SAM WOO CONSTRUCTION GROUP LIMITED
三和建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3822)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2018

The board (the "Board") of directors (the "Directors") of Sam Woo Construction Group Limited (the "Company") is pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2018 (the "Year"/"2018"), together with the comparative figures for the corresponding year ended 31 March 2017 (the "Previous Year"/"2017").

HIGHLIGHTS

	2018	**2017**
Revenue	HK$518 million	HK$818 million
Profit for the year	HK$6 million	HK$79 million
Earnings per share	0.33 HK cents	4.70 HK cents
Net gearing	N/A	N/A
Current ratio	1.7x	1.4x
Total equity	HK$686 million	HK$696 million
Aggregate value of major contracts on hand	about HK$665 million yet to complete	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue	3	**518,479**	817,682
Cost of sales	4	**(474,434)**	(672,457)
Gross profit		**44,045**	145,225
Other gain/(loss), net	5	**5,788**	(1,120)
Other income	5	**19,038**	214
Administrative expenses	4	**(61,405)**	(45,451)
Operating profit		**7,466**	98,868
Finance income	6	**2,637**	2,677
Finance costs	6	**(4,478)**	(10,330)
Finance costs, net		**(1,841)**	(7,653)
Profit before income tax		**5,625**	91,215
Income tax expense	7	**(106)**	(12,235)
Profit for the year		**5,519**	78,980
Profit attributable to equity holders of the Company		**5,519**	78,980
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Fair value gains on available-for-sale financial assets		**770**	–
Total comprehensive income for the year		**6,289**	78,980
Total comprehensive income attributable to equity holders of the Company		**6,289**	78,980
		HK cents	*HK cents*
Basic and diluted earnings per share	8	**0.33**	4.70

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2018

	Note	2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Plant and equipment		**575,752**	633,527
Deferred income tax assets		**9,208**	917
Available-for-sale financial assets		**20,520**	19,750
Deposits and prepayments		**2,905**	765
		608,385	654,959
Current assets			
Trade and retention receivables	10	**121,261**	157,450
Deposits, prepayments and other receivables		**3,905**	6,226
Amounts due from customers for contract work		**231**	18,614
Income tax recoverable		**600**	18
Restricted bank balances		**3,020**	20,864
Cash and cash equivalents		**256,401**	347,943
		385,418	551,115
Total assets		**993,803**	1,206,074
Equity			
Share capital		**4,200**	4,200
Reserves		**681,520**	692,031
Total equity		**685,720**	696,231

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2018

	Note	2018 *HK$'000*	2017 *HK$'000*
Liabilities			
Non-current liabilities			
Long-term borrowings		**15,904**	53,120
Deferred income tax liabilities		**59,357**	53,453
Amount due to a director		**3,020**	20,864
		78,281	127,437
Current liabilities			
Trade and retention payables	11	**53,432**	79,534
Accruals and other payables		**8,943**	13,969
Amounts due to customers for contract work		**97,866**	82,707
Borrowings		**65,207**	198,621
Income tax payable		**4,354**	7,575
		229,802	382,406
Total liabilities		**308,083**	509,843
Total equity and liabilities		**993,803**	1,206,074

NOTES:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in foundation works and ancillary services in Hong Kong and Macau.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated and were approved for issue on 26 June 2018.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.2 Summary of significant accounting policies

(a) New and amended standards adopted by the Group

The following new standard and amendments to standards are mandatory for the Group's financial year beginning 1 April 2017 and have been adopted by the Group:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

The adoption of these new standard and amendments to standards does not have any significant impact to the results and financial position of the Group's consolidated financial statements.

(b) New and amended standards not yet adopted

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 April 2017 and have not been early adopted:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle [1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle [2]
HKAS 28 (Amendment)	Long-term Interests in Assciates and Joint Venetures [2]
HKAS 40 (Amendment)	Transfers of Investment Property [1]
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions [1]
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [5]
HKFRS 9	Financial Instruments [1]
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation [2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture [4]
HKFRS 15	Revenue from Contracts with Customers [1]
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 [1]
HKFRS 16	Leases [2]
HKFRS 17	Insurance Contracts [3]
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration [1]
HK (IFRIC) 23	Uncertainty over Income Tax Treatments [2]

(1) Effective for the Group for annual period beginning on or after 1 January 2018.

(2) Effective for the Group for annual period beginning on or after 1 January 2019.

(3) Effective for the Group for annual period beginning on or after 1 January 2021

(4) Effective date to be determined

(5) Effective for the accounting period beginning on or after 1 January 2018 or when the Group first applies HKFRS 9

Management is in the process of making an assessment on the impact of these new and revised standards, amendments or interpretations. Other than HKFRS 9, HKFRS 15 and HKFRS 16 which may have an impact on the Group's consolidated financial statements, the directors of the Group do not anticipate that the application of the other new and amendments to HKFRS will have material impact on the results and financial position of the Group.

HKFRS 9 Financial Instruments

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has undertaken a detailed assessment of the classification and measurement of financial asset and does not consider the new guidance to have a significant impact on the classification and measurement of its financial asset. The financial assets currently held by the Group include equity instruments currently classified as available-for–sale financial asset which would continue to be measured at fair value through other comprehensive income ("FVOCI"). However, gains or losses realised on the sale of financial asset at FVOCI will no longer be transferred to the consolidated income statement on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 'Revenue from contracts with customers', lease receivables, loan commitments and certain financial guarantee contracts. Management considered there would be no material impacts to the Group in this regard.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Timing of revenue recognition

  The Group has assessed that its contracts with customers fulfil the criteria for recognising revenue over time under HKFRS 15. In measuring the work progress under the new revenue standard, the Group expects to apply an output method with reference to progress certificates issued by the customers with additional adjustments where necessary to depict the Group's performance in transferring control of goods or services promised to customers for individual projects. So far as the measurement of progress of the Group's typical contracts is concerned, the Group expects that there would not be any significant impact on the revenue recognition profile.

- Timing of recognition of contract costs

  Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

  Currently, contract costs of the Group are recognised by reference to the stage of completion of the contract, which is measured by reference to the percentage of the estimated total revenue for the contracts entered into by the Group that have been performed to date. Under HKFRS 15, costs incurred at the initial stage that generate or enhance resources to be utilised subsequently in fulfilling the performance obligation will be recognised as contract assets 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 satisfy performance obligations are expensed as incurred.

The Group intends to adopt the standard for all uncompleted contracts as at 1 April 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in the retained earnings as of 1 April 2018 and that comparatives will not be restated.

Based on the preliminary assessment, the continual use of output method under HKFRS 15 in measuring the percentage of completion is not expected to significantly affect the timing and amount of revenue recognition upon adoption. On the other hand, HKFRS 15 includes contract cost guidance that could result in a change in the measurement and recognition of contract costs as compared to the accounting policy currently adopted by the Group. For the incremental costs of obtaining a contract with a customer and the cost related directly to a contract or an anticipated contract, such as set up costs, that generate or enhance resources to fulfill the future performance, the Group shall recognise this as an asset and amortise such asset over the period of contract performance. The Group will no longer be able to defer costs if the performance obligation qualifies for over-time recognition unless such costs qualify for capitalisation based on either the costs to obtain or costs to fulfill the contract guidance, meaning costs relating to the satisfied performance obligation will be expensed as incurred. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity in accordance to the current standard while costs incurred in satisfying a performance obligation are charged to expense as incurred under HKFRS 15.

Since the Group will continue to use output method to measure progress, which is other than cost-to-cost method, this will likely result in uneven margins in individual reporting periods over the life of the contract. The Group is not yet in a position to provide quantified information and the new standard is not expected to apply until the financial year ending 31 March 2019.

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$14,792,000. Directors do not foresee any material impact on the net profit of the Group as a result of adoption of HKFRS 16.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents gross contract receipts on foundation works and ancillary services in the ordinary course of business. Revenue recognised is as follows:

	2018	2017
	HK$'000	*HK$'000*
Foundation works and ancillary services	**518,479**	817,682

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as a single operating segment and reviews financial information accordingly.

(a) Segment information

The Group's revenue from external customers attributable to the countries in which the Group derives revenue and information about its non-current assets, excluding deferred income tax assets and available-for-sale financial assets, based on both the country of domicile of companies holding these assets and their physical location are detailed below:

Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**518,479**	810,683
Macau	**–**	6,999
	518,479	817,682

Non-current assets (excluding deferred income tax assets and available-for-sale financial assets)

Based on country of domicile of companies holding the assets and physical location of the assets:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**578,657**	634,292

The machinery and equipment of the Group were owned by Sam Woo Bore Pile Foundation Limited and Sam Woo Engineering Equipment Limited, the country of domicile of both is Hong Kong.

4 EXPENSES BY NATURE

	2018	2017
	HK$'000	HK$'000
Cost of sales		
Construction contracts costs *(note (a))*	**441,310**	638,093
Depreciation		
– owned plant and equipment	**24,282**	22,040
– leased plant and equipment	**2,140**	2,715
Repair and maintenance	**702**	1,107
Others	**6,000**	8,502
	474,434	672,457
Administrative expenses		
Staff costs, including directors' emoluments *(note (b))*	**15,372**	14,055
Auditors' remuneration	**1,507**	1,507
Depreciation		
– owned plant and equipment	**549**	513
Operating lease rental in respect of		
– office and storage premises	**10,363**	8,334
– directors' quarters	**2,167**	2,167
Professional fees	**16,081**	10,518
Motor vehicle expenses	**1,927**	2,262
Bank charges	**585**	961
Exchange loss/(gain)	**7,627**	(981)
Others	**5,227**	6,115
	61,405	45,451
Total cost of sales and administrative expenses	**535,839**	717,908

Notes:

(a) Construction contract costs included but not limited to costs of construction materials, staff costs (refer to note (b) below), consultancy fee, parts and consumables, subcontracting charges and transportation.

(b) Staff costs comprise:

	2018	2017
	HK$'000	*HK$'000*
Wages and salaries	**95,386**	120,939
Pension costs – defined contribution plans	**3,010**	3,924
Employment benefits	**1,263**	1,046
	99,659	125,909
Less: amount included in construction contracts costs or capitalised in work-in-progress	**(84,287)**	(111,854)
	15,372	14,055

5 OTHER GAIN/(LOSS), NET, AND OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Other gain/(loss), net		
Gain/(loss) on disposal of plant and equipment	**5,960**	(19)
Write-off of plant and equipment	**(172)**	(1,101)
	5,788	(1,120)

	2018	2017
	HK$'000	*HK$'000*
Other income		
Government grant	**162**	214
Reimbursement from the deed of indemnity	**18,876**	–
	19,038	214

The reimbursement from the deed of indemnity represented the shortfall and other costs and expenses undertaken by Mr. Lau Chun Ming in relation to an arbitration attributable to a dispute on the final payment of a contract completed before the listing of the shares of the Company. During the Year, the Group executed the deed of indemnity upon the issue of final award of the arbitration to compensate HK$9,374,000 written off from contracting work-in-progress to the costs of sales and HK$9,502,000 costs of claim specified in the final award charged to the administrative expense.

6 FINANCE INCOME AND COSTS

	2018	2017
	HK$'000	*HK$'000*
Finance income		
– Interest income on bank deposits	**2,637**	2,677
Finance costs		
– Interest expense on bank loans	**(2,783)**	(6,173)
– Interest expense on obligations under finance leases	**(1,532)**	(3,852)
– Interest expense on amount due to a director	**(163)**	(305)
	(4,478)	(10,330)
Finance costs, net	**(1,841)**	(7,653)

7 INCOME TAX EXPENSE

Hong Kong profits tax and Macau complementary tax have been provided at the rate of 16.5% and 12%, respectively, on the estimated assessable profit for the Year and the Previous Year.

	2018	2017
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current income tax	**2,493**	3,054
Under-provision of current income tax in prior year	**–**	25
Deferred income tax	**(2,387)**	8,885
Macau profits tax		
Under-provision of current income tax in prior year	**–**	271
	106	12,235

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	2018	2017
Profit attributable to equity holders of the Company *(HK$'000)*	**5,519**	78,980
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**1,680,000**	1,680,000
Basic earnings per share *(HK cents)*	**0.33**	4.70

(b) Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding at the year end (2017: same).

9 DIVIDENDS

(a) The Board resolved not to declare interim dividend for the year.

(b) The Board do not recommend the payment of a final dividend for the year ended 31 March 2018.

10 TRADE AND RETENTION RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**70,499**	105,331
Retention receivables	**50,762**	52,119
Trade and retention receivables	**121,261**	157,450

The credit period granted to trade customers other than for retention receivables was within 45 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The ageing analysis of the trade receivables based on invoice date was as follows:

	2018	2017
	HK$'000	*HK$'000*
1 to 30 days	**18,712**	59,606
31 to 60 days	**51,787**	45,725
Total	**70,499**	105,331

On 13 February 2017, a subsidiary of the Company has filed a civil procedure in Macau court against a customer to recover the retention receivables amounting to HK$10,134,000. The litigation is still in progress as at 31 March 2018. Taking into consideration the advice from its legal representative, the directors consider that the Group is fully entitled to payment to cover at least the balance on the consolidated balance sheet.

As at 31 March 2018, there were no trade and retention receivables which were past due but not impaired (2017: Nil).

11 TRADE AND RETENTION PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**39,462**	68,372
Retention payables	**13,970**	11,162
Total trade and retention payables	**53,432**	79,534

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**38,619**	67,127
31 to 60 days	**10**	387
61 to 90 days	**–**	28
181 to 365 days	**3**	–
More than 365 days	**830**	830
	39,462	68,372

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the annual results of the Group for the year ended 31 March 2018 (the "Year"/"2018"), together with comparative figures from the previous year ended 31 March 2017 (the "Previous Year"/"2017").

BUSINESS REVIEW AND OUTLOOK

Group Revenue and Profit

The Group's revenue for the Year was HK$518 million, representing a decrease of 37% as compared with the Previous Year (2017: HK$818 million).

The Group saw a decline in revenue overall after the completion of the major project – Liantang/Heung Yuen Wai Boundary Control Point project – around mid-2017. For the current year, the major revenue and profit contributor of the Group was the Hospital Expansion project. The Group undertook a few new projects during the Year, however, the contract sums were not significant. Regarding tenders available, there were few during the Year, and the backlog of public works and infrastructure projects pending funding approval continued to build up as a result of filibusters in the Legislative Council in Hong Kong.

The gross profit and gross margin of the Group for the Year was HK$44 million and 8% respectively (2017: HK$145 million and 18% respectively). The decreases were mainly due to the relatively lower margin of the Hospital Expansion project derived from subcontracting of non-bored piling works and also overhead costs such as equipment depreciation and labour costs which did not decrease proportionately to the reduced size of ongoing projects.

The Group's net profit for the Year was HK$6 million, representing a decrease of 93% (2017: HK$79 million). Net profit margin was 1% (2017: 10%). The decrease was mainly from the drop in contract revenue and profit margin as discussed above, while administrative expenses did not come down. With the Directors decided to maintain the team structure and resources for capturing opportunities to bid for major projects in their advent, overheads and administrative expenses for the Year remained largely the same as before.

Major Projects

	As at 31 March 2018 Completion status	Expected Completion Date	Estimated Remaining Contract Value (HK$)
Hospital Expansion	68%	2019 Q3	460 million
Proposed Commercial/Residential Development in Wong Tai Sin District	75%	2019 Q2	35 million
Tseung Kwan O Interchange	Not yet commenced	2019 Q4	170 million

Note: The above remaining contract values were internal estimates based on currently available information, and may be subsequently revised.

Hospital Expansion

In July 2015, the Group won the main contract for foundation and associated works in relation to the expansion of United Christian Hospital from the Hospital Authority. The contract is HK$1,780 million worth, and less all contingent and/or provisional sums, the actual revenue is estimated at approximately HK$1,400 million.

More than half of the project value is for demolition of existing buildings, site formation and road reconstruction to prepare the site for expansion of the hospital. Foundation piling works account for the remaining contract value.

This project contributed revenue that made up about 81% of the Group's total revenue for the Year. Bore piling works were carried out during the Year and the remaining works to take place the following year were mainly subcontracted.

As at 31 March 2018, around 68% of the project was completed and the four-year-project is expected to conclude in the third quarter of 2019.

Proposed Commercial/Residential Development in Wong Tai Sin District

This project involving installation of lateral support works was awarded to the Group in April 2015. The total contract value is about HK$320 million (including contingent payment and/or provisional sum), with the first phase worth HK$140 million.

The project contributed revenue amounting to about 8% of the Group's total revenue for the Year.

As at 31 March 2018, the first phase of installation of lateral support works was around 75% completed. As mentioned in the last Annual Report and Interim Report of the Group, because of certain technical complications in the first phase of the project, part of the works had to be re-designed and re-scheduled. As a result, the estimated completion date has been postponed and the latest estimate is around the second quarter of 2019.

New project to commence after the year end date

Tseung Kwan O Interchange

This project is a subcontract for bored pile works for a part of the Tseung Kwan O – Lam Tin Tunnel. It is an about HK$170 million contract. The project has commenced in mid-2018 and is expected to be completed by the end of 2019.

BUSINESS OUTLOOK AND RECENT DEVELOPMENT

The Directors expect the new project, namely the Tseung Kwan O Interchange, which will begin in mid-2018, to contribute revenue to the Group mainly in the second half of the coming financial year. However, due to severe price competition for tenders limited in number as a result of filibusters on funding approval for public works and infrastructure projects in the Legislative Council, the Group expects its profit margin to remain substantially suppressed.

The Group will use its best endeavour to bid for new projects, but before landing major profitable projects, it expects to operate in an even tougher environment in the coming financial year, during which the results could possibly be worsen. To cope with the anticipated testing times, the Group repaid a large portion of its borrowings during the year to save interest expenses and disposed of certain equipment to free up working capital.

As at 31 March 2018, the Group had zero net gearing. The Directors consider the Group as in a healthy financial position, which will be able to brace it against operational pressure till the construction market warms up again when the Legislative Council speeds up clearing the backlog of public projects awaiting funding approval.

Gold Champion Enterprises Limited ("Gold Champion"), with stake held by the Group, owns a group of property holding companies, and it has received a number of enquiries from interested parties. The Group intends to at its best – work together with Gold Champion to take part in land development, bringing its wealth of expertise, skills and experience in construction to the projects concerned.

FINANCIAL REVIEW AND ANALYSIS

Despite the decline in revenue and profit as discussed above, the Group's financial position remains healthy, with current ratio at 1.7 times (2017: 1.4 times) and total cash and bank balance amounted to approximately HK$259 million (2017: HK$369 million). Net borrowings were 0 (2017: 0), with the Group in a net cash position as at 31 March 2018.

Administrative Expenses

Administrative expenses increased by 35% from approximately HK$45 million in the Previous Year to approximately HK$61 million for the Year. The increase was mainly because of: (i) an exchange loss of about HK$8 million and (ii) legal and professional expenses of about HK$10 million incurred for a completed project. If both (i) and (ii) were excluded, administrative expenses would have remained stable.

(i) The exchange loss from the outstanding Euro loans was the result of appreciation of the Euro between 31 March 2017 and 31 March 2018. Such loans, temporary and rolling-over on revolving terms, are intended for settling purchases required to support operation. The Group has the flexibility to settle when it receives proceeds in Euro or when the exchange rate is more favourable to it.

(ii) The legal and professional expenses incurred for a completed project was reimbursed by Mr. Lau Chun Ming, a director of the Company. The amount reimbursed was recorded as other income in the financial statement. Therefore, the Group did not suffer loss from that completed project.

Finance Cost

Finance cost for the Year was approximately HK$4 million, representing a decrease of approximately 57% compared to the approximately HK$10 million in the Previous Year. This is mainly attributable to the about 68% reduction in bank borrowings during the Year. The Group managed to trim its finance cost and at the same time maintain sufficient working capital to meet the needs of current construction projects.

Taxation

The effective income tax rate for the Year was 2% (2017: 13%). The decrease in effective tax rate is mainly attributable to the gain on disposal of plant and equipment in the current year of about HK$6 million, which is not subject to tax.

Capital Expenditures and Capital Commitments

The Group generally finances its capital expenditures by internal resources, long-term bank loans and finance leases. The Company also secured additional financial resources from its listing in 2014. During the Year, the Group invested approximately HK$1 million in machinery and equipment. As at 31 March 2018, the Group's capital commitments relating to purchase of machinery and equipment was nil (2017: nil).

During the Year, the Group disposed of foundation equipment with net book values of about HK$32 million. The equipment was intended to be deployed in construction projects undertaken by the Group. Due to the slowdown in the construction industry in Hong Kong as a result of a large backlog in funding approval for public works as discussed above, the utilisation of the equipment was not as expected. The Directors consider that the Group should take this opportunity to dispose of the equipment to free up more working capital for its operation.

During the Year, save as disclosed herein, the Group did not make any material acquisitions or disposals of assets.

Liquidity, Financial Resources and Gearing

Liquidity

The Group generally meets its working capital requirements by cash flows generated from its operations and short-term borrowings. During the Year, the Group generated from operating activities a net cash inflow of approximately HK$59 million (2017: HK$295 million). Together with short-term bank loans and overdraft facilities available, the Group's daily operations had been financially sound throughout the Year.

Cash and Bank Balances

As at 31 March 2018, the Group had a total cash and bank balances of approximately HK$259 million (2017: HK$369 million) mainly denominated in Hong Kong dollars and Macau patacas. The decrease in cash and bank balances was mainly due to the repayment of bank borrowings during the Year.

Borrowings

As at 31 March 2018, the Group had total borrowings of approximately HK$81 million (2017: HK$252 million) denominated in either Hong Kong dollars or Euros. Borrowings generally include short-term and long-term bank loans, finance leases and overdrafts bearing floating interest rates. Of the total borrowings, approximately HK$29 million (2017: HK$137 million) was short-term bank loans and approximately HK$36 million (2017: HK$62 million) was the current portion of long-term bank loans and obligations under finance lease with maturity dates within 12 months.

Gearing Ratio and Total Equity

As at 31 March 2018, the Group had a net cash position (2017: same) (net borrowings divided by total equity). The Group's net cash position was mainly attributable to the profits from operations and the reduction in capital expenditure on machinery and equipment. For the purpose of calculating the Group's net gearing ratio, net borrowings refer to the total borrowings less cash and cash equivalents and restricted bank balances.

As at 31 March 2018, the Group's net current assets were approximately HK$156 million (2017: HK$169 million) and current ratio (current assets divided by current liabilities) was 1.7 times (2017: 1.4 times). The Group's total equity as at 31 March 2018 was approximately HK$686 million (2017: HK$696 million).

Foreign Exchange Exposure

Operations of the Group are mainly conducted in Hong Kong dollars and Macau patacas. The Group's revenue, expenses, cash and bank balances, borrowings, other monetary assets and liabilities are also principally denominated in those two currencies. Other than the purchases paid in Euros and Singapore dollars and such short-term Euros borrowings for settlement, the Group was not exposed to any significant foreign currency risk and had not employed any financial instrument for hedging.

Contingent Liabilities

As at 31 March 2018, save for guarantees of performance bonds relating to two foundation works and ancillary services projects of the Group of approximately HK$18 million and HK$17 million, respectively (2017: same), the Group did not have any material contingent liabilities. The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

Pledge of Assets

As at 31 March 2018, the net book amount of plant and equipment held under finance leases and pledged for long-term bank loans was approximately HK$84 million (2017: HK$124 million) and approximately HK$117 million (2017: HK$123 million), respectively. None of the banking facilities of the Group were secured by the Group's bank deposits (2017: none).

OTHER INFORMATION

Human Resources

As at 31 March 2018, the Group had approximately 177 (2017: 210) employees. The remuneration package includes salary, discretionary bonuses and allowances. In general, the Group determines employee salaries based on the individual's qualifications, position and performance (where applicable).

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

Corporate Governance

The Company had complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules upon Listing. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the required standards as set out in the Model Code throughout the Year.

Review of Annual Results

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the financial year 31 March 2018. The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Annual General Meeting and Closure of Register of Members

The forthcoming annual general meeting of the Company will be held on Monday, 3 September 2018. In order to establish entitlements to attend and voting at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Wednesday, 29 August 2018 to Monday, 3 September 2018, both days inclusive, during which period no transfer of share of the Company will be registered. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 28 August 2018.

Publication of Results Announcement and Annual Report

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.samwoo-group.com. The annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

On behalf of the Board of
Sam Woo Construction Group Limited
Lau Chun Ming
Chairman

Hong Kong, 26 June 2018

As at the date of this announcement, the executive directors are Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So; and the independent non-executive directors are Professor Wong Sue Cheun, Roderick, Mr. Chu Tak Sum and Mr. Ip Tin Chee, Arnold.