which were of relatively higher gross profit margin.

Other income, gains and losses

Other income, gains and losses increased by approximately HK$555,000 from approximately HK$29,000 for the six months ended 31 March 2018 to approximately HK$584,000 for the six months ended 31 March 2019, mainly due to (i) gain on disposal of property, plant and equipment; and (ii) bank interest attributable to the listing proceeds deposited in the banks.

Administrative and other operating expenses

Administrative and other operating expenses remained relatively stable at approximately HK$18.5 million and HK$19.0 million for the six months ended 31 March 2018 and 2019, respectively. Setting aside the listing expenses, the adjusted administrative and other operating expenses increased from approximately HK$7.6 million for the six months ended 31 March 2018 to approximately HK$14.0 million for the six months ended 31 March 2019, primarily due to the increase in legal and professional fees and higher staff costs upon the Listing.

Income tax expense

Income tax expense decreased by approximately HK$0.3 million, or 12.5%, from approximately HK$2.4 million for the six months ended 31 March 2018 to approximately HK$2.1 million for the six months ended 31 March 2019.

(Loss)/profit and total comprehensive (expense)/income for the period

For the six months ended 31 March 2019, the Group recorded a loss of approximately HK$0.9 million as compared with a profit of approximately HK$1.1 million for the six months ended 31 March 2018, primarily due to (i) the decrease in revenue due to delays in commencement or work progress of certain projects; and (ii) the increase in professional fees, staff costs and other operating expenses following the Listing.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Share Offer of the Group at the time of the Listing, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$86.6 million.

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date to 31 March 2019:

	Planned use of proceeds *HK$ million*	**Actual use of proceeds from the Listing Date to 31 March 2019** *HK$ million*	**Unutilised balance as at 31 March 2019** *HK$ million*
Apply for additional licences	39.4	4.6	34.8
Fund the initial costs of the Group's construction projects	21.8	21.8	–
Strengthening the Group's manpower	13.9	0.2	13.7
Investment in the new information system	2.8	0.4	2.4
General working capital	8.7	8.7	–
	86.6	35.7	50.9

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2019, the Group had net current assets of approximately HK$198.2 million (30 September 2018: HK$88.5 million) and cash and bank balances of approximately HK$176.0 million (30 September 2018: HK$88.2 million).

As at 31 March 2019, the Group's total equity attributable to owners of the Company amounted to approximately HK$204.4 million (30 September 2018: HK$91.9 million), and the Group's total debt comprising finance lease liabilities amounted to approximately HK$3.3 million (30 September 2018: HK$2.2 million). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

CONTINGENT LIABILITIES

As at 31 March 2019, certain customers of construction contracts undertaken by the Group require the Group to issue guarantee for the performance of contract works in the form of surety bonds of approximately HK$14.5 million (30 September 2018: HK$10.9 million). The executive Directors have provided guarantee to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

PLEDGE OF ASSETS

As at 31 March 2019, the Group has pledged certain machinery and motor vehicles with net book value amounted to approximately HK$2.6 million and HK$2.0 million, respectively (30 September 2018: HK$2.9 million and nil, respectively) under non-cancellable finance lease agreement.

As at 31 March 2019, the Group paid a cash collateral of approximately HK$4.2 million (30 September 2018: HK$2.8 million) to the insurance companies for the issuance of surety bonds, which are included in other receivables, deposits and prepayments.

CAPITAL COMMITMENTS

The Group had approximately HK$243,000 of capital commitments contracted but not provided for in respect of property, plant and equipment as at 31 March 2019 (30 September 2018: Nil).

The Group is the lessee in respect of office premises and office equipment under operating leases. As at 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases were approximately HK$13.2 million (30 September 2018: HK$972,000).

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

FOREIGN CURRENCY RISK

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As most of our monetary assets and liabilities are denominated in Hong Kong dollars, the Directors are of the view that the Group does not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the six months ended 31 March 2019, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures save for those related to the corporate reorganisation. Save as disclosed herein, the Group did not have other plans for material investments or acquisition of capital assets as at 31 March 2019.

GEARING RATIO

As at 31 March 2019, the gearing ratio of the Group, which is calculated as the total debt (obligation under finance lease) divided by total equity, was approximately 1.6% (30 September 2018: 2.4%).

EVENT AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this announcement, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 31 March 2019 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 42 employees (30 September 2018: 41 employees). Total staff costs for the six months ended 31 March 2019 amounted to approximately HK$11.9 million (six months ended 31 March 2018: approximately HK$9.7 million). 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 training were provided to the employees.

INTERIM DIVIDEND

No dividend was paid, declared or proposed for the six months ended 31 March 2019. The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2019 (six months ended 31 March 2018: Nil).

SEGMENT INFORMATION

The Group's reportable and operating segments are as follows: (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; and (iv) construction related consultancy services. Details of the segmental information of the Group is disclosed in Note 3 of the notes to interim condensed consolidated financial statements of this announcement.

PURCHASE, 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 31 March 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regulating securities transactions of 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 31 March 2019.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted on 17 September 2018. 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 that 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 31 March 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtain and maintain the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company. The Company has adopted the principles and code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules. The Company has fully complied with the CG Code during the six months ended 31 March 2019 up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 17 September 2018. The chairman of the Audit Committee is Mr. Pang Ka Hang, the independent non-executive Director, and other members include Mr. Leung Bing Kwong Edward and Mr. Wong Chun Nam, 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 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 interim condensed consolidated financial statements for the six months ended 31 March 2019 have not been audited nor reviewed by the Company's independent auditors, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the interim condensed consolidated financial statements of the Group for the six months ended 31 March 2019 comply with applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

By order of the Board
Shing Chi Holdings Limited
Lau Chi Wang
Chairman and Executive Director

Hong Kong, 31 May 2019

As at the date of this announcement, the Board comprises Dr. Lau Chi Wang, Mr. Lau Chi Ming, Dr. Lau Chi Keung and Mr. Sun Wei as executive Directors; Mr. Leung Bing Kwong Edward, Mr. Pang Ka Hang and Mr. Wong Chun Nam as independent non-executive Directors.