

# CHerish Holdings Limited

## 東盈控股有限公司

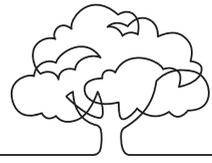
*(incorporated in the Cayman Islands with limited liability)*

Stock code: 2113

### Interim Report

# 2018





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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Mr. Tang Man On (*Chairman*)  
Mr. Kwok Hoi Chiu  
Ms. Choi Chun Chi Sandy  
Ms. Wong Chi Yan (resigned on 14 June 2018)

#### *Independent Non-executive Directors*

Mr. Cheung Wai Lun Jacky  
Mr. Lee Chi Ming  
Mr. Tang Chi Wai

### Audit Committee

Mr. Tang Chi Wai (*Chairman*)  
Mr. Cheung Wai Lun Jacky  
Mr. Lee Chi Ming

### Nomination Committee

Mr. Lee Chi Ming (*Chairman*)  
Mr. Cheung Wai Lun Jacky  
Mr. Tang Chi Wai

### Remuneration Committee

Mr. Cheung Wai Lun Jacky (*Chairman*)  
Mr. Lee Chi Ming  
Mr. Tang Chi Wai

### Company Secretary

Ms. Lee Ka Man

### Authorised Representatives

Mr. Tang Man On  
Mr. Kwok Hoi Chiu

### Headquarter and Principal Place of Business in Hong Kong

Office D, 16/F  
Kings Wing Plaza 1  
No. 3 On Kwan Street  
Shek Mun  
New Territories  
Hong Kong

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Principal Banks

Shanghai Commercial Bank Ltd.  
The Hongkong and Shanghai Banking  
Corporation Limited

### Auditor

SHINEWING (HK) CPA Limited  
43rd Floor, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

### Legal adviser as to Hong Kong law

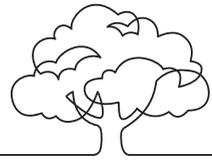
LC Lawyers LLP  
Units 1501-02, CITIC Tower, 1 Tim Mei Avenue,  
Central, Hong Kong

### Company's Website

[www.cherishholdings.com](http://www.cherishholdings.com)

### Stock Code

2113



## FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2018 amounted to approximately HK\$76.9 million (for the six months ended 30 September 2017: approximately HK\$91.1 million).
- Loss attributable to owners of the Company for the six months ended 30 September 2018 amounted to approximately HK\$8.0 million (for the six months ended 30 September 2017: profit attributable to owners of the Company approximately HK\$7.9 million).
- Basic and diluted loss per share for the six months ended 30 September 2018 amounted to approximately HK cents 1.05 (basic and diluted earnings per share for the six months ended 30 September 2017: approximately HK cents 1.03).
- The Board does not declare any interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the six months ended 30 September 2018 (the "Reporting Period"), the Group was engaged to undertake site formation works in Hong Kong as a subcontractor. There has been no significant change in the business operations of the Group.

During the six months ended 30 September 2018, revenue amounted to approximately HK\$76.9 million, approximately HK\$14.2 million less than the corresponding period in 2017. Such decrease was mainly attributable to keen competition in the industry resulting in limited number of new projects awarded and number of large-scale projects in progress are less than that of the corresponding period in 2017.

During the six months ended 30 September 2018, the Group was awarded two projects in Islands District with total contract sum of approximately HK\$13.6 million whereas in contrast the Group was awarded one project with contract sum of approximately HK\$305.1 million for the six months ended 30 September 2017. As at 30 September 2018, there were three projects on hand with the total contract sum amounting to HK\$318.7 million. Two of the projects awarded in previous years with a total contract sum of approximately HK\$143.7 million were completed during the Reporting Period. As at 30 September 2018, three projects with outstanding contract sum of HK\$204.5 million were in progress. Except for one project which is expected to be completed in the year ending 31 March 2020, the remaining are expected to be completed in the year ending 31 March 2019.

Below set out a list of projects completed during the Reporting Period and those which are still in progress as at 30 September 2018:

<b>Site Location</b>	<b>Type of Works</b>	<b>Status</b>
Islands District	Roadworks, drainage and duct works	Completed
Shatin District	Site formation, slop work, road and drainage works	Completed
Kwun Tong District	Site formation works	Work in progress
Islands District	Airport road diversion and reinstatement work A	Work in progress
Islands District	Airport road diversion and reinstatement work B	Work in progress

### **Financial Review**

The Group recorded revenue of approximately HK\$76.9 million for the Reporting Period, representing a decrease of approximately 15.6% compared with approximately HK\$91.1 million for the corresponding period in 2017. The decrease was mainly due to keen competition in the industry leading to lesser number of sizable projects commenced.

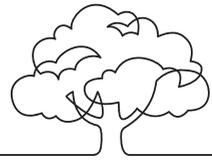
The Group's total gross loss amounted to approximately HK\$3.3 million for the Reporting Period, turning profit into loss compared to the six months ended 30 September 2017 (for the six months ended 30 September 2017 gross profit approximately HK\$15.1 million). The Group's overall gross loss margin during the Reporting Period was approximately 4.3% (for the six months ended 30 September 2017: gross profit margin approximately 16.6%).

The decline of gross profit margin was mainly attributable to:

- (a) additional direct costs incurred in a roadworks, drainage and duct works project in Islands District arising from additional work procedures, workers, machines and time being required to deal with the order instructed by the main contractor; and
- (b) increase in labour cost, subcontracting fees and overhead costs in a site formation project in Shatin District due to delay in work progress as a result of changing working schedules as requested by the main contractor. The longer project duration has exerted pressure on the profit of the project and decreased the overall gross profit of the project.

The administrative expenses of the Group for the Reporting Period amounted to approximately HK\$5.7 million, representing a decrease of approximately 5.0% compared with approximately HK\$6.0 million for the corresponding period of 2017. The decrease was mainly attributable to the decrease of general expenses such as entertainment, insurance fee and sundry expenses.

Finance costs for the Group during the Reporting Period amounted to approximately HK\$661,000, representing an increase of approximately 275.6% compared with approximately HK\$176,000 for the corresponding period in 2017, as a result of early repayment of finance leases and bank borrowings during the Reporting Period.



For the Reporting Period, the Group recorded a net loss of approximately HK\$8.0 million, as compared to the net profit of approximately HK\$7.9 million for the corresponding period in 2017. The decrease was mainly attributable to the decrease in gross profit margin and finance costs as discussed above.

## **Prospects**

During the Reporting period, the global economy remains uncertain and the competition in construction market is relatively keen. Therefore, the Government unveiled a range of progressive and forward-looking initiatives for the construction industry. Pursuant to the 2018–2019 Budget of the Government, infrastructure and land development is still one of the most important agendas. The Government proposes to invest approximately HK\$85.6 billion in infrastructure projects. Other than the development of the Hong Kong-Shenzhen Innovation and Technology Park, as well as the construction of facilities in Hong Kong Science and Technology Parks Corporation, the Government will allocate HK\$28.1 billion in infrastructure projects planned for commencement in the year 2018–2019.

The Group will continue to focus on developing business of undertaking site formation works in Hong Kong due to its long established reputation and proven ability. With the prolonged debates on funding approval for new public work projects by the Legislative Council in the last two years, it has driven more competition and reduced projects available in the market. As the foundation works are closely related to the construction industry, it is expected that the site formation industry would not regain momentum in short term. However, the Group will keep on improving the effectiveness and project management skills of our site formation works, and seeking potential business opportunities that will broaden the sources of income and enhance value to the shareholders.

## **Liquidity, Financial Resources and Capital Resources**

As at 30 September 2018, the Group had bank balances of approximately HK\$2.1 million (31 March 2018: approximately HK\$31.1 million), which are mainly denominated in Hong Kong dollars. The decrease was mainly due to cash outflow from purchase of plant and equipment, placement of approximately HK\$7.6 million as restricted bank balances for a site formation work project and repayment of finance leases. As at 30 September 2018, the Group had no outstanding interest-bearing debts (31 March 2018: approximately HK\$8.1 million).

The gearing ratio is calculated based on the amount of total interest-bearing debts divided by total equity. The gearing ratios of the Group were approximately 4.9% and nil as at 31 March 2018 and 30 September 2018 respectively. The decrease in gearing ratios was primarily due to full repayment of finance leases during the Reporting Period.

## **Pledge of Assets**

The Group's plant and machinery with an aggregate carrying amount of nil and approximately HK\$2.7 million and motor vehicles with an aggregate carrying amount of nil and approximately HK\$1.8 million as at 30 September 2018 and 31 March 2018 respectively, were pledged under finance leases. For details, please refer to note 15 to the condensed consolidated interim financial information.

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## **Foreign Exchange Risk**

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

## **Employees and Remuneration Policy**

As at 30 September 2018, the Group employed 187 staff (31 March 2018: 222 staff). Total staff costs including directors' emoluments for the Reporting Period, amounted to approximately HK\$31.5 million (for the six months ended 30 September 2017: approximately HK\$20.3 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the six months ended 30 September 2018, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

## **Capital Structure**

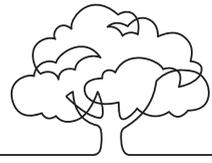
During the six months ended 30 September 2018, there has been no change in capital structure of the Company. The capital of the Company comprises ordinary shares (the "Shares") and capital reserves. The Group finances its working capital requirements primary through a combination of funds generated from operations and proceeds received from the listing of the Company (the "Listing") on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 October 2016.

## **Capital Commitments**

As at 30 September 2018, the Group did not have any capital commitments (31 March 2018: Nil).

## **Contingent Liabilities**

As at 30 September 2018, our Group has given a guarantee on a performance bond relating to a construction contract of HK\$15,259,000 in the ordinary course of business (31 March 2018: HK\$15,259,000). The performance bond is expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on the performance bond, the Group had no significant contingent liabilities as at 30 September 2018.



## Important Events after the Reporting Period

### **Change of controlling shareholders**

Reference is made to the joint announcement dated 24 October 2018 (the "Joint Announcement") jointly issued by China Century Holdings Limited (the "Offeror") and the Company. As stated in the Joint Announcement, the Board was informed by Waterfront Palm Limited ("Waterfront") that, on 19 October 2018, the Offeror and Waterfront entered into a sale and purchase agreement, pursuant to which the Offeror agreed to acquire and Waterfront agreed to sell 397,865,000 Shares, being all the Shares held by Waterfront, representing approximately 51.82% of the entire issued share capital of the Company (the "Transfer of Shares"). As stated in the Joint Announcement, the Transfer of Shares was completed on 22 October 2018. Pursuant to Rule 26.1 of The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), the Offeror and parties acting in concert with it were required to make a mandatory unconditional cash offer for all the issued Shares, other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it. For details, please refer to the Joint Announcement dated 24 October 2018.

### **Use of proceeds from initial public offering**

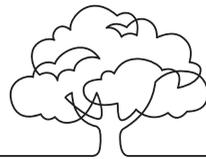
The net proceeds from the share offer received by the Company in relation to the Listing were approximately HK\$97.0 million, after deduction of underwriting fees and commissions and expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future plans and use of proceeds" in the prospectus of the Company dated 30 September 2016 (the "Prospectus"). The below table sets out the proposed applications of the net proceeds and usage up to the date of this report:

	<b>Planned use of proceeds</b>	<b>Actual usage up to the date of this report</b>
	HK\$'000	HK\$'000
Purchase of machinery and equipment	57,731	57,731
Expansion of workforce	18,102	18,102
Taking out surety bond	12,231	12,231
General working capital	8,929	8,929
	<hr/>	<hr/>
	96,993	96,993

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2018</b>	2017
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
Revenue	4	<b>76,860</b>	91,127
Cost of sales		<b>(80,208)</b>	(76,003)
<b>Gross (loss)/profit</b>		<b>(3,348)</b>	15,124
Other income	5	<b>305</b>	691
Administrative expenses		<b>(5,681)</b>	(5,990)
Finance costs	6	<b>(661)</b>	(176)
<b>(Loss)/profit before taxation</b>		<b>(9,385)</b>	9,649
Income tax credit/(expense)	7	<b>1,344</b>	(1,751)
<b>(Loss)/profit and total comprehensive income for the period</b>	8	<b>(8,041)</b>	7,898
<b>(Loss)/earnings per share (HK cents)</b>			
— Basic and diluted	9	<b>(1.05)</b>	1.03



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

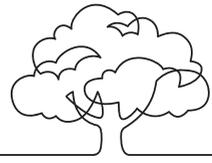
	Notes	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
<b>Non-current assets</b>			
Plant and equipment	11	44,642	51,166
Deferred tax assets		1,300	–
Restricted bank balances		15,259	7,627
		<b>61,201</b>	58,793
<b>Current assets</b>			
Amounts due from customers for contract work		–	75,974
Contract assets	12	98,254	–
Trade and other receivables	13	9,645	37,937
Tax recoverable		5,778	4,334
Bank balances and cash		2,055	31,089
		<b>115,732</b>	149,334
<b>Current liabilities</b>			
Trade and other payables	14	16,905	29,859
Obligations under finance leases – due within one year	15	–	4,361
		<b>16,905</b>	34,220
<b>Net current assets</b>			
		<b>98,827</b>	115,114
<b>Total assets less current liabilities</b>			
		<b>160,028</b>	173,907
<b>Non-current liabilities</b>			
Obligations under finance leases – due after one year	15	–	3,766
Deferred tax liabilities		5,031	5,409
		<b>5,031</b>	9,175
<b>Net assets</b>			
		<b>154,997</b>	164,732
<b>Capital and reserves</b>			
Share capital	16	7,678	7,678
Reserves		147,319	157,054
<b>Total equity</b>			
		<b>154,997</b>	164,732

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (note)	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2017 (audited)	7,678	102,392	–	45,948	156,018
Profit and total comprehensive income for the period	–	–	–	7,898	7,898
At 30 September 2017 (unaudited)	7,678	102,392	–	53,846	163,916
At 31 March 2018 (audited)	<b>7,678</b>	<b>102,392</b>	–	<b>54,662</b>	<b>164,732</b>
Effect arising from initial application of HKFRS 15	–	–	–	<b>(1,694)</b>	<b>(1,694)</b>
At 1 April 2018	<b>7,678</b>	<b>102,392</b>	–	<b>52,968</b>	<b>163,038</b>
Loss and total comprehensive expense for the period	–	–	–	<b>(8,041)</b>	<b>(8,041)</b>
At 30 September 2018 (unaudited)	<b>7,678</b>	<b>102,392</b>	–	<b>44,927</b>	<b>154,997</b>

Note: Merger reserve represent the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>OPERATING ACTIVITIES</b>		
Cash (used in)/generated from operations	<b>(15,235)</b>	29,176
Tax paid	<b>(1,444)</b>	(1,313)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(16,679)</b>	27,863
<b>INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	<b>(3,720)</b>	(30,021)
Proceeds from disposals of plant and equipment	<b>120</b>	2,500
Interest received	<b>33</b>	95
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(3,567)</b>	(27,426)
<b>FINANCING ACTIVITIES</b>		
Repayment of obligations under finance leases	<b>(8,127)</b>	(3,558)
Interest paid	<b>(661)</b>	(176)
Repayment of unsecured bank borrowing	<b>(9,000)</b>	–
Bank borrowing raised	<b>9,000</b>	–
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(8,788)</b>	(3,734)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(29,034)</b>	(3,297)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<b>31,089</b>	98,165
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	<b>2,055</b>	94,868

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 31 March 2016 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 October 2016. Its ultimate holding company and immediate holding company is also Waterfront Palm Limited, a company incorporated in the British Virgin Islands (the "BVI") which is ultimately owned by Ms. Choi Chun Chi, Sandy ("Ms. Choi"), Mr. Tang Man On and Mr. Kwok Hoi Chiu.

The address of the registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the address of the principal place of business of the Company is located at Office D, 16/F., Kings Wing Plaza 1, No. 3 On Kwan Street, Shek Mun, N.T., Hong Kong.

The Company is an investment holding company, while C & H Engineering Company Limited ("C&H"), being the principal subsidiary of the Company, is principally engaged in provision of site formation works.

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

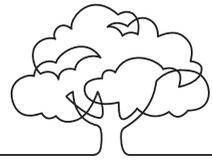
## 2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 September 2018 has been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis.

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 interim financial information for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018.



## 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 2018 for the preparation of the Group's condensed consolidated interim financial information:

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

Except as described below, the application of other new and amendments to HKFRSs in the current interim period has had no material effect 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 interim financial information.

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

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

The Group recognises revenue from construction and site formation services.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 11 *Construction Contracts* and the related interpretations.

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

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

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

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

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

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

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

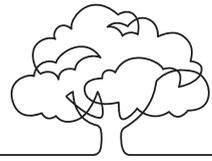
A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments* (“HKFRS 9”). In contrast, a receivable represents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

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

*Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

#### Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method for construction contract, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.



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

The revenue from construction contracts is recognised over time under output method as the Group's performance creates and enhances an asset that the customer controls as the Group performs. The progress towards complete satisfaction of a performance obligation of construction contracts is measured with reference to the certificates issued by the internal or external surveyors on the performance or work completed to date. Costs qualify as costs to fulfil a contract as mentioned above will be recognised as contract costs to be amortised on a systematic basis with the transfer to the customer of the services to which assets relates, while contract costs that related to fulfill performance obligations are expensed as incurred.

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

	Note	Impact of adopting HKFRS 15 at 1 April 2018 HK\$'000
<b>Retained profits</b>		
Adjustments of amounts due from customers		
for contract work	(a)	(2,029)
Tax effect	(a)	335
Impact at 1 April 2018		(1,694)

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

	Note	Carrying amounts previously reported at 31 March 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK\$'000
<b>Non-current assets</b>				
Deferred tax assets	(a)	–	335	335
<b>Current assets</b>				
Amounts due from customers for				
contract work	(a) & (c)	75,974	(75,974)	–
Trade and other receivables	(b)	37,937	(21,774)	16,163
Contract assets	(b) & (c)	–	95,719	95,719
<b>Capital and reserves</b>				
Retained profits	(a)	54,662	(1,694)	52,968

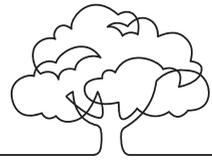
Notes:

- (a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the progress toward complete satisfaction of performance obligations under HKFRS 15. Under HKAS 11, construction costs were charged to profit or loss by reference to the stage of completion of the contract, which is measured by reference to the estimated total revenue for contracts entered into by the Group that have been performed to date. Under HKFRS 15, costs that relate to satisfying performance obligations are expensed as incurred. Costs to fulfil a contract is not material. Construction costs of HK\$2,029,000 that have been incurred but deferred to be recognised in profit or loss under HKAS 11 included in amounts due from/(to) customers for contract work were charged to retained profits on transition to HKFRS 15. The related tax effect of HK\$335,000 were recognised in deferred tax assets and included in adjustment to retained profits.
- (b) At the date of initial application, retention receivables of HK\$21,774,000, arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.
- (c) At the date of initial application, unbilled revenue of HK\$73,945,000 arising from the construction contracts are conditional on the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers, and such balance was reclassified from amounts due from customers for contract work to contract assets.

The following tables summarise the impacts of applying HKFRS 15 on the Group's interim condensed consolidated statement of financial position as at 30 September 2018 and its interim condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

*Impact on the interim condensed consolidated statement of financial position as at 30 September 2018*

	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 15 HK\$'000
<b>Non-current assets</b>			
Deferred tax assets	1,300	(605)	695
<b>Current assets</b>			
Amounts due from customers for contract work	-	75,173	75,173
Trade and other receivables	9,645	26,745	36,390
Contract assets	98,254	(98,254)	-
<b>Capital and reserves</b>			
Retained profits	44,927	3,059	47,986



*Impact on the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018*

	<b>As reported HK\$'000</b>	<b>Adjustments HK\$'000</b>	<b>Amounts without application of HKFRS 15 HK\$'000</b>
Income from construction services	<b>76,860</b>	–	<b>76,860</b>
Staff costs	<b>28,789</b>	<b>(1,041)</b>	<b>27,748</b>
Material and subcontractor costs	<b>34,115</b>	<b>(81)</b>	<b>34,034</b>
Other construction costs	<b>17,304</b>	<b>(513)</b>	<b>16,791</b>

### **3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments**

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) 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) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between the carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components 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 ("HKAS 39").

#### **3.2.1 Key changes in accounting policies resulting from application of HKFRS 9**

##### *Classification and measurement of financial assets*

Trade receivables arising from contract with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the Group's financial assets and financial liabilities are continue to be measured at amortised cost upon adoption of HKFRS 9 which is the same as measured under HKAS 39.

*Impairment of financial assets under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets, restricted bank balances and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

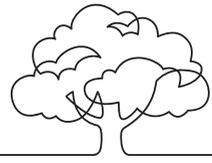
Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and other receivables and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

*Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.



In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for contract assets and financial assets at amortised cost by adjusting through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets at amortised costs and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and concluded that no material financial impact exists, and therefore no adjustment to the opening retained profits at 1 April 2018 was recognised.

### 3.2.2 Summary of effects arising from initial application of HKFRS 9

#### *Impairment under ECL model*

For trade receivables, the management of the Group makes periodic collective as well as individual assessment on the recoverability of trade receivables based on historical settlement records, past experience and forward-looking information that is available without undue cost or effort. Based on the assessment by the management of the Group, the ECL for trade receivable is not material.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade and other receivables. To measure the ECL, contract assets and trade receivables have been 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 concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of restricted bank balances and bank balances and cash, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were consistent with those that applied to the annual financial statements for the year ended 31 March 2018.

## 4. REVENUE AND SEGMENT INFORMATION

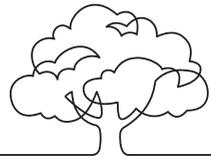
Revenue represents revenue arising on the construction and site formation services rendered for both periods.

### Segment information

The chief operating decision maker, the directors of the Company, regards the Group's business as a single operating segment and reviews financial statements accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

## 5. OTHER INCOME

	Six months ended 30 September 2018	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Bank interest income	33	95
Gain on disposals of plant and equipment	-	347
Refund of contributions from the Mandatory Provident Fund Scheme	116	194
Others	156	55
	<b>305</b>	691



## 6. FINANCE COSTS

	<b>Six months ended 30 September 2018</b>	
	<b>HK\$'000</b>	2017
	<b>(Unaudited)</b>	HK\$'000 (Unaudited)
Interest on:		
– unsecured bank overdrafts and unsecured bank borrowing	<b>55</b>	10
– obligations under finance leases	<b>606</b>	166
	<b>661</b>	176

## 7. INCOME TAX (CREDIT)/EXPENSE

	<b>Six months ended 30 September 2018</b>	
	<b>HK\$'000</b>	2017
	<b>(Unaudited)</b>	HK\$'000 (Unaudited)
Deferred taxation	<b>(1,344)</b>	1,751

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI as there is no income tax imposed in these jurisdictions.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made as there was no assessable profits generated for both periods.

## 8. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived after charging:

	<b>Six months ended 30 September 2018</b>	
	<b>HK\$'000</b>	2017
	<b>(Unaudited)</b>	HK\$'000 (Unaudited)
Staff costs, including directors' emoluments		
– Salaries, wages, allowances and other benefits	<b>30,099</b>	19,504
– Contributions to retirement benefits scheme	<b>1,404</b>	785
Depreciation of plant and equipment	<b>9,944</b>	7,966
Loss on disposals of plant and equipment	<b>180</b>	–
Minimum lease payments paid under operating lease in respect of office premises	<b>130</b>	192

## 9. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following:

	<b>Six months ended 30 September 2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Earnings:		
(Loss)/profit for the period attributable to owners of the Company (HK\$'000)	<b>(8,041)</b>	7,898
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	<b>767,750</b>	767,750
Basic (loss)/earnings per share (HK cents)	<b>(1.05)</b>	1.03

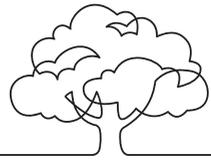
The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares outstanding during both periods.

## 10. DIVIDENDS

No dividend was paid or proposed by the Company during the respective periods, nor has any dividend of the Company been declared since 30 September 2018 (2017: nil).

## 11. PLANT AND EQUIPMENT

	<b>Plant and equipment</b>
	HK\$'000
<b>Six months ended 30 September 2018</b>	
<b>Net book value</b>	
<b>Opening amount as at 1 April 2018 (Audited)</b>	<b>51,166</b>
Addition	<b>3,720</b>
Disposals	<b>(300)</b>
Depreciation	<b>(9,944)</b>
	<hr/>
<b>Closing amount as at 30 September 2018 (Unaudited)</b>	<b>44,642</b>
	<hr/>
<b>Six months ended 30 September 2017</b>	
<b>Net book value</b>	
<b>Opening amount as at 1 April 2017 (Audited)</b>	29,958
Addition	35,237
Transferred from deposits paid for purchase of plant and equipment	1,177
Disposals	(2,153)
Depreciation	(7,966)
	<hr/>
<b>Closing amount as at 30 September 2017 (Unaudited)</b>	<b>56,253</b>
	<hr/>



## 12. CONTRACT ASSETS

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	As at 31 March 2018 HK\$'000 (Audited)
Unbilled revenue	<b>71,509</b>	N/A
Retention receivables	<b>26,745</b>	N/A
	<b>98,254</b>	N/A

## 13. TRADE AND OTHER RECEIVABLES

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	As at 31 March 2018 HK\$'000 (Audited)
Trade receivables	<b>8,765</b>	15,435
Retention receivables	<b>N/A</b>	21,774
Prepayments, deposits and other receivables	<b>880</b>	728
	<b>9,645</b>	37,937

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an ageing analysis of the trade receivables, presented based on the date of the certified report which approximates revenue recognition date and invoice date at the end of each reporting period:

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	As at 31 March 2018 HK\$'000 (Audited)
0 to 30 days	<b>8,765</b>	14,704
31 to 60 days	-	-
61 to 120 days	-	-
Over 1 year	-	731
	<b>8,765</b>	15,435

## 14. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	As at 31 March 2018 HK\$'000 (Audited)
Trade payables	10,012	16,860
Retention payables	3,638	4,548
Accrued expenses and other payables	3,255	8,451
	<b>16,905</b>	<b>29,859</b>

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

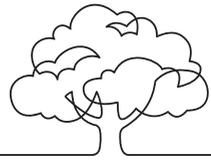
	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	As at 31 March 2018 HK\$'000 (Audited)
0 to 30 days	3,540	8,160
31 to 60 days	1,944	4,699
61 to 90 days	2,217	2,768
91 to 365 days	2,311	1,233
	<b>10,012</b>	<b>16,860</b>

## 15. OBLIGATIONS UNDER FINANCE LEASES

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	As at 31 March 2018 HK\$'000 (Audited)
Analysed for reporting purposes as:		
Current liabilities	–	4,361
Non-current liabilities	–	3,766
	–	<b>8,127</b>

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term ranged from approximately 2 to 5 years for each of reporting period. The obligations under finance leases carried interest at floating rate from 3.8% to 4.5% per annum or at fixed rates from 4.5% to 5.0% per annum during both periods.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets and the corporate guarantee given by the Company as at 31 March 2018.



## 16. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Nominal amount HK\$'000</b>
Ordinary shares of HK\$0.01 each authorised: As at 31 March 2018 and 30 September 2018	2,000,000,000	20,000
Ordinary shares of HK\$0.01 each issued and fully paid: As at 31 March 2018 and 30 September 2018	767,750,000	7,678

## 17. OPERATING LEASE COMMITMENTS

### Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	As at 31 March 2018 HK\$'000 (Audited)
Within one year	<b>240</b>	385
In the second to fifth year inclusive	–	30
	<b>240</b>	415

Operating lease payments represents rental payable by the Group for its office premise and car parks. Leases are negotiated and rentals are fixed for a term of 2 years (2018: 2 years).

## 18. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group entered into transactions with related parties as follows:

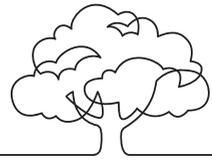
Related party	Nature of transaction	Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Ms. Choi Chun Chi Sandy	Office rental paid	<b>180</b>	120

(b) **Compensation of key management personnel**

The remuneration of directors of the Company and other members of key management personnel during the reporting period were as follows:

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Short-term employee benefits	<b>3,115</b>	3,115
Post-employment benefits	<b>36</b>	45
	<b>3,151</b>	3,160

The remuneration of the directors of the Company and key executives is determined by the remuneration committee having regard to the performance of the individuals and market trends.



## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Significant investment, acquisitions and disposals**

During the Reporting Period, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.

### **Future plans for material investments or capital assets**

The Company does not have any other plans for material investments or capital assets.

### **Purchase, sale or redemption of the Company's listed securities**

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

### **Sufficiency of public float**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the Reporting Period.

### **Competing interests**

The Directors confirm that none of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business.

### **Directors' and chief executive's interests and short positions in shares, underlying shares and debentures**

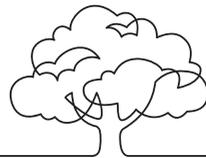
As at 30 September 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, notified to the Company and the Stock Exchange were as follows:

#### **Interests in share of the Company**

<b>Name of Director</b>	<b>Capacity/Nature</b>	<b>Number of Shares held/ interest</b>	<b>Percentage of interest</b>
Tang Man On (Notes 2, 3 and 4)	Interest of controlled corporation	397,865,000 (L) (Note 1)	51.82%
Choi Chun Chi Sandy (Notes 2, 3 and 4)	Interest of controlled corporation	397,865,000 (L) (Note 1)	51.82%

Notes:

1. The letter "L" demonstrates long position in such securities.
2. Waterfront Palm Limited is beneficially owned as to 50% by Ms. Choi Chun Chi Sandy, as to 40% by Mr. Tang Man On and as to 10% by Mr. Kwok Hoi Chiu.
3. Mr. Tang Man On beneficially owns 40% of the issued shares of Waterfront Palm Limited. Ms. Choi Chun Chi Sandy is the spouse of Mr. Tang Man On. Therefore, Mr. Tang is deemed, or taken to be, interested in 397,865,000 Shares held by Waterfront Palm Limited for the purpose of the SFO.
4. Ms. Choi Chun Chi Sandy beneficially owns 50% of the issued shares of Waterfront Palm Limited. Mr. Tang Man On is the spouse of Ms. Choi Chun Chi Sandy. Therefore, Ms. Choi Chun Chi Sandy is deemed, or taken to be, interested in 397,865,000 Shares held by Waterfront Palm Limited for the purpose of the SFO.



## Interests on associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/ interest	Percentage of interest
Tang Man On	Waterfront Palm Limited	Beneficial owner (Note)	4	40%
Choi Chun Chi Sandy	Waterfront Palm Limited	Beneficial owner (Note)	5	50%
Kwok Hoi Chiu	Waterfront Palm Limited	Beneficial owner (Note)	1	10%

Note: Mr. Tang Man On, Ms. Choi Chun Chi Sandy and Mr. Kwok Hoi Chiu beneficial own 40%, 50% and 10% of the issued shares of Waterfront Palm Limited respectively. Waterfront Palm Limited which holds 51.82% of the Shares issued, is the holding company of the Company. Each of Mr. Tang Man On, Ms. Choi Chun Chi Sandy and Mr. Kwok Hoi Chiu is an executive Director of CHERISH Holdings Limited and a director of Waterfront Palm Limited.

## Rights to purchase shares or debentures of directors and chief executive

Save for the existing share option scheme of the Company, no arrangements to which the Company, its subsidiary, its holding company or a subsidiary of its holding company is or was a party to enable the Directors and the chief executive of the Company to acquire benefits by means of acquisitions of shares in or debentures of the Company or any other body corporate subsisted at the end of the Reporting Period or at any time during the Reporting Period.

## Substantial shareholders' interests and short positions in Shares and underlying Shares

As at 30 September 2018, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which fell to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Director	Capacity/Nature	Number of Shares held/ interest	Percentage of interest
Waterfront Palm Limited	Beneficial owner	397,865,000 (L) (Note 1)	51.82%
Li Lin	Beneficial owner	83,335,000 (L) (Note 1)	10.85%
Sin Yuk Hung	Beneficial owner	83,335,000 (L) (Note 1)	10.85%
Wealth China International Limited	Beneficial owner	83,335,000 (L) (Note 1)	10.85%

Notes:

1. The letter "L" demonstrates long position in such securities.
2. Wealth China International Limited is beneficially owned as to 100% by Sin Yuk Hung and Li Lin as joint shareholders.

## Share option scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 20 September 2016.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors believe the Share Option Scheme will enable the Group to reward our employees, the Directors and other selected participants for their contributions to the Group.

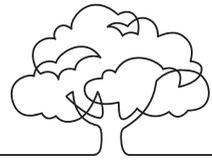
The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares:

- (i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and
- (ii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to the participant's contribution to the development and growth of the Group.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the aggregate of the shares in issue on the day on which trading of the Shares commence on the Stock Exchange. Such 10% limit represents 74,000,000 Shares, representing 9.64% of the issued Shares as at the date of this report.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.



An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The exercise price is determined by the directors of the Company, and will be at least the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted until 19 September 2026.

No share option of the Company was granted, vested, exercised, lapsed or outstanding since the adoption of the Share Option Scheme.

### **Interim dividend**

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil).

### **Compliance with the corporate governance code**

The Group recognise the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the Board is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing Securities (the "Listing Rules") of the Stock Exchange.

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code during the Reporting Period and, where appropriate, the applicable recommended best practices of the CG Code.

## **Compliance with the Model Code**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). In response to a specific enquiry by the Company, all Directors have confirmed that they complied with the requirements of the Model Code during the Reporting Period.

## **Audit Committee**

The Company has established an audit committee (the "Audit Committee") in accordance with the requirements of the Listing Rules with terms of reference aligned with the provision of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee is to serve as a focal point for communication between other directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls, risk management and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, be satisfying themselves as to the effectiveness of the Company's risk management and internal control systems and as to the efficiency of the audits. The Audit Committee comprises three independent non-executive directors, namely Mr. Tang Chi Wai (chairman), Mr. Cheung Wai Lun Jacky and Mr. Lee Chi Ming.

## **Review of interim results**

The Group's unaudited condensed consolidated interim results and financial report for the Reporting Period have been reviewed and approved by the Audit Committee.

## **Changes of Director's Information under Rule 13.51b(1) of The Listing Rules**

Pursuant to Rule 13.51B(1) of the Listing Rules, change of directors' information of the Company since the date of the 2017 annual report, Mr. Cheung Wai Lun Jacky resigned as independent non-executive director of Elegance Commercial and Financial Printing Group Limited (Stock Code: 8391) with effect from 22 October 2018.

## **Change of Composition of the Board**

Ms. Wong Chi Yan tendered her resignation as an executive Director with effect from 14 June 2018 in order to devote more time on her other business commitments.

By order of the Board of  
**CHerish Holdings Limited**  
**Tang Man On**  
*Chairman and Executive Director*

Hong Kong, 30 November 2018

*In the event of any inconsistency, the English text of this report shall prevail over the Chinese text.*