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## **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 2020**

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 2020 (the “Year”/“2020”), together with the comparative figures for the corresponding year ended 31 March 2019 (the “Previous Year”/“2019”).

<b>HIGHLIGHTS</b>		
	<b>2020</b>	<b>2019</b>
Revenue	HK\$917 million	HK\$452 million
Profit/(loss) for the year	HK\$73 million	HK\$(50) million
Basic and diluted earnings/(loss) per share	4.35 HK cents	(3.00) HK cents
Net gearing	N/A	N/A
Current ratio	1.7x	1.5x
Total equity	HK\$698 million	HK\$626 million
Aggregate value of major contracts on hand	about HK\$62 million yet to complete	

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2020**

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Revenue from contracts with customers	3	<b>916,831</b>	452,268
Cost of sales	4	<b>(790,165)</b>	(447,886)
Gross profit		<b>126,666</b>	4,382
Other loss, net		<b>(535)</b>	(1,000)
Other income		<b>832</b>	484
Administrative expenses	4	<b>(43,147)</b>	(37,503)
Impairment losses on retention receivables		<b>–</b>	(25,009)
Operating profit/(loss)		<b>83,816</b>	(58,646)
Finance income	5	<b>2,287</b>	3,481
Finance costs	5	<b>(2,424)</b>	(2,332)
Finance (costs)/income, net		<b>(137)</b>	1,149
Profit/(loss) before income tax		<b>83,679</b>	(57,497)
Income tax (expense)/credit	6	<b>(10,661)</b>	7,127
Profit/(loss) for the year		<b>73,018</b>	(50,370)
Profit/(loss) attributable to equity holders of the Company		<b>73,018</b>	(50,370)
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss			
Fair value (losses)/gains on financial assets at fair value through other comprehensive income		<b>(800)</b>	400
Total comprehensive income/(loss) for the year		<b>72,218</b>	(49,970)
Total comprehensive income/(loss) attributable to equity holders of the Company		<b>72,218</b>	(49,970)
		<b>HK cents</b>	<i>HK cents</i>
Basic and diluted earnings/(loss) per share	7	<b>4.35</b>	(3.00)

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2020**

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Right-of-use assets		<b>19,284</b>	—
Plant and equipment		<b>543,671</b>	563,615
Deferred income tax assets		<b>2,877</b>	8,547
Financial assets at fair value through other comprehensive income		<b>20,120</b>	20,920
Deposits and prepayments		<b>836</b>	2,098
		<b>586,788</b>	595,180
<b>Current assets</b>			
Trade and retention receivables	9	<b>236,663</b>	45,858
Deposits, prepayments and other receivables		<b>6,984</b>	5,852
Contract assets		<b>379</b>	8,616
Income tax recoverable		<b>2,090</b>	2,389
Restricted bank balances		<b>3,145</b>	3,075
Cash and cash equivalents		<b>207,321</b>	196,964
		<b>456,582</b>	262,754
<b>Total assets</b>		<b>1,043,370</b>	857,934
<b>Equity</b>			
Share capital		<b>4,200</b>	4,200
Reserves		<b>693,727</b>	621,716
<b>Total equity</b>		<b>697,927</b>	625,916

**CONSOLIDATED BALANCE SHEET (CONTINUED)**  
*AS AT 31 MARCH 2020*

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings – non-current portion		<b>10,045</b>	3,400
Deferred income tax liabilities		<b>56,423</b>	53,062
Amount due to a director		<b>3,145</b>	3,075
		<b>69,613</b>	59,537
<b>Current liabilities</b>			
Trade and retention payables	10	<b>124,299</b>	34,833
Accruals and other payables		<b>24,655</b>	9,921
Contract liabilities		<b>11,366</b>	34,311
Borrowings – current portion		<b>109,437</b>	92,498
Lease liabilities		<b>4,364</b>	–
Income tax payable		<b>1,709</b>	918
		<b>275,830</b>	172,481
<b>Total liabilities</b>		<b>345,443</b>	232,018
<b>Total equity and liabilities</b>		<b>1,043,370</b>	857,934

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 23 June 2020.

**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 ("HKFRSs") 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 and interpretation adopted by the Group***

The Group has adopted the following new and amended standards and interpretation for the first time for their financial reporting period commencing 1 April 2019:

Amendments to HKFRSs	Annual Improvements 2015-2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in Note 2.3.

The adoption of the other new and amended standards and interpretation did not have a significant effect on the financial statements or result in any significant changes in the Group's significant accounting policies, except for certain changes in presentation and disclosures.

**(b) *New and amended standards and revised conceptual framework not yet adopted by the Group***

The following new and amended standards and revised conceptual framework have been issued but are not effective for the financial year beginning on or after 1 April 2019 and have not been early adopted:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>(3)</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>(1)</sup>
Amendments to HKFRS 3	Definition of Business <sup>(1)</sup>
Amendments to HKAS 39, HKFRS7 and HKFRS 9	Interest Rate Benchmark Reform <sup>(1)</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(4)</sup>
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting <sup>(1)</sup>
HKFRS 17	Insurance Contracts <sup>(2)</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>(5)</sup>

<sup>(1)</sup> Effective for the Group for annual period beginning on or after 1 January 2020.

<sup>(2)</sup> Effective for the Group for annual period beginning on or after 1 January 2021.

<sup>(3)</sup> Effective for the Group for annual period beginning on or after 1 January 2022.

<sup>(4)</sup> Effective date to be determined.

<sup>(5)</sup> Effective for the Group for annual period beginning on or after 1 June 2020.

None of these HKFRSs is expected to have a significant effect on the consolidated financial statements of the Group.

## 2.3 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s financial statements.

### *Nature of change*

As indicated in Note 2.2 above, the Group has adopted HKFRS 16 “Leases” retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 April 2019.

### *Impact*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. No remeasurement to the lease liabilities was recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

#### *(i) Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying single discount rate to a portfolio of leases with reasonably similar characteristic.
- Relying on previous assessment on whether leases are onerous.
- Accounting for operating lease with a remaining lease term of less than 12 months as at 1 April 2019 as short term leases.
- Excluding the initial direct costs from the measurement of the right-of-use assets.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease.

Upon the adoption of HKFRS 16, the Group reclassified the assets under finance leases amounted HK\$64,386,000 (mainly machinery and equipment and motor vehicles) from plant and equipment to right-of-use assets, and the liabilities under obligations under finance leases amounted HK\$9,151,000 from borrowings to lease liabilities for presentation purpose.

(ii) *Measurement of lease liabilities*

	<i>HK\$'000</i>
Operating lease commitment disclosed as at 31 March 2019	12,468
Discounted using the lessee's incremental borrowing rate of at the date of initial application	11,687
Add: finance lease liabilities recognised as at 31 March 2019	9,151
Less: short-term leases not recognised as a liability	(1,853)
Less: low-value leases not recognised as a liability	(6)
Lease liability recognised as at 1 April 2019	18,979
<b>Of which are:</b>	
Current lease liabilities	14,280
Non-current lease liabilities	4,699
	18,979

(iii) *Measurement of right-of-use assets*

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 March 2019.

The recognised right-of-use assets relate to the following types of assets:

	1 April 2019 <i>HK\$'000</i>
Machinery and equipment	64,256
Motor vehicles	130
Properties	9,961
Total right-of-use assets	74,347



(iv) The table below summarises the impact on the adoption of HKFRS 16:

<b>Consolidated balance sheet (extract)</b>	<b>At 31 March</b>		<b>At 1 April 2019 Restated</b>
	<b>2019 as originally presented</b>	<b>Effects of the adoption of HKFRS 16</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Plant and equipment	563,615	(64,386)	499,229
Right-of-use assets	–	74,347	74,347
<b>Current assets</b>			
Deposits, prepayment and other receivables	5,852	(340)	5,512
<b>Equity</b>			
Reserves	621,716	(207)	621,509
<b>Non-current liabilities</b>			
Borrowings – non-current portion	3,400	(1,431)	1,969
Lease liabilities – non-current portion	–	4,699	4,699
<b>Current liabilities</b>			
Borrowings – current portion	92,498	(7,720)	84,778
Lease liabilities – current portion	–	14,280	14,280

(v) *Lessor accounting*

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

### 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:

	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Foundation works and ancillary services	<b>916,831</b>	452,268

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 2020. Accordingly, no analysis by geographical segment is provided.

#### 4 EXPENSES BY NATURE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of sales		
Construction contracts costs ( <i>note (a)</i> )	756,249	420,092
Depreciation		
– owned plant and equipment	23,326	22,966
– leased plant and equipment	–	1,215
– right-of-use assets	454	–
Repair and maintenance	1,172	251
Others	8,964	3,362
	<u>790,165</u>	<u>447,886</u>
Administrative expenses		
Staff costs, including directors' emoluments ( <i>note (b)</i> )	14,965	13,925
Auditors' remuneration	1,682	1,557
Depreciation		
– owned plant and equipment	570	518
– right-of-use assets	6,893	–
Operating lease rental in respect of		
– office and storage premises	4,227	9,803
– directors' quarters	2,168	2,168
Professional fees	4,596	4,155
Motor vehicle expenses	2,896	1,905
Bank charges	472	502
Exchange gains	(632)	(2,517)
Others	5,310	5,487
	<u>43,147</u>	<u>37,503</u>
Total cost of sales and administrative expenses	<u>833,312</u>	<u>485,389</u>

Notes:

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

(b)

	2020 HK\$'000	2019 HK\$'000
Wages and salaries	142,046	84,917
Pension costs - defined contribution plans	4,266	2,750
Employment benefits	3,707	938
	<u>150,019</u>	<u>88,605</u>
Less: amount included in cost of sales	(135,054)	(74,680)
	<u>14,965</u>	<u>13,925</u>

## 5 FINANCE (COSTS)/INCOME, NET

	2020 HK\$'000	2019 HK\$'000
Finance income		
– Interest income on bank deposits	<u>2,287</u>	<u>3,481</u>
Finance costs		
– Interest expense on bank loans	(1,827)	(1,440)
– Interest expense on bank overdrafts	(20)	(46)
– Interest expense on obligations under finance leases	–	(791)
– Interest expense on lease liabilities	(507)	–
– Interest expense on amount due to a director	<u>(70)</u>	<u>(55)</u>
	<u>(2,424)</u>	<u>(2,332)</u>
Finance (costs)/income, net	<u>(137)</u>	<u>1,149</u>

## 6 INCOME TAX EXPENSE/(CREDIT)

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.

	2020 HK\$'000	2019 HK\$'000
Hong Kong profits tax		
Current income tax	1,706	(518)
Deferred income tax	9,031	(3,172)
Macau complementary tax		
Current income tax	–	(3,001)
Over-provision of current income tax in prior year	(76)	(436)
	<u>10,661</u>	<u>(7,127)</u>

## 7 EARNINGS/(LOSS) PER SHARE

### (a) Basic

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

	2020	2019
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	73,018	(50,370)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	<u>1,680,000</u>	<u>1,680,000</u>
Basic earnings/(loss) per share (HK cents)	<u>4.35</u>	<u>(3.00)</u>

### (b) Diluted

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

## 8 DIVIDENDS

On 23 June 2020, the Board proposed a final dividend of in respect of the year ended 31 March 2020 of approximately HK\$33,600,000 (2019: nil), representing HK\$0.02 per ordinary share (2019: nil). Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. This proposed final dividend is not reflected as a dividend payable as of 31 March 2020, but will be recorded as a distribution of reserves for the year ending 31 March 2021.

## 9 TRADE AND RETENTION RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	172,269	14,780
Retention receivables	<u>89,403</u>	<u>56,087</u>
Trade and retention receivables	261,672	70,867
Less: loss allowance	<u>(25,009)</u>	<u>(25,009)</u>
	<u>236,663</u>	<u>45,858</u>
Deposits, prepayments and other receivables	7,820	7,950
Less: non-current portion	<u>(836)</u>	<u>(2,098)</u>
Current portion	<u><u>6,984</u></u>	<u><u>5,852</u></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1 to 30 days	122,195	14,780
31 to 60 days	<u>50,074</u>	<u>—</u>
Total	<u><u>172,269</u></u>	<u><u>14,780</u></u>

The aging analysis of the retention receivables based on invoice date was as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 year	36,683	6,766
Between 1 and 5 years	42,586	48,799
More than 5 years	10,134	522
	<u>89,403</u>	<u>56,087</u>

#### 10 TRADE AND RETENTION PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	102,976	19,550
Retention payables	21,323	15,283
	<u>124,299</u>	<u>34,833</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	93,074	14,651
31 to 60 days	8,962	3,292
61 to 90 days	–	705
181 to 365 days	16	72
More than 365 days	924	830
	<u>102,976</u>	<u>19,550</u>

The aging analysis of the retention payables based on invoice date was as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 year	7,516	2,872
Between 1 and 5 years	13,613	12,405
Over 5 years	194	6
	<u>21,323</u>	<u>15,283</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board hereby presents the annual results of the Group for the year ended 31 March 2020 (the “Year”/“2020”), together with comparative figures from the previous year ended 31 March 2019 (the “Previous Year”/“2019”).

## BUSINESS REVIEW AND OUTLOOK

### Group Revenue and Gross Margin

The Group’s revenue for the Year increased by 103% to HK\$917 million (2019: HK\$452 million). The Hospital Expansion project and two new major projects commenced during the Year, i.e. Airport Logistic Centre project and Tseung Kwan O Cross Bay Link project, were the main contributors of the Group’s revenue and gross profit for the Year.

The gross profit and gross margin of the Group for the Year was HK\$127 million and 14% respectively (2019: HK\$4 million and 1% respectively). The profitability for the year improved mainly because the increase in the Group’s revenue so that the overhead costs such as equipment depreciation and labour costs could be shared among several major projects.

### Major Projects

	Completion status as at 31 March 2020	Expected Completion Date	Estimated Remaining Contract Value (HK\$)
Airport Logistic Centre	93%	2020 Q2	33 million
Hospital Expansion	Almost complete	N/A	N/A
Tseung Kwan O Interchange	80%	2020 Q3	29 million
Tseung Kwan O Cross Bay Link	Completed	N/A	N/A

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

### ***Airport Logistic Centre***

The Group acts as the main contractor for the foundation works for the development of a logistics centre at Hong Kong International Airport. The contract value amounts to approximately HK\$500 million.

This project commenced in mid-2019 and contributed to about 51% of the Group's total revenue for the Year. Around 93% of the project was completed as at 31 March 2020 and all the construction works had been completed as at the date of this announcement.

### ***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 total contract value amounts to HK\$1,780 million, 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 with the remaining representing foundation piling works.

This project contributed about 30% of the Group's total revenue for the Year. The construction works of this project were almost completed as at 31 March 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. The contract value amounts to approximately HK\$170 million.

The project contributed about 3% of the Group's total revenue for the Year.

As at 31 March 2020, around 80% of the project was completed and the project is expected to be completed by the third quarter of 2020.

### ***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. This project commenced in mid-2019 and was completed by early 2020.

The contract value amounts to approximately HK\$70 million and this project contributed about 7% of the Group's total revenue for the Year.



## **BUSINESS OUTLOOK**

Against the current backdrop of COVID-19 which leads to economic uncertainties in the global environment and also the interruption in the operation of Legislative Council, we foresee that it will take longer before the construction market can fully recover. While we anticipate more construction works under the Airport Third Runway Program and Kai Tak Development to roll out gradually, the price competition will remain keen and we anticipate the next year to remain tough. Given the size of contracts on hand and number of tenders the Group is likely to be awarded in the near-term, the Group expects that its contract revenue in the next half year will be significantly lower than that of this year. Overhead costs which may not go down proportionately will hard-hit the Group's profitability in the short-term.

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 2020. The Group will therefore be able to brace against operational pressure and be confident to recommend a final dividend of HK2.0 cents per share, representing a payout ratio of approximately 46%.

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.

### **Investment in a property holding company**

In March 2017, the Group acquired 5% equity interest in a property holding company, Gold Champion Enterprises Limited ("Gold Champion"). The purpose is to provide a springboard for the Group to explore opportunities in property investment or property development. During the year, Gold Champion has received enquiries from parties interested in the land development or interested to acquire the land parcel. Meanwhile, in view of the economic slowdown recently, Gold Champion sees it an appropriate time to study on the feasibility of a development plan whereas a lowering of development costs is anticipated. Accordingly, Gold Champion will keep it open to any development proposal that is viable in view of the persistent demands in the property market of Hong Kong.

## **FINANCIAL REVIEW AND ANALYSIS**

The Group recorded a net profit of HK\$73 million for the Year (2019: net loss of HK\$50 million). The net profit arose mainly because (a) revenue derived from construction contracts increased more than 100% to HK\$917 million for the Year; and (b) there were no such impairment losses of approximately HK\$25 million on retention receivables as recorded in the Previous Year.

The Group's financial position remains healthy, with current ratio at 1.7 times (2019: 1.5 times) and total cash and bank balance amounted to approximately HK\$210 million (2019: HK\$200 million). Net borrowings were 0 (2019: 0), with the Group in a net cash position as at 31 March 2020.

### **Administrative Expenses**

Administrative expenses increased by 15% from HK\$38 million in the Previous Year to HK\$43 million for the Year. The increase in administrative expenses is mainly because of (a) the reduction in exchange gains arising from outstanding Euro loans to about HK\$1 million (2019: HK\$3 million) amidst the relatively modest fluctuation of Euro dollar and the partial repayment of Euro loans during the Year; and (b) the increase in motor vehicle expenses to about HK\$3 million (2019: about HK\$2 million) for the Year due to the increase in traffic needs between several construction sites.

### **Finance Costs/Income**

The Group recorded net finance cost of about HK\$0.1 million for the Year (2019: net finance income of HK\$1 million), mainly attributable to the net cash position of the Group.

### **Taxation**

The effective income tax rate for the Year was 13% (2019: 12%).

### **Capital Expenditures and Capital Commitments**

The Group generally finances its capital expenditures by internal resources, long-term bank loans and leases. During the Year, the Group invested approximately HK\$21 million in machinery and equipment (2019: HK\$14 million). As at 31 March 2020, the Group's capital commitments relating to purchase of machinery and equipment was nil (2019: nil). During the Year, save as disclosed herein, the Group did not make any material acquisitions or disposals of assets.

As at 31 March 2020, the Group had plant and equipment of carrying amounts over HK\$540 million in total, which consisted of an extensive range of machinery and equipment for foundation construction works. This fleet of plant and equipment enables the Group to undertake both public and private sector projects in order to generate revenue and profit for the Group. The management considers that the fair value less costs of disposal and value in use of these assets are higher than their carrying amounts and therefore no impairment provision is necessary.

## **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 a net cash inflow of approximately HK\$13 million from operating activities (2019: a net cash outflow of approximately HK\$63 million). Together with short-term bank loans and overdraft facilities available, the Group's daily operations had been financially sound throughout the Year.

As at 31 March 2020, the Group's net current assets were approximately HK\$181 million (2019: HK\$90 million) and current ratio (current assets divided by current liabilities) was 1.7 times (2019: 1.5 times).

### ***Cash and Bank Balances***

As at 31 March 2020, the Group's total cash and bank balances amounted to approximately HK\$210 million (2019: HK\$200 million), and are mainly denominated in Hong Kong dollars.

### ***Borrowings***

As at 31 March 2020, the Group had total borrowings of approximately HK\$119 million (2019: HK\$96 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\$101 million (2019: HK\$80 million) was short-term bank loans and approximately HK\$8.5 million was the current portion of long-term bank loans with maturity dates within 12 months (2019: approximately 13 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 2020, the Group did not have net gearing (net borrowings divided by total equity), instead, it had a net cash position (2019: same). The Group's net cash position was mainly attributable to the profits from operations accumulated during the previous years and the repayment of the majority of the borrowings financing the investment in machinery and equipment in the past years. 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.

The Group's total equity as at 31 March 2020 was approximately HK\$698 million (2019: HK\$626 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 2020, save for guarantees of performance bonds relating to three foundation works and ancillary services projects of the Group of approximately HK\$50 million, HK\$18 million and HK\$17 million, respectively (2019: approximately HK\$18 million and HK\$17 million, respectively), 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 2020, the net book amount of right-of-use assets (2019: plant and equipment held under finance lease) approximately HK\$16 million (2019: HK\$64 million) and plant and equipment approximately HK\$52 million (2019: HK\$76 million) was pledged for long-term bank loans, respectively. None of the banking facilities of the Group were secured by the Group's bank deposits (2019: none).

### **Events Occurring after the Reporting Date**

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across Hong Kong.

The Group has paid close attention to the development of COVID-19 outbreak and kept evaluating the impact on the financial position, cash flows and operating results of the Group to prevent the outbreak from having material adverse effects on the businesses. However, if the COVID-19 outbreak continues for a longer period of time, the financial performance of the Group for the year ending 31 March 2021 might be affected but the financial impact cannot be reasonably estimated at this stage.

## **OTHER INFORMATION**

### **Human Resources**

As at 31 March 2020, the Group had approximately 331 (2019: 175) 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 2020.

### **Scope of work of PricewaterhouseCoopers**

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 2020 as set out in the preliminary 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 the preliminary announcement.

### **Final Dividend and Annual General Meeting**

The Board recommended the payment of a final dividend of HK2.0 cents per share amounting to approximately HK\$33.6 million, representing a payout ratio of approximately 46%. Such payment of dividends will be subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 7 September 2020 and are payable to shareholders whose names appear on the register of members of the Company at the close of business on 14 September 2020. It is expected that the proposed final dividend will be paid on or about 29 September 2020. Notice of the annual general meeting will be published and despatched to shareholders of the Company in the manner required by the Listing Rules in due course.

### **Closure of Register of Members**

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, 2 September 2020 to Monday, 7 September 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 1 September 2020.

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed on Monday, 14 September 2020, during which 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 11 September 2020.

## **Publication of Results Announcement and Annual Report**

This announcement is published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and at the website of the Company at [www.samwoo-group.com](http://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, 23 June 2020

*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.*