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BEAVER GROUP (HOLDING) COMPANY LIMITED

永勤集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8275)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Beaver Group (Holding) Company Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

INTERIM RESULTS

The board of directors (the “**Board**”) of the Company presents the unaudited condensed consolidated results of the Group for the three months and six months ended 30 September 2017, together with the comparative unaudited figures of the corresponding periods in 2016 are as follows:

Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2017

	Note	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	26,816	30,229	66,851	53,914
Cost of sales		<u>(21,437)</u>	<u>(25,786)</u>	<u>(54,908)</u>	<u>(44,967)</u>
Gross profit		5,379	4,443	11,943	8,947
Other income		2	—	2	2
Administrative expenses		(3,583)	(4,933)	(10,108)	(6,354)
Loss on written off of property, plant and equipment		<u>—</u>	<u>(29)</u>	<u>—</u>	<u>(29)</u>
Profit/(loss) from operations		1,798	(519)	1,837	2,566
Finance costs	6	<u>(122)</u>	<u>(39)</u>	<u>(256)</u>	<u>(90)</u>
Profit/(loss) before tax		1,676	(558)	1,581	2,476
Income tax expense	7	<u>(186)</u>	<u>(376)</u>	<u>(515)</u>	<u>(878)</u>
Profit/(loss) for the period attributable to owners of the Company		<u>1,490</u>	<u>(934)</u>	<u>1,066</u>	<u>1,598</u>
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences arising on translating foreign operations		<u>(36)</u>	<u>—</u>	<u>103</u>	<u>—</u>
Other comprehensive income for the period, net of tax		<u>(36)</u>	<u>—</u>	<u>103</u>	<u>—</u>
Total comprehensive income for the period attributable to owners of the Company		<u>1,454</u>	<u>(934)</u>	<u>1,169</u>	<u>1,598</u>
Earnings per share					
Basic and diluted	9	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

Unaudited Condensed Consolidated Statements of Financial Position

As at 30 September 2017

		30 September 2017 <i>HK\$'000</i> (unaudited)	31 March 2017 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	10	<u>56,897</u>	<u>63,877</u>
Current assets			
Trade and retention receivables	11	36,049	42,784
Gross amounts due from customers for contract work	12	9,490	4,613
Deposits, prepayments and other receivables		3,246	2,576
Due from directors		1,806	—
Income tax recoverable		1,368	1,294
Bank and cash balances		<u>2,833</u>	<u>2,629</u>
		<u>54,792</u>	<u>53,896</u>
Current liabilities			
Trade and retention payables	13	18,132	19,173
Gross amounts due to customers for contract work	12	2,099	2,893
Accruals and other payables		12,508	17,244
Due to directors		—	8,570
Bank borrowings		12,594	4,920
Finance lease payables		742	791
Current tax liabilities		<u>1,174</u>	<u>17</u>
		<u>47,249</u>	<u>53,608</u>
Net current assets		<u>7,543</u>	<u>288</u>
Total assets less current liabilities		<u>64,440</u>	<u>64,165</u>

		30 September	31 March
		2017	2017
		HK\$'000	HK\$'000
	<i>Note</i>	(unaudited)	(audited)
Non-current liabilities			
Finance lease payables		1,341	1,519
Deferred tax liabilities		<u>6,493</u>	<u>7,209</u>
		<u>7,834</u>	<u>8,728</u>
NET ASSETS		<u>56,606</u>	<u>55,437</u>
Capital and reserves			
Share capital	<i>14</i>	*	*
Reserves	<i>15</i>	<u>56,606</u>	<u>55,437</u>
TOTAL EQUITY		<u>56,606</u>	<u>55,437</u>

* The balance represents amount less than HK\$1,000.

Unaudited Condensed Consolidated Statement of Changes in Equity

	Share Capital <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(note 15b(i))</i>	Exchange reserve <i>HK\$'000</i> <i>(note 15b(ii))</i>	Retained profits <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
For the six months ended					
30 September 2016					
At 1 April 2016 (audited)	22	—	—	50,135	50,157
Total comprehensive income for the period (unaudited)	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,598</u>	<u>1,598</u>
At 30 September 2016 (unaudited)	<u>22</u>	<u>—</u>	<u>—</u>	<u>51,733</u>	<u>51,755</u>
For the six months ended					
30 September 2017					
At 1 April 2017 (audited)	*	22	—	55,415	55,437
Total comprehensive income for the period (unaudited)	<u>—</u>	<u>—</u>	<u>103</u>	<u>1,066</u>	<u>1,169</u>
At 30 September 2017 (unaudited)	<u>*</u>	<u>22</u>	<u>103</u>	<u>56,481</u>	<u>56,606</u>

* The balance represents amount less than HK\$1,000.

Unaudited Condensed Consolidated Statements of Cash Flows

For the six months ended 30 September 2017

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash generated from operating activities	<u>3,753</u>	<u>16,614</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	<u>(524)</u>	<u>(6,019)</u>
Net cash used in investing activities	<u>(524)</u>	<u>(6,019)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings raised	10,000	—
Repayment of finance lease payables	(427)	(3,395)
Repayment of bank borrowings	(2,326)	(1,269)
(Decrease)/increase in due to directors	(8,570)	7,656
Increase in due from directors	<u>(1,806)</u>	<u>(10,091)</u>
Net cash used in financing activities	<u>(3,129)</u>	<u>(7,099)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	100	3,496
Cash and cash equivalents at the beginning of the period	2,629	651
Effect on foreign exchange rate changes, net	<u>104</u>	<u>—</u>
Cash and cash equivalents at the end of the period	<u><u>2,833</u></u>	<u><u>4,147</u></u>

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 January 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108 Cayman Islands. The address of its principal place of business is Unit 1503, 15/F, Peninsula Square, No.18 Sung On Street, Hung Hom, Kowloon, Hong Kong.

The Company is an investment holding company. The Group principally engages in provision of foundation works and ancillary services.

In the opinion of the directors of the Company, as at 30 September 2017, each of Mr. Chui Koon Yau (“**Mr. Chui**”) and Mr. Tang Kwai Leung Stanley (“**Mr. Tang**”) is ultimate controlling party of the Company (collectively known as the “**Controlling Shareholders**”).

The Company’s shares are listed on the GEM of the Stock Exchange on 16 October 2017 (the “**Listing Date**”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2017 included in the prospectus of the Company dated 29 September 2017 (the “**Prospectus**”). The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 March 2017.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2017. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the unaudited condensed consolidated financial statements.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The unaudited condensed consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands (“**HK\$’000**”), unless otherwise indicated.

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

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

3. BASIS OF PRESENTATION

In the preparation for the proposed listing of its shares on the GEM of the Stock Exchange (“**Listing**”), the Group has undergone the Group Reorganisation, as more fully explained in the section headed “History, Reorganisation and Group Structure” in the Prospectus. Pursuant to the Group Reorganisation, the Company became the holding company of the companies now comprising the Group on 23 March 2017.

As the Group Reorganisation is undertaken to incorporate the Company as an ultimate holding company, the Group is a continuation of the existing group. The companies now comprising the Group were under common control of the Controlling Shareholders before and after the Group Reorganisation.

This announcement has been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The unaudited condensed consolidated statements of profit or loss and other comprehensive income and unaudited condensed consolidated statements of cash flows include the results and cash flows of the companies now comprising the Group pursuant to the Group Reorganisation as if the Group structure had been in existence throughout the period or since their respective dates of incorporation or establishment where this is a shorter period.

The unaudited condensed consolidated statements of financial position of the Group as at 30 September 2017 and consolidated statements of financial position of the Group as at 31 March 2017 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies now comprising the Group as if the Group current structure had been in existence as at those dates.

4. REVENUE

An analysis of the Group’s revenue is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Construction contract income	26,816	30,060	66,851	53,003
Ancillary service income	<u>—</u>	<u>169</u>	<u>—</u>	<u>911</u>
	<u>26,816</u>	<u>30,229</u>	<u>66,851</u>	<u>53,914</u>

5. SEGMENT INFORMATION

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the respective segment and to assess its performance.

As the Group principally engages in the provision of foundation work and ancillary services, which are subject to similar business risks, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the profit before tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8 "Operating Segments".

Geographical information

(a) Revenue from external customers

The Group's activities are conducted predominantly in Hong Kong and Macau. The following table provides an analysis of the Group's revenue by geographical location:

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong	27,627	53,914
Macau	39,224	—
	<u>66,851</u>	<u>53,914</u>

(b) Non-current assets

The non-current assets asset information below is based on the locations of the assets and excluded deferred tax assets.

	30 September 2017	31 March 2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hong Kong	45,858	52,515
Macau	11,039	11,362
	<u>56,897</u>	<u>63,877</u>

Revenue from major customers

The Group's customer base for whom transactions have exceeded 10% of its revenue during the period is set out as below:

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Customer 1	42,537	—
Customer 2	<u>7,007</u>	<u>13,471</u>

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest on:				
— bank borrowings	97	5	203	20
— bank overdrafts	—	2	—	2
— finance lease	<u>25</u>	<u>32</u>	<u>53</u>	<u>68</u>
	<u>122</u>	<u>39</u>	<u>256</u>	<u>90</u>

7. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current taxation				
Hong Kong profits tax				
— current period	211	131	389	562
Macau profits tax				
— current period	315	—	842	—
Deferred taxation	<u>(340)</u>	<u>245</u>	<u>(716)</u>	<u>316</u>
	<u>186</u>	<u>376</u>	<u>515</u>	<u>878</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit during the periods.

Macau Profits Tax has been provided at a rate of 12% on the estimated assessable profit during the three months and six months ended 30 September 2017.

8. DIVIDENDS

No dividend have been declared by any of the companies comprising the Group during the periods.

9. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this announcement, is not considered meaningful due to the Group Reorganisation and the preparation of the results of the Group during the periods.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Casing and Equipment	Motor Vehicles	Furniture, fixture and office equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book amount as at 1 April 2016 (audited)	50	35,798	22,022	1,493	—	59,363
Additions	76	2,680	3,176	—	87	6,019
Depreciation	(27)	(3,035)	(3,212)	(349)	(6)	(6,629)
Written off	(29)	—	—	—	—	(29)
Closing net book amount as at 30 September 2016 (unaudited)	<u>70</u>	<u>35,443</u>	<u>21,986</u>	<u>1,144</u>	<u>81</u>	<u>58,724</u>
Opening net book amount as at 1 April 2017 (audited)	57	32,188	29,551	2,011	70	63,877
Additions	—	—	514	200	10	724
Depreciation	(13)	(3,256)	(3,966)	(452)	(17)	(7,704)
Closing net book amount as at 30 September 2017 (unaudited)	<u>44</u>	<u>28,932</u>	<u>26,099</u>	<u>1,759</u>	<u>63</u>	<u>56,897</u>

11. TRADE AND RETENTION RECEIVABLES

		30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Trade receivables	(a)	25,773	34,342
Retention receivables (<i>Note</i>)	(b)	<u>10,276</u>	<u>8,442</u>
		<u>36,049</u>	<u>42,784</u>

(*Note*): Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycles.

- (a) The Group's trade receivables represent progress billings receivables from contract customers. The general credit terms of trade receivables were within 7–46 days. Application for progress payment of contract works is made on a regular basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by directors.

The ageing analysis of trade receivables, based on the progress payment, is as follows:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
0 to 30 days	15,862	14,608
31 to 60 days	397	7,580
61 to 90 days	4,386	591
Over 90 days	<u>5,128</u>	<u>11,563</u>
	<u>25,773</u>	<u>34,342</u>

The carrying amounts of the Group's trade receivables are denominated in Hong Kong dollars and Macau Pataca, is as follows.

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Hong Kong Dollars	14,735	34,342
Macau Pataca ("MOP")	<u>11,038</u>	<u>—</u>
	<u>25,773</u>	<u>34,342</u>

- (b) Retention receivables represent certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated as a prescribed percentage of the contract sum. The retention receivables should be released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects.

The carrying amounts of the Group's retention receivables are denominated in Hong Kong dollars and Macau Pataca, is as follows.

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Hong Kong Dollars	8,191	8,442
Macau Pataca	<u>2,085</u>	<u>—</u>
	<u>10,276</u>	<u>8,442</u>

12. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Contract cost incurred plus recognised profits less recognised losses to date	91,037	51,385
Less: Progress billing	(83,653)	(49,665)
Exchange realignments	<u>7</u>	<u>—</u>
	<u>7,391</u>	<u>1,720</u>
Gross amounts due from customers for contract work	9,490	4,613
Gross amounts due to customers for contract work	<u>(2,099)</u>	<u>(2,893)</u>
	<u>7,391</u>	<u>1,720</u>

13. TRADE AND RETENTION PAYABLES

		30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Trade payables	(a)	17,575	19,173
Retention payables (Note)	(b)	<u>557</u>	<u>—</u>
		<u>18,132</u>	<u>19,173</u>

(Note): Retention payables are included in current liabilities as the Group expects to realise these within its normal operating cycles.

(a) The ageing analysis of trade payables, based on the invoice date, is as follows:

		30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
0 to 30 days		3,581	5,729
31 to 60 days		1,320	4,158
61 to 90 days		2,759	1,675
Over 90 days		<u>9,915</u>	<u>7,611</u>
		<u>17,575</u>	<u>19,173</u>

The carrying amounts of the Group's trade payables are denominated in Hong Kong dollars and Macau Pataca, is as follows.

		30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Hong Kong dollars		15,641	19,173
Macau Pataca		<u>1,934</u>	<u>—</u>
		<u>17,575</u>	<u>19,173</u>

(b) Retention payables from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

14. SHARE CAPITAL

Prior to the completion of the Group Reorganisation, the share capital as presented in the unaudited condensed consolidated statements of financial position as at 31 March 2017 represented the aggregate of issued and fully paid share capital of the subsidiaries.

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
Upon incorporation on 3 January 2017	<u>38,000,000</u>	<u>380</u>
At 31 March 2017 (audited) and 30 September 2017 (unaudited)	<u><u>38,000,000</u></u>	<u><u>380</u></u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
Upon incorporation on 3 January 2017	(a) 10,000	*
Effect of the Group Reorganisation	(b) <u>6,000</u>	<u>*</u>
At 31 March 2017 (audited) and 30 September 2017 (unaudited)	<u><u>16,000</u></u>	<u><u>*</u></u>

* The balance represents amount less than HK\$1,000.

- (a) Upon incorporation of the Company on 3 January 2017, one nil-paid share was allotted and issued to the initial subscriber at par value of HK\$0.01 each, which was transferred to C3J Development Limited (“**C3J Development**”), a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability which is wholly-owned by Mr. Tang, at par value of HK\$0.01 each on the same day.

Pursuant to the Reorganisation, the Company issued and allotted 4,999 and 5,000 nil-paid shares to C3J Development and Hunter Corporate Limited (“**Hunter Corporate**”) which is wholly-owned by Mr. Tang and Mr. Chui respectively, at par value of HK\$0.01 on 3 January 2017.

- (b) The Company further issued and allotted 3,000 and 3,000 shares to C3J Development and Hunter Corporate respectively at par value of HK\$0.01 each on 27 January 2017 that Everest Enterprise Company Limited, a company incorporated in the BVI with limited liability which is wholly owned by the Company, acquired 10,000, 10,000 and 2,000 ordinary shares of Triangular Force Construction Engineering Limited, TMP Machinery Engineering Limited and Longson Enterprise Development Company Limited respectively, from the Controlling Shareholders. 濠傑建築工程一人有限公司 was incorporated on 23 March 2017 with limited liability in Macau with a share capital of MOP25,000 and has been wholly owned by Triangular Force Construction Engineering Limited since its incorporation. Each of Triangular Force Construction Engineering Limited, TMP Machinery Engineering Limited and Longson Enterprise Development Company Limited is incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company upon the completion of the Reorganisation.

15. RESERVES

(a) Reserves of the Group

The amounts of the Group's reserves and the movements therein are presented in the unaudited condensed consolidated statements of changes in equity.

(b) Nature and purpose of reserves

- (i) The merger reserve as at 31 March 2017 (audited) and 30 September 2017 (unaudited) represented the aggregate of paid-in capital of Triangular Force Construction Engineering Limited, TMP Machinery Engineering Limited and Longson Enterprise Development Company Limited, subsidiaries of the Company, of 10,000, 10,000 and 2,000 ordinary shares of HK\$1 each respectively.
- (ii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

16. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere to this announcement, the Group had the following transactions with the related parties during the periods:

Related party	Nature of transaction	Six months ended	
		30 September 2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Ms. Lam Ka Yi (<i>Note i</i>)	Office rental expenses charged by a related party	—	31
Master Top Limited (<i>Note ii</i>)	Rental expenses charged by a related company	—	827

Notes:

- (i) Ms. Lam Ka Yi is the spouse of Mr. Tang, director of the Company and its subsidiaries.
- (ii) Mr. Chui and Mr. Tang, directors of the Company and its subsidiaries have beneficial interest in a related company. On 29 December 2016, Mr. Chui and Mr. Tang transferred their entire interest of Master Top Limited to an independent third party.

(b) The remuneration of directors and other members of key management during the periods was as follows:

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term employee benefits	2,424	1,613
Pension scheme contributions	54	35
	<u>2,478</u>	<u>1,648</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metre to 3 metres of various pile lengths. The Group has invested considerably in reinforcing the machinery and the Group possesses all standard plant and machinery and equipment necessary for the construction of bored piles.

For the six months ended 30 September 2017, the Group recorded net profit of approximately HK\$1.1 million as compared to net profit of approximately HK\$1.6 million for the same period in 2016. The Directors are of the view that the decrease of the Group's net profit during the six months ended 30 September 2017 was primarily due to the non-recurring listing expenses recognised under accrual basis of approximately HK\$3.7 million during the period. Set aside the listing expenses, the Group's net profit for the six months ended 30 September 2017 would be approximately HK\$4.8 million. In view that the Group has used efforts to diversify the Group's income source and pursue more profitable foundation works projects, such efforts included exploring business opportunities in Macau, and that the net proceeds from the public offer of the shares of the Company can expand the Group's operational capacity, the Directors are cautiously optimistic about the Group's business outlook.

Outlook

The shares of the Company were listed on GEM on 16 October 2017. The Group always strives to improve its operation efficiency and profitability of its business. The Group will also proactively seek potential business opportunities that will broaden the sources of income and enhance value to the shareholders. The net proceeds from the share offer of the shares of the Company thereby provide financial resources to the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in foundation and site formation works and bored piling works.

Financial Review

Revenue

The Group's revenue for the six months ended 30 September 2017 was approximately HK\$66.9 million, representing an increase by approximately 24.0% from approximately HK\$53.9 million for the six months ended 30 September 2016, which was primarily due to the commencement of a bored piling project in Macau which has an initial contract sum of approximately MOP43.9 million and contributed approximately HK\$39.2 million revenue during the period.

Costs of sales

The Group's cost of sales for the six months ended 30 September 2017 was approximately HK\$54.9 million, representing an increase of approximately 22.1% from approximately HK\$45.0 million for the six months ended 30 September 2016, which was primarily due to increase in direct costs, such as direct labour costs, costs of construction materials, subcontracting charges and transportation expenses as a result of the increasing construction activities of the projects undertaken for the period of comparison.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended 30 September 2017 were approximately HK\$11.9 million, representing an increase of approximately 33.5% from approximately HK\$8.9 million for the six months ended 30 September 2016. The Group's gross profit margin slightly increased from approximately 16.6% to 17.9% for the period of comparison. Such increase was primarily due to one of the Group's projects undertaken and completed during the period ended 30 September 2017 was particularly profitable as the geological condition of the site was better than expected and the Group was able to achieve early completion of the project with direct costs saved.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 September 2017 were approximately HK\$10.1 million, representing an increase of approximately 59.1% from approximately HK\$6.4 million for the six months ended 30 September 2016. Administrative expenses consist primarily of staff costs, advisory fees, listing expenses and other administrative expenses. The increase was mainly attributable to (i) the non-recurring listing expenses of approximately HK\$3.7 million; (ii) increase in advisory fees, such as safety consultation fees; and (iii) increase in staff costs due to the addition of administration staff.

Listing Expenses

During the six months ended 30 September 2017, the Group recognised non-recurring listing expenses under accrual basis of approximately HK\$3.7 million, as expenses in connection with the Listing on GEM.

Profit for the Period

For the six months ended 30 September 2017, the Group recorded profit attributed to owners of the Company of approximately HK\$1.1 million as compared to profit for the six months ended 30 September 2016 of approximately HK\$1.6 million. The profit was mainly attributable to the increase in revenue and gross profit of approximately HK\$12.9 million and HK\$3.0 million, respectively.

Set aside the listing expense, the Group's net profit for the six months ended 30 September 2017 would be approximately HK\$4.8 million.

Comparison Between Business Objectives with Actual Business Progress

The Company has been listed on GEM since 16 October 2017. The latest practicable date prior to the Listing Date (that is, 19 September 2017, defined in the Prospectus) to the six months ended 30 September 2017 was relatively short and no proceeds was available. The Group is in its preliminary stage of implementing its business objectives and strategies as disclosed in the Prospectus. The Group will strive to achieve the milestone events as stated in the Prospectus.

Use of Proceeds from Share Offer

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$29.4 million which will be used for the intended purposes as set out in the section headed “Business Objective and Use of Proceeds” of the Prospectus.

Capital Structure, Liquidity and Financial Resources

The shares of the Company were successfully listed on GEM of the Stock Exchange on 16 October 2017. There has been no change in the capital structure of the Group since then. The capital of the Group only comprises of ordinary shares.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 30 September 2017, the Group had bank and cash balances of approximately HK\$2.8 million (31 March 2017: approximately HK\$2.6 million).

As at 30 September 2017, the Group’s total equity attributable to owners of the Company amounted to approximately HK\$56.6 million (31 March 2017: approximately HK\$55.4 million). As of the same date, the Group’s total debt, comprising amounts due to directors, bank borrowings and liability of the finance lease obligations, amounted to approximately HK\$14.7 million (31 March 2017: approximately HK\$15.8 million).

On the Listing Date, the Company was listed on the GEM by way of share offer and completed the Share Offer of 150,000,000 shares by offer price of HK\$0.34 per Offer Share. The net proceeds from the Listing amounted to approximately HK\$29.4 million. The Directors believe that with the new capital from the public offer, the Group is in a healthy financial position to expand its business and achieve its business objectives.

Borrowings and Gearing Ratio

As at 30 September 2017, the Group had borrowings of approximately HK\$14.7 million which was denominated in Hong Kong Dollars (31 March 2017: approximately HK\$15.8 million). The Group's bank borrowing were primarily used in financing the working capital requirement of its operations.

As at 30 September 2017, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 25.9 % (31 March 2017: approximately 28.5%).

Future Plans for Material Investments and Capital Assets

The Group does not have any concrete plans for material investments or capital assets as at 30 September 2017.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In preparation for the Listing, the Company underwent Reorganisation, the detail of which are set out in the section headed "History, Development and Group Structure" of the Prospectus.

Save as disclosed herein, there was no significant investment held, material acquisition and disposal of subsidiaries, associates and joint ventures by the Company during the six months ended 30 September 2017.

Foreign Exchange Exposure

All of the revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong Dollars which is the presentation currency of the Group, except for the following:

In February 2017, the Group has been awarded one foundation contract in Macau with an initial contract sum denominated in Macau Patacas of approximately MOP43.9 million. Although it is currently permitted, the Group cannot assure the Macau Patacas will continue to be freely exchangeable into Hong Kong dollars. Also, as the currency market for Macau Patacas is relatively small and undeveloped, the Group's ability to convert large amounts of Macau Patacas into Hong Kong dollars over a relatively short period may be limited. As a result, the Group may experience difficulty in converting Macau Patacas into Hong Kong dollars for the revenue the Group generated from those foundation contracts in Macau.

The Group currently does not have a foreign currency hedging policy. The Group will continue to monitor closely the exchange rate between Macau Patacas and Hong Kong dollars and will make necessary hedging arrangements to minimise its foreign currency exposure arising from foreign currency fluctuation in the future.

Treasury Policy

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

Charge on Group Assets

As at 30 September 2017, the Group did not have any assets pledged for banking facilities granted to the Group (31 March 2017: Nil).

Contingent Liabilities

As at 30 September 2017, the Group did not have any material contingent liabilities (31 March 2017: Nil).

Commitments

The Group is the lessee in respect of office premises, warehouses and car-parks under operating leases. As at 30 September 2017, the Group's total future minimum lease payment under non-cancellable operating leases were approximately HK\$3.3 million (31 March 2017: approximately HK\$4.4 million).

Segment Information

The Group principally engages in the provision of foundation work and ancillary services in Hong Kong and Macau, which are subject to similar business risks, and resources are allocated based on what is beneficial to the Group.

Information on Employees

As at 30 September 2017, the Group had 61 full-time employees working in Hong Kong (31 March 2017: 80). Total staff costs including contribution to retirement benefit schemes incurred during the six months ended 30 September 2017 amounted to approximately HK\$12.9 million (for the six months ended 30 September 2016: approximately HK\$15.2 million). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2017.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

The shares of the Company were only listed on the GEM on 16 October 2017 and therefore, the respective Division 7 and 8 of Part XV of the Securities and Futures Ordinance (“SFO”), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable as at 30 September 2017.

As at the date of this announcement, the interest and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of shares of the Company held/interested	Percentage of shareholding
Mr. Tang (<i>Note 1</i>)	Interest of a controlled corporation	225,000,000	37.5%
Mr. Chui (<i>Note 2</i>)	Interest of a controlled corporation	225,000,000	37.5%

Notes:

1. Mr. Tang beneficially owns the entire issued share capital of C3J Development. Therefore, Mr. Tang is deemed, or taken to be, interested in all the Shares held by C3J Development for the purpose of the SFO. Mr. Tang is the sole director of C3J Development.
2. Mr. Chui beneficially owns the entire issued share capital of Hunter Corporate. Therefore, Mr. Chui is deemed, or taken to be, interested in all the Shares held by Hunter Corporate for the purpose of the SFO. Mr. Chui is the sole director of Hunter Corporate.

Save as disclosed above, as at the date of this announcement, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of

the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial and Other Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 September 2017, the shares of the Company were not listed on the GEM. The respective Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

As at the date of this announcement, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long position in ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of shares of the Company held/interested	Percentage of shareholding
C3J Development (<i>Note 1</i>)	Beneficial owner	225,000,000	37.5%
Ms. Lam Ka Yi (<i>Note 1</i>)	Interest of spouse	225,000,000	37.5%
Hunter Corporate (<i>Note 2</i>)	Beneficial owner	225,000,000	37.5%
Ms. Wong Kit Chun (<i>Note 2</i>)	Interest of spouse	225,000,000	37.5%

Notes:

1. Ms. Lam Ka Yi is the spouse of Mr. Tang. Mr. Tang beneficially owns the entire issued share capital of C3J Development. Therefore, Ms. Lam Ka Yi is deemed, or taken to be, interested in all the Shares held by C3J Development for the purpose of the SFO.
2. Ms. Wong Kit Chun is the spouse of Mr. Chui. Mr. Chui beneficially owns the entire issued share capital of Hunter Corporate. Therefore, Ms. Wong Kit Chun is deemed, or taken to be, interested in all the Shares held by Hunter Corporate for the purpose of the SFO.

Save as disclosed above, as at the date of this announcement, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Other information — Directors' and chief executives' interests and

short positions in shares, underlying shares and debentures of the Company” above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

Save for the Reorganisation as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2017.

Competition and Conflict of Interest

None of the Directors, the Controlling Shareholders or substantial shareholders of the Company or any of its respective closed associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the six months ended 30 September 2017.

Directors’ Securities Transactions

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the “**Required Standard of Dealing**”). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing and the code of conduct for securities transactions by the Directors from the Listing Date up to the date of this announcement.

Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The Company has adopted a Share Option Scheme on 22 September 2017. Further details of the Share Option Scheme are set in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to the Prospectus.

For the six months ended 30 September 2017, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

Interests of the Compliance Adviser

As confirmed by the Company’s compliance adviser, Frontpage Capital Limited (the “**Compliance Adviser**”), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its directors, employees or associates (as

defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Corporate Governance Practice

The Board considers good corporate governance is a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code since the Listing Date up to the date of this announcement.

Audit Committee

Pursuant to Rule 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the CG Code, the Company established an audit committee (the “**Audit Committee**”) with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this announcement, the Audit Committee comprises Mr. Leung Wai Hung (the chairman of the Audit Committee), Mr. Law Ching Ning Paschal and Mr. Cheung Chung Chuen George, all of whom are independent non-executive Directors.

The Audit Committee has reviewed with the management of the Company on the accounting principles and practices adopted by the Group, this announcement and the interim report of the Group for the six months ended 30 September 2017, and is of the view that such results comply with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
Beaver Group (Holding) Company Limited
Tang Kwai Leung Stanley
Chairman and Executive Director

Hong Kong, 13 November 2017

As at the date of this announcement, the Board comprises Mr. Tang Kwai Leung Stanley and Mr. Chui Koon Yau as executive Directors; and Mr. Cheung Chung Chuen George, Mr. Leung Wai Hung and Mr. Law Ching Ning Paschal as independent non-executive Directors.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the “Latest Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.beavergroup.com.hk.