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 2019

The board (the "Board") of directors (the "Directors") of Sam Woo Construction Group Limited (the "Company") presents the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2019 (the "Year"/"2019"), together with the comparative figures for the corresponding year ended 31 March 2018 (the "Previous Year"/"2018").

HIGHLIGHTS

	2019	**2018**
Revenue	HK$452 million	HK$518 million
(Loss)/profit for the year	HK$(50) million	HK$6 million
(Loss)/earnings per share	(3.00) HK cents	0.33 HK cents
Net gearing	N/A	N/A
Current ratio	1.5x	1.7x
Total equity	HK$626 million	HK$686 million
Aggregate value of major contracts on hand	about HK$397 million yet to complete	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Revenue from contracts with customers	3	**452,268**	518,479
Cost of sales	4	**(447,886)**	(474,434)
Gross profit		**4,382**	44,045
Other (loss)/gain, net	5	**(1,000)**	5,788
Other income	5	**484**	19,038
Administrative expenses	4	**(37,503)**	(61,405)
Impairment losses on retention receivables	10	**(25,009)**	–
Operating (loss)/profit		**(58,646)**	7,466
Finance income	6	**3,481**	2,637
Finance costs	6	**(2,332)**	(4,478)
Finance income/(costs), net		**1,149**	(1,841)
(Loss)/profit before income tax		**(57,497)**	5,625
Income tax credit/(expense)	7	**7,127**	(106)
(Loss)/profit for the year		**(50,370)**	5,519
(Loss)/profit attributable to equity holders of the Company		**(50,370)**	5,519
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Fair value gains on available-for-sale financial assets		**–**	770
Fair value gains on financial assets at fair value through other comprehensive income		**400**	–
Total comprehensive (loss)/income for the year		**(49,970)**	6,289
Total comprehensive (loss)/income attributable to equity holders of the Company		**(49,970)**	6,289
		HK cents	*HK cents*
Basic (loss)/earnings per share	8	**(3.00)**	0.33
Diluted (loss)/earnings per share	8	**(3.00)**	0.33

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Assets			
Non-current assets			
Plant and equipment		**563,615**	575,752
Deferred income tax assets		**8,547**	9,208
Available-for-sale financial assets		**–**	20,520
Financial assets at fair value through other comprehensive income		**20,920**	–
Deposits and prepayments		**2,098**	2,905
		595,180	608,385
Current assets			
Trade and retention receivables	10	**45,858**	121,261
Deposits, prepayments and other receivables		**5,852**	3,905
Contract assets		**8,616**	–
Amounts due from customers for contract works		**–**	231
Income tax recoverable		**2,389**	600
Restricted bank balances		**3,075**	3,020
Cash and cash equivalents		**196,964**	256,401
		262,754	385,418
Total assets		**857,934**	993,803
Equity			
Share capital		**4,200**	4,200
Reserves		**621,716**	681,520
Total equity		**625,916**	685,720

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2019

	Note	2019 HK$'000	2018 HK$'000
Liabilities			
Non-current liabilities			
Borrowings – non-current portion		**3,400**	15,904
Deferred income tax liabilities		**53,062**	59,357
Amount due to a director		**3,075**	3,020
		59,537	78,281
Current liabilities			
Trade and retention payables	11	**34,833**	53,432
Accruals and other payables		**9,921**	8,943
Contract liabilities		**34,311**	–
Amounts due to customers for contract works		**–**	97,866
Borrowings – current portion		**92,498**	65,207
Income tax payable		**918**	4,354
		172,481	229,802
Total liabilities		**232,018**	308,083
Total equity and liabilities		**857,934**	993,803

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, the 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.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated and were approved for issue on 21 June 2019.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements of the Group have been prepared under the historical cost convention, except for the financial assets at fair value through other comprehensive income which are stated at fair value.

The preparation of the consolidated 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 Group has adopted the following new standard and amendments for the first time for their financial reporting period commencing 1 April 2018:

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

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. Other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(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 2018 and have not been early adopted:

Amendments to HKFRSs	Annual improvement to HKFRSs 2015-2017 cycle [(1)]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement [(1)]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures [(1)]
Amendments to HKFRS 3	Definitions of Business [(2)]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [(1)]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [(4)]
HKFRS 16	Leases [(1)]
HKFRS 17	Insurance Contracts [(3)]
HK (IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments [(1)]

(1) Effective for the Group for annual period beginning on or after 1 January 2019.
(2) Effective for the Group for annual period beginning on or after 1 January 2020.
(3) Effective for the Group for annual period beginning on or after 1 January 2021.
(4) Effective date to be determined.

None of these HKFRSs is expected to have a significant effect on the consolidated financial statements of the Group, except for the following:

HKFRS 16 Leases

Nature of change
HKFRS 16 was issued in January 2016. It 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.

Impact
HKFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. Operating expenses under otherwise identical circumstances will decrease, and depreciation, amortisation and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognised in the balance sheet as right of use assets and lease liabilities.

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 approximately HK$12,468,000. Of these commitments, HK$1,859,000 relate to short-term leases which will be recognised on a straight-line basis as expenses in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of HK$9,961,000 on 1 April 2019 and lease liabilities of HK$9,828,000 (after adjustments for prepayments recognised as at 31 March 2019). Overall net current assets will be approximately HK$6,900,000 lower due to the presentation of a portion of the liabilities as a current liability.

Date of adoption by the Group
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.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on any foreseeable future transactions.

2.3 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements on 1 April 2018.

(a) Impact on the consolidated financial statements

As explained in Notes 2.3(b) and 2.3(c) below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by standard below.

Consolidated balance sheet (extract)	**At 31 March 2018 as originally presented**	**HKFRS 9**	**HKFRS 15**	**At 1 April 2018 Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Available-for-sale financial assets	20,520	(20,520)	–	–
Financial assets at fair value through other comprehensive income	–	20,520	–	20,520
Deferred income tax asset	9,208	–	2,462	11,670
Current assets				
Contract assets	–	–	231	231
Amounts due from customers for contract works	231	–	(231)	–
Equity				
Retained earnings	476,163	–	(9,834)	466,329
Available-for-sale financial assets reserve	770	(770)	–	–
Financial assets at fair value through other comprehensive income reserve	–	770	–	770
Current liabilities				
Income tax payable	4,354	–	519	4,873
Contract liabilities	–	–	109,643	109,643
Amounts due to customers for contract works	97,866	–	(97,866)	–

(b) *HKFRS 9 Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

In accordance with the transitional provision in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Impact

(i) *Classification and measurement of financial instruments*

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income for all its available-for-sale financial assets, because these measurements are held as long-term strategic investments that are not expected to be sold in the short to medium term. The Group has used modified retrospective approach while adopting HKFRS 9, without restating comparative information. As a result, available-for-sale financial assets with a fair value of HK$20,520,000 at 31 March 2018 were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income ("FVOCI") on 1 April 2018.

The reclassification would not change the fair value measurement method of these long term financial assets at FVOCI from available-for-sale financial assets except for any gains or losses realised upon sale will no longer be transferred to the profit and loss account, but instead reclassified from "Financial assets at fair value through other comprehensive income reserve" (previously named as "available-for-sale financial assets reserve") to "Retained earnings". As reclassifications were made with modified retrospective approach, available-for-sales financial assets reserve of HK$770,000 at 31 March 2018 were reclassified to financial assets at FVOCI reserve on 1 April 2018.

In addition, there will be no more impairment losses required to be charged to the profit and loss account for equity investments at FVOCI under the new guidance.

(ii) *Impairment of financial assets*

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade and retention receivables
- other receivables
- contract assets

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash in bank, restricted bank balances and deposits and other receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was not material.

Trade and retention receivables, other receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected losses allowance for all trade and retention receivables, other receivables and contract assets. To measure the expected credit losses, trade and retention receivables, other receivables and contract assets have been grouped based on common credit risk characteristics and the aging of the trade and retention receivables and contract assets, and assessed collectively or individually for likelihood of recovery. They are written off when there is no reasonable expectation of recovery.

The Group has assessed the expected credit loss model applied to trade and retention receivables, other receivables and contract assets as at 1 April 2018. The change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(c) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

In accordance with the modified retrospective approach in HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15, which replaces both the provisions of HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

The new accounting policies and the impact of the adoption of HKFRS 15 is shown as follows:

(i) Accounting for revenue from foundation works and ancillary services
In prior reporting periods, when the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, the Group accounted for revenue from foundation works and ancillary services by reference to the stage of completion of the contract activities at the end of the reporting periods.

Under HKFRS 15, revenue is recognised when services are rendered to the customer. Since the service creates and enhances an asset that the customer controls as the Group performs, the Group satisfies the performance obligation over time and therefore, recognises revenue over time based on the progress towards complete satisfaction of the present obligations.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

(ii) Presentation of contract assets and liabilities

Previously, contract balances relating to construction contracts in progress were presented in the consolidated balance sheet under "amounts due from/(to) customers for contract work", "trade and retention receivables" or "trade and retention payables" respectively.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Reclassifications were made as at 1 April 2018 to be consistent with the terminology under HKFRS 15:

Consolidated balance sheet (extract)	**At 31 March 2018 as originally presented**	**Effects of adoption of HKFRS15**	**At 1 April 2018 restated**
	HK$'000	*HK$'000*	*HK$'000*
Deferred income tax assets	9,208	2,462	11,670
Amounts due from customers for contract works	231	(231)	–
Contract assets	–	231	231
Reserves	681,520	(9,834)	671,686
Amounts due to customers for contract work	97,866	(97,866)	–
Contract liabilities	–	109,643	109,643
Income tax payable	4,354	519	4,873

The adoption of HKFRS 15 has decreased the comprehensive income for HK$9,834,000 to the consolidated income statement and has no impact to the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows.

The impact of the Group's retained earnings as at 1 April 2018 is as follows:

	2018
	HK$'000
Closing retained earnings as at 31 March 2018	476,163
Recognition of revenue and cost over time	(11,777)
Tax effect	1,943
Adjustment to retained earnings from adoption of HKFRS 15 on 1 April 2019	(9,834)
Opening retained earnings as at 1 April 2018	466,329

Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15.

Contract assets recognised in relation to construction contracts were previously presented as amounts due from customers for contract works.

Contract liabilities for the progress billing recognised in relation to construction contracts were previously presented as amounts due to customers for contract work.

(iii) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

Consolidated balance sheet (extract)	**At 31 March 2019 without the adoption of HKFRS15**	**Effects of adoption of HKFRS15**	**At 31 March 2019 as reported**
	HK$'000	*HK$'000*	*HK$'000*
Deferred income tax assets	7,882	665	8,547
Amounts due from customers for contract works	11,547	(11,547)	–
Contract assets	–	8,616	8,616
Reserves	628,362	(6,646)	621,716
Amounts due to customers for contract work	29,967	(29,967)	–
Contract liabilities	–	34,311	34,311
Deferred income tax liabilities	53,026	36	53,062

Consolidated statement of comprehensive income (extract)	**For the year ended 31 March 2019 without the adoption of HKFRS 15**	**Effects of adoption of HKFRS 15**	**For the year ended 31 March 2019 as reported**
	HK$'000	HK$'000	HK$'000
Revenue from contract with customers	368,552	83,716	452,268
Cost of sales	(368,672)	(79,214)	(447,886)
Income tax	8,441	(1,314)	7,127

3 REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

Revenue from contracts with customers, 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:

	2019	2018
	HK$'000	*HK$'000*
Foundation works and ancillary services	**452,268**	518,479

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

Segment information

The Group's revenue is mainly derived from customers in Hong Kong. The principal assets of the Group were also located in Hong Kong as at 31 March 2019. Accordingly, no analysis by geographical segment is provided.

4 EXPENSES BY NATURE

	2019	2018
	HK$'000	*HK$'000*
Cost of sales		
Construction contracts costs *(note (a))*	**420,092**	441,310
Depreciation		
– owned plant and equipment	**22,966**	24,282
– leased plant and equipment	**1,215**	2,140
Repair and maintenance	**251**	702
Others	**3,362**	6,000
	447,886	474,434
Administrative expenses		
Staff costs, including directors' emoluments *(note (b))*	**13,925**	15,372
Auditors' remuneration	**1,557**	1,507
Depreciation		
– owned plant and equipment	**518**	549
Operating lease rental in respect of		
– office and storage premises	**9,803**	10,363
– directors' quarters	**2,168**	2,167
Professional fees	**4,155**	16,081
Motor vehicle expenses	**1,905**	1,927
Bank charges	**502**	585
Exchange (gains)/losses	**(2,517)**	7,627
Others	**5,487**	5,227
	37,503	61,405
Total cost of sales and administrative expenses	**485,389**	535,839

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)

	2019	2018
	HK$'000	*HK$'000*
Wages and salaries	**84,917**	95,386
Pension costs – defined contribution plans	**2,750**	3,010
Employment benefits	**938**	1,263
	88,605	99,659
Less: amount included in construction contracts costs or capitalised in contract assets/work-in-progress	**(74,680)**	(84,287)
	13,925	15,372

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

	2019	2018
	HK$'000	*HK$'000*
Other (loss)/gain, net		
Gain on disposal of plant and equipment	**–**	5,960
Write-off of plant and equipment	**(1,000)**	(172)
	(1,000)	5,788

	2019	2018
	HK$'000	*HK$'000*
Other income		
Leasing of machinery	**484**	–
Government grant	**–**	162
Reimbursement from the deed of indemnity	**–**	18,876
	484	19,038

6 FINANCE INCOME AND COSTS

	2019	2018
	HK$'000	*HK$'000*
Finance income		
– Interest income on bank deposits	**3,481**	2,637
Finance costs		
– Interest expense on bank loans	**(1,440)**	(2,783)
– Interest expense on bank overdrafts	**(46)**	–
– Interest expense on obligations under finance leases	**(791)**	(1,532)
– Interest expense on amount due to a director	**(55)**	(163)
	(2,332)	(4,478)
Finance income/(costs), net	**1,149**	(1,841)

7 INCOME TAX (CREDIT)/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.

	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current income tax	**(518)**	2,493
Deferred income tax	**(3,172)**	(2,387)
Macau profits tax		
Current income tax	**(3,001)**	–
Over-provision of current income tax in prior year	**(436)**	–
	(7,127)	106

8 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2019	2018
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	**(50,370)**	5,519
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**1,680,000**	1,680,000
Basic (loss)/earnings per share *(HK cents)*	**(3.00)**	0.33

(b) Diluted

Diluted (loss)/earnings per share is of the same amount as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding at the respective year ends.

9 DIVIDENDS

The Board do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: nil).

10 TRADE AND RETENTION RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**14,780**	70,499
Retention receivables	**56,087**	50,762
Trade and retention receivables	**70,867**	121,261
Less: loss allowance	**(25,009)**	–
	45,858	121,261
Deposits, prepayments and other receivables	**7,950**	6,810
Less: non-current portion	**(2,098)**	(2,905)
Current portion	**5,852**	3,905

The credit period granted to trade customers other than for retention receivables was generally ranged from 45 to 90 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:

	2019	2018
	HK$'000	*HK$'000*
1 to 30 days	**14,780**	18,712
31 to 60 days	**–**	51,787
Total	**14,780**	70,499

Movements in the provision for impairment of trade and retention receivables that are assessed for impairment are as follows:

	2019	2018
	HK$'000	*HK$'000*
Opening amount	**–**	–
Increase in loss allowance recognised in profit and loss during the year	**25,009**	–
Closing amount	**25,009**	–

As at 31 March 2019, retention receivables of HK$25,009,000 were fully provided.

On 13 February 2017, a subsidiary of the Company has filed a civil procedure in Macau court against a customer to recover certain retention receivables amounted to HK$10,134,000. During the year, the Macau First Instance Court delivered a judgement against the claims, since then, management has begun to launch an appeal against such judgement. The subsidiary of the Company has submitted an appeal of the judgement to the Macau Second Instance Court before year ended. Taking into consideration the uncertainty surrounding the outcome of the appeal, the management has decided to make a full provision on the retention receivables and the appeal is still on progress as at 31 March 2019.

As at 31 March 2018, a subsidiary of the Company has an amount of HK$14,875,000 retention receivables outstanding from another customer. During the year, the employer of the customer lost its land use right in the relevant construction site to Macau Court of Final Appeal. Management is in the process of seeking to negotiate with the customer for the recovery of the retention receivables. However, in view of the uncertainty in the current situation, the management has decided to make a full provision on this retention receivables.

11 TRADE AND RETENTION PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**19,550**	39,462
Retention payables	**15,283**	13,970
Total trade and retention payables	**34,833**	53,432

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

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**14,651**	38,619
31 to 60 days	**3,292**	10
61 to 90 days	**705**	–
181 to 365 days	**72**	3
More than 365 days	**830**	830
	19,550	39,462

MANAGEMENT DISCUSSION AND ANALYSIS

The Board hereby presents the annual results of the Group for the year ended 31 March 2019 (the "Year"/"2019"), together with comparative figures from the previous year ended 31 March 2018 (the "Previous Year"/"2018").

BUSINESS REVIEW AND OUTLOOK

Group Revenue and Gross Margin

The Group's revenue for the Year decreased by 13% to HK$452 million (2018: HK$518 million). During the Year, the Group mainly relied on contribution of the Hospital Expansion project. However, this project had a relatively lower margin due to subcontracting of non-bored piling works. Although Tseung Kwan O Interchange project commenced works during the Year, its profit contribution was not significant due to severe price competition.

The gross profit and gross margin of the Group for the Year was HK$4 million and 1% respectively (2018: HK$44 million and 8% respectively). The decreases were mainly due to the low margin of the major projects undertaken during the Year and also overhead costs such as equipment depreciation and labour costs which did not decrease proportionately. 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 2019 Completion status	Expected Completion Date	Estimated Remaining Contract Value *(HK$)*
Hospital Expansion	84%	Mid-2020	229 million
Tseung Kwan O Interchange	54%	End of 2019	77 million
Tseung Kwan O Cross Bay Link	Not yet commenced	Mid-2020	60 million
Proposed Commercial/Residential Development in Wong Tai Sin District	77%	Mid-2020	31 million

Note: The above remaining contract values were determined with reference to 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 including contingent and/or provisional sums.

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 72% of the Group's total revenue for the Year. Excavation and lateral support works and construction of retaining wall were carried out during the Year.

As at 31 March 2019, around 84% of the project was completed and the four-year-project is expected to conclude in the mid-2020.

Tseung Kwan O Interchange

This project, commenced in mid-2018, is a subcontract for marine bored pile works for a part of the Tseung Kwan O – Lam Tin Tunnel. It is an about HK$170 million contract.

The project contributed revenue amounting to about 20% of the Group's total revenue for the Year.

As at 31 March 2019, around 54% of the project was completed and the project is expected to be completed by the end of 2019.

Tseung Kwan O Cross Bay Link

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$60 million contract. The project has commenced in mid-2019 and is expected to be completed by mid-2020.

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 3% of the Group's total revenue for the Year.

As at 31 March 2019, the first phase of installation of lateral support works was around 77% 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 mid-2020.

BUSINESS OUTLOOK

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. However, we foresee more construction works under the Airport Third Runway Program to roll out gradually which may have positive impact to the construction market. Our strategy is to conserve our construction and financial capabilities in order to grab the opportunities when those deferred projects eventually kick off. The Group anticipates greater opportunities to arise next year, which will enable it to emerge from the current trough. The "Lantau Tomorrow Vision" project announced during the Policy Address, which involves building 1,700 hectares of artificial islands off Lantau to tackle land shortages, is also good news for the sustainable development of Hong Kong and the construction industry in the medium to long term.

The Group will use its best endeavour to bid for new projects, but before landing major profitable projects, it expects to operate in a tough environment in the coming financial year.

The directors of the Company nonetheless share the view that the financial position of the Group remains healthy, as highlighted by zero net gearing as at 31 March 2019. The Group will therefore be able to brace against operational pressure.

FINANCIAL REVIEW AND ANALYSIS

The Group recorded a net loss of HK$50 million for the Year (2018: net profit of HK$6 million). The net loss was incurred mainly because of the drop in contract revenue and profit margin while with largely constant overhead costs as discussed above. In addition, provision for retention receivables was made for two Macau projects completed in prior years in the amount of HK$25 million.

Despite the above, the Group's financial position remains healthy, with current ratio at 1.5 times (2018: 1.7 times) and total cash and bank balance amounted to approximately HK$200 million (2018: HK$259 million). Net borrowings were 0 (2018: 0), with the Group in a net cash position as at 31 March 2019.

Administrative Expenses

Administrative expenses decreased by 38% from HK$61 million in the Previous Year to HK$38 million for the Year. This year's balance included (i) an exchange gain of about HK$3 million (2018: an exchange loss of about HK$8 million) and (ii) legal and professional expenses of about HK$4 million (2018: HK$16 million). If both (i) and (ii) were excluded, administrative expenses would have remained at the same level.

(i) The exchange gain/loss from the outstanding Euro loans was the result of fluctuation of the Euro between the two financial year end dates. 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 in the Previous Year included about HK$10 million incurred for a completed project which 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.

Impairment Losses on Retention Receivables

As disclosed in the last Annual Report, a subsidiary of the Company (the "Subsidiary") filed a civil procedure in Macau court against a customer to recover the retention receivables amounting to HK$10 million. During the year, the claim was disagreed by the Macau Court and the Subsidiary has been proceeding for the appeal. In view of the uncertainties in the appeal, the management decided to make a full provision on the retention receivable.

Besides, the Subsidiary has been waiting to recover an amount of HK$15 million retention receivables from another customer. During the Year, the employer of the customer lost in its court proceeding to preserve its land use right in the relevant construction site. The Subsidiary would further negotiate with the customer for the recovery of the retention receivables. However, in view of the uncertainty in the current situation, the management decided to make a full provision on the retention receivable.

Finance Income/Cost

The Group recorded net finance income of about HK$1 million for the Year, compared to net finance cost of about HK$2 million in the Previous Year. This is mainly attributable to the net cash position and the Group placed surplus cash to time deposits for earning interest income.

Taxation

The effective income tax rate for the Year was 12% (2018: 2%). The lower rate for the Previous Year was mainly attributable to the gain on disposal of plant and equipment of about HK$6 million, which was 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. During the Year, the Group invested approximately HK$14 million in machinery and equipment. As at 31 March 2019, the Group's capital commitments relating to purchase of machinery and equipment was nil (2018: nil).

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 used in operating activities a net cash outflow of approximately HK$63 million (2018: generated a net cash inflow of HK$67 million). Notwithstanding the deficit in cashflow for the Year, the Group has sufficient surplus generated from its operations in the previous years. Therefore, 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 2019, the Group had a total cash and bank balances of approximately HK$200 million (2018: HK$259 million) mainly denominated in Hong Kong dollars. The decrease in cash and bank balances was mainly due to the operating loss during the Year.

Borrowings

As at 31 March 2019, the Group had total borrowings of approximately HK$96 million (2018: HK$81 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$80 million (2018: HK$29 million) was short-term bank loans and approximately HK$13 million (2018: HK$36 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 2019, the Group had a net cash position (2018: same) (net borrowings divided by total equity). The Group's net cash position was mainly attributable to the profits from operations accumulated during the previous years 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 2019, the Group's net current assets were approximately HK$90 million (2018: HK$156 million) and current ratio (current assets divided by current liabilities) was 1.5 times (2018: 1.7 times). The Group's total equity as at 31 March 2019 was approximately HK$626 million (2018: HK$686 million).

Foreign Exchange Exposure

Operations of the Group are mainly conducted in Hong Kong dollars. The Group's revenue, expenses, cash and bank balances, borrowings, other monetary assets and liabilities are also principally denominated in Hong Kong dollars. 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 2019, 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 (2018: 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 2019, the net book amount of plant and equipment held under finance leases and pledged for long-term bank loans was approximately HK$64 million (2018: HK$84 million) and approximately HK$76 million (2018: HK$117 million), respectively. None of the banking facilities of the Group were secured by the Group's bank deposits (2018: none).

OTHER INFORMATION

Human Resources

As at 31 March 2019, the Group had approximately 175 (2018: 177) 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 2019. 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 2019 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, 16 September 2019. 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, 11 September 2019 to Monday, 16 September 2019, 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 (or Level 54 as effective from 11 July 2019), Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 10 September 2019.

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, 21 June 2019

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.