

# B & D Strategic Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 1780**

## Interim Report 2021



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# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

### **Executive Directors**

Mr. Tang Wing Kwok (*Chairman*)

Mr. Lo Wing Hang (*Vice Chairman and Chief executive officer*)

### **Independent non-executive Directors**

Mr. Yeung Tze Long

Mr. Cheung Ting Kin

Mr. Chan Pui Hang Ian

## **AUDIT COMMITTEE**

Mr. Yeung Tze Long (*Chairman*)

Mr. Cheung Ting Kin

Mr. Chan Pui Hang Ian

## **REMUNERATION COMMITTEE**

Mr. Yeung Tze Long (*Chairman*)

Mr. Lo Wing Hang

Mr. Chan Pui Hang Ian

## **NOMINATION COMMITTEE**

Mr. Tang Wing Kwok (*Chairman*)

Mr. Cheung Ting Kin

Mr. Chan Pui Hang Ian

## **COMPANY SECRETARY**

Mr. Yeung Ka Chun

## **AUTHORISED REPRESENTATIVES**

Mr. Tang Wing Kwok

Mr. Yeung Ka Chun

# CORPORATE INFORMATION

## **REGISTERED OFFICE IN CAYMAN ISLANDS**

Windward 3  
Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## **HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Units 2803–2803A, Asia Trade Centre  
No. 79 Lei Muk Road  
Kwai Chung  
New Territories  
Hong Kong

## **LEGAL ADVISER AS TO HONG KONG LAW**

Adrian Yeung & Cheng  
Suite 1201–2A, 12th Floor  
Golden Centre  
188 Des Voeux Road Central  
Hong Kong

## **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Ocorian Trust (Cayman) Limited  
Windward 3  
Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

# CORPORATE INFORMATION

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Boardroom Share Registrars (HK) Limited  
2103B, 21st Floor  
148 Electric Road  
North Point  
Hong Kong

## **AUDITORS**

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditors*  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

## **PRINCIPAL BANKER**

Shanghai Commercial Bank Limited  
Shop G1-2, Ground Floor, Metro City Plaza III  
The Metropolis  
8 Mau Yip Road, Tseung Kwan O  
New Territories  
Hong Kong

## **COMPANY WEBSITE**

[www.bnd-strategic.com.hk](http://www.bnd-strategic.com.hk)

## **STOCK CODE**

1780

# MANAGEMENT DISCUSSION AND ANALYSIS

The board (the **"Board"**) of directors (the **"Directors"**) of B & D Strategic Holdings Limited (the **"Company"**) is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the **"Group"**) for the six months ended 30 September 2021, together with the comparative figures for the corresponding six months ended 30 September 2020. The information contained in this interim report should be read in conjunction with the prospectus of the Company dated 13 April 2019 (the **"Prospectus"**).

## BUSINESS REVIEW AND OUTLOOK

We are a contractor specialising in alteration and addition works and civil engineering works in Hong Kong. In order to emphasise the specification on different fields of construction works, among our principal operating subsidiaries, Ka Shun Contractors Limited (**"Ka Shun Contractors"**) mainly focuses on the provision of services on alteration and addition works, while Ka Shun Civil Engineering Company Limited (**"Ka Shun Civil Engineering"**) and Ka Construction Company Limited (**"Ka Construction"**) mainly focus on the provision of services on civil engineering works generally include site formation and foundation works.

We have obtained all material licenses, permits and registration required for carrying on our business activities, including the Registered General Building Contractors and Specialist Contractors — Site Formation Works granted by the Buildings Department; the Approved Contractors for Public Works (Roads and Drainage) and the Approved Contractors for Public Works (Site Formation) both under Group B (probationary) granted by Works Branch of the Development Bureau of the Government of Hong Kong; and Subcontractor Registration Scheme of the Construction Industry Council under the group of general civil works.

The shares of the Company (the **"Shares"**) were listed (the **"Listing"**) on the Main Board of the Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) on 30 April 2019 (the **"Listing Date"**), when 155,000,000 ordinary shares (comprising a public offer of 31,000,000 shares and placing of 124,000,000 shares) had been offered for subscription, at an offer price of HK\$0.84 per Share (the **"Share Offer"**). The proceeds are intended to apply on the Group's future plans as set out in the section headed "Future Plans and Use of Proceeds" to the Prospectus.

In general, our customers primarily include property asset management companies, property developers and contractors in Hong Kong. We engage in projects in both public and private sectors. Public sector projects refer to projects of which the customer is a Government department, a statutory body or a Government controlled entity. During the six months ended 30 September 2021, we focused undertaking projects in the private sectors.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW AND OUTLOOK (continued)**

We have still been facing with challenges due to the impact of COVID-19 pandemic during the six months ended 30 September 2021, especially the market atmosphere was still uncertain that the number of contracts available for tenders for alteration and addition works for the shopping malls remained low and the market competition remained keen. Looking forward, the Group will keep monitoring market conditions, actively participate in tendering sizable projects and strengthen our cost control measures. The Board are cautiously optimistic about the construction industry in Hong Kong as the Board believe that, with the number of doses of COVID-19 vaccine having administered, the construction industry in Hong Kong will be recovered in a near future.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue increased from approximately HK\$132.4 million for the six months ended 30 September 2020 to approximately HK\$149.3 million for the six months ended 30 September 2021, representing an increase of approximately 12.8%.

The increase was primarily because more contract works of a civil engineering project were performed.

### **Direct Costs**

Our direct costs increased from approximately HK\$118.5 million for the six months ended 30 September 2020 to approximately HK\$132.9 million for the six months ended 30 September 2021, representing an increase of approximately 12.1%. Such increase in direct costs was attributable to the reason of the increase in revenue as discussed above.

### **Gross Profit of the Group**

Our gross profit of the Group amounted to approximately HK\$13.9 million and approximately HK\$16.4 million for the six months ended 30 September 2020 and the six months ended 30 September 2021 respectively, representing an increase of approximately 18.2%. The increase in our gross profit was primarily due to the net effect of (i) the decrease in gross profit margin of alteration and addition works segment; and (ii) the increase in gross profit margin of civil engineering works segment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

### Gross Profit and Gross Profit Margin of Operating Segments

The gross profit of alternation and addition works segment decreased from approximately HK\$4.7 million for the six months ended 30 September 2020 to approximately HK\$1.0 million for the six months ended 30 September 2021. The gross profit margin of alteration and addition works segment decreased from approximately 10.8% for the six months ended 30 September 2020 to approximately 2.1% for the six months ended 30 September 2021. The decrease was mainly because the projects undertaken during the six months ended 30 September 2021 were with lower gross profit margin due to the keener competition of the construction market.

The gross profit of civil engineering works segment increased from approximately HK\$9.1 million for the six months ended 30 September 2020 to approximately HK\$14.7 million for the six months ended 30 September 2021. The gross profit margin of civil engineering works segment increased from approximately 10.3% for the six months ended 30 September 2020 to approximately 14.5% for the six months ended 30 September 2021. The increase was mainly because the results for the six months ended 30 September 2020 were negatively affected due to the adverse impact from COVID-19 pandemic and unexpected complexity of construction works. Such impacts were alleviated during the six months ended 30 September 2021.

### Other Income and Other Gains

Our other income decreased from approximately HK\$2.6 million for the six months ended 30 September 2020 to approximately HK\$80,000 for the six months ended 30 September 2021. Such decrease was mainly due to the government subsidies under Employment Support Scheme and Anti-Epidemic Fund of approximately HK\$2.0 million being recognised for the six months ended 30 September 2020, while approximately HK\$5,000 was recognised for the six months ended 30 September 2021.

Our other gains decreased from approximately HK\$50,000 for the six months ended 30 September 2020 to approximately HK\$16,000 for the six months ended 30 September 2021 as the Group recorded a net gain on disposal of property, plant and equipment for the six months ended 30 September 2020, while no such item was recorded for the six months ended 30 September 2021.

### Administrative Expenses

Our administrative expenses for the six months ended 30 September 2021 are comparable to that for the six months ended 30 September 2020.

### Profit Before Tax and Income Tax Expense

Our profit before tax decreased from approximately HK\$10.6 million for the six months ended 30 September 2020 to approximately HK\$9.9 million for the six months ended 30 September 2021, which was mainly attributable to the net effect of (i) the increase in gross profit; and (ii) the decrease in other income and other gains as discussed above.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

### Profit Before Tax and Income Tax Expense (continued)

Our income tax expense decreased from approximately HK\$1.3 million for the six months ended 30 September 2020 to Nil for the six months ended 30 September 2021 as a result of the utilisation of tax loss brought forward from previous year of assessment.

### Profit and Total Comprehensive Income for the Period

Our profit and total comprehensive income for the period attributable to owners of the Company increased from approximately HK\$9.3 million for the six months ended 30 September 2020 to approximately HK\$9.9 million for the six months ended 30 September 2021, which was mainly due to net effect of (i) the increase in gross profit; (ii) the decrease in other income and other gains; and (iii) the decrease in income tax expenses as discussed above.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2021, the Company's issued capital was HK\$6.2 million and the number of its issued ordinary shares was 620,000,000 shares of HK\$0.01 each.

As at 30 September 2021, the Group had total cash and cash equivalents and pledged bank deposits of approximately HK\$151.1 million and approximately HK\$19.4 million respectively (31 March 2021: approximately HK\$183.5 million and Nil respectively). The increase in the pledged deposits was mainly due to the placement of security deposits for the performance bond of a project of the Group.

The Group has funded the liquidity and capital requirements primarily through capital contributions and cash inflow generated from operating activities for the six months ended 30 September 2021 as well as the proceeds received from the Share Offer.

## FOREIGN EXCHANGE EXPOSURES

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange exposure for the six months ended 30 September 2021 as well as for the six months ended 30 September 2020.

## GEARING RATIO

Gearing ratio is calculated as total borrowings divided by total equity at the period end date and expressed as a percentage. The gearing ratio of the Group as at 30 September 2021 remained Nil (31 March 2021: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## DEBTS AND CHARGES ON ASSETS

Save as disclosed elsewhere in this interim report, the Group had no other debts and charges on assets as at 30 September 2021 and 31 March 2021.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2021, the Group had no material capital commitments and contingent liabilities (31 March 2021: Nil).

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 September 2021, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries and associated companies.

## FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed under the section headed “Future Plans and Use of Proceeds” in the Prospectus, there was no other plans for material investments or capital assets as at 30 September 2021.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The Shares was listed on the Listing Date. The net proceeds from the initial public offering amounted to approximately HK\$96.7 million, which has been utilised by the Group in accordance with the disclosure as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus, save and except that the expected timeline for full utilisation of the unused proceeds has been prolonged for the reasons set out below.

Up to 30 September 2021, details of the use of the proceeds are listed as below:

	Planned use of proceed	Actual usage from the Listing Date to 30 September 2021	Unused amount up to 30 September 2021	Expected timeline for full utilisation of the unused proceeds
	HK\$'000	HK\$'000	HK\$'000	(Note 1 & 2)
Strengthening our financial position	77,428	77,428	–	N/A
Expanding our workforce	10,840	4,392	6,448	30 September 2022
Enhancing our machinery fleet				
— Replacing NRMM exempted machinery	4,162	4,162	–	N/A
General working capital	4,355	4,355	–	N/A
	96,785	90,337	6,448	

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS (continued)

Notes:

1. There was a delay in the use of proceed for expanding our workforce which was mainly because (i) the Group encountered unexpected difficulties in recruiting suitable and qualified candidates to suit the relevant positions notwithstanding advertisements had been placed; and (ii) a slowdown in economy as well as in the construction industry as a result of COVID-19 pandemic that made the Group prudent in the workforce expansion.
2. The expected timeline for utilising the unused amount is based on the best estimation of the future market condition made by the Group. It is subject to change based on the current and future development of the market condition.

As at the date of this interim report, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong. The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. Up to the date of this interim report and except as disclosed above, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, we employed a total of 60 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 59 full-time employees as at 30 September 2020. The remuneration packages that the Group offers to employees includes salary, discretionary bonuses, staff benefits, contributions and retirement schemes as well as other cash subsidies. In general, the Group determines employee's salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions. The total staff cost incurred by the Group for the six months ended 30 September 2021 was approximately HK\$14.8 million compared to approximately HK\$11.3 million in the corresponding six months ended 30 September 2020.

## EVENTS AFTER THE SIX MONTHS ENDED 30 SEPTEMBER 2021

Save as disclosed in note 18 of the Notes to the condensed consolidated financial statements of this interim report, the Board is not aware of any significant event requiring disclosure that has been occurred after 30 September 2021 and up to the date of this interim report.

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

For the six months ended 30 September 2021

	Notes	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4, 5	<b>149,273</b>	132,377
Direct costs		<b>(132,885)</b>	(118,518)
Gross profit		<b>16,388</b>	13,859
Other income	6	<b>80</b>	2,564
Other gains	6	<b>16</b>	50
Impairment losses on trade receivables, other receivables and contract assets under expected credit loss model, net of reversal		<b>(705)</b>	–
Administrative expenses		<b>(5,865)</b>	(5,891)
Finance costs		–	(1)
Profit before tax	8	<b>9,914</b>	10,581
Income tax expense	7	–	(1,305)
Profit and total comprehensive income for the period		<b>9,914</b>	9,276
Earnings per share			
— Basic (HK cents)	10	<b>1.60</b>	1.50

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	1,109	1,559
Pledged bank deposits		19,359	–
		<b>20,468</b>	1,559
<b>Current assets</b>			
Trade and other receivables, deposits and prepayments	12	30,792	14,701
Contract assets	13	93,848	81,831
Tax recoverable		2,669	2,669
Bank balances and cash		151,144	183,489
		<b>278,453</b>	282,690
<b>Current liabilities</b>			
Trade, retention and other payables	14	67,941	59,068
Provision		–	4,115
		<b>67,941</b>	63,183
<b>Net current assets</b>		<b>210,512</b>	219,507
<b>Net assets</b>		<b>230,980</b>	221,066
<b>Capital and reserves</b>			
Share capital	15	6,200	6,200
Reserves		224,780	214,866
<b>Equity attributable to owners of the Company</b>		<b>230,980</b>	221,066
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	–	–
<b>Total equity</b>		<b>230,980</b>	221,066

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2020 (Audited)	6,200	109,572	14,939	130,301	261,012
Profit and total comprehensive income for the period	-	-	-	9,276	9,276
<b>Balance at 30 September 2020 (Unaudited)</b>	<b>6,200</b>	<b>109,572</b>	<b>14,939</b>	<b>139,577</b>	<b>270,288</b>
Balance at 1 April 2021 (Audited)	<b>6,200</b>	<b>109,572</b>	<b>14,939</b>	<b>90,355</b>	<b>221,066</b>
Profit and total comprehensive income for the period	-	-	-	<b>9,914</b>	<b>9,914</b>
<b>Balance at 30 September 2021 (Unaudited)</b>	<b>6,200</b>	<b>109,572</b>	<b>14,939</b>	<b>100,269</b>	<b>230,980</b>

Note: Other reserve mainly represents (i) the excess of the assets acquired and liabilities recognised over the cash consideration arising from acquisitions of 100% of shareholding of Ka Shun Civil Engineering and 60% of shareholding of Ka Shun Contractors on 27 October 2015; (ii) the differences between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid arising from acquisitions of a total of additional 49% of shareholding of Ka Construction and additional 40% of shareholding of Ka Shun Contractors during the years ended 31 March 2016 and 2017; and (iii) the difference between the share capital and share premium of the Company issued, and the share capital of Joy Goal Limited ("**Joy Goal**") exchanged pursuant to the reorganisation, upon completion of which Ka Shun Civil Engineering, Ka Shun Contractors, Ka Construction and Joy Goal became wholly-owned subsidiaries of the Company.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Cash generated from operations	(13,061)	39,172
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(13,061)</b>	39,172
<b>INVESTING ACTIVITIES</b>		
Placement of pledged bank deposits	(19,359)	–
Withdrawal of pledged bank balances	–	15,071
Proceeds from disposal of property, plant and equipment	–	62
Purchases of property, plant and equipment	–	(29)
Interest received	75	538
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(19,284)</b>	15,642
<b>FINANCING ACTIVITIES</b>		
Repayments of lease liabilities	–	(35)
Interest paid	–	(1)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>–</b>	(36)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<b>(32,345)</b>	54,778
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>183,489</b>	150,120
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
<b>Represented by bank balances and cash</b>	<b>151,144</b>	204,898

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 1. GENERAL INFORMATION

B & D Strategic Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 24 April 2018 and its shares (the “**Shares**”) have been listed (the “**Listing**”) on Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 30 April 2019 (the “**Listing Date**”). Its registered office is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at Room 2803–2803A, Asia Trade Centre, 79 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The businesses of the Company and its subsidiaries (collectively referred to as the “**Group**”) are mainly conducted through three major operating subsidiaries, namely, (i) Ka Shun Civil Engineering, (ii) Ka Shun Contractors; and (iii) Ka Construction; and are principally involved in provision of services on alteration and addition works (including alteration and addition of building layout and structural works that comprising design of new structural works, fitting-out works, changes in facilities configuration, construction of a new extensive to existing buildings, conversion of an existing buildings, conversion of an existing building to different type, etc.) and civil engineering works in Hong Kong.

The ultimate controlling party of the Group is Mr. Tang Wing Kwok. In the opinion of the directors of the Company, the immediate and ultimate holding company of the Group is Sky Winner Holdings Limited, a company incorporated in the British Virgin Islands.

The unaudited condensed consolidated financial statements (the “**Interim Financial Information**”) are presented in Hong Kong dollars (“**HK\$**”), which is also the same as the functional currency of the Company and its subsidiaries.

## 2. BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30 September 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Interim Financial Information does not include all of the information required in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2021.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Information for the six months ended 30 September 2021 have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by HKICPA and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30 September 2021 are the same as those presented in the annual consolidated financial statements of the Group for the year ended 31 March 2021.

### Application of new and amendments to HKFRSs

In the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group’s Interim Financial Information:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these Interim Financial Information.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 4. REVENUE

### Disaggregation of revenue from contracts with customers

Revenue of the Group represents the fair value of amounts received and receivable from the provision of services on alteration and addition works and civil engineering works in Hong Kong (all recognised over time under construction contracts in Hong Kong) during the six months ended 30 September 2021 and 2020.

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Contract revenue from provision of services on alteration and addition works	<b>47,944</b>	43,676
Contract revenue from provision of services on civil engineering works	<b>101,329</b>	88,701
	<b>149,273</b>	132,377

Included in the Group's revenue during the six months ended 30 September 2021 is contract revenue of HK\$13,299,000 (Unaudited) (six months ended 30 September 2020: HK\$5,874,000 (Unaudited)) derived from provision of services on alteration and addition works to customers in public sector. Other revenue is derived from provision of services on alteration and addition works and civil engineering works to customers in private sector.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 5. 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 (the “CODM”), being the executive directors of the Company, in order for CODM to allocate resources and assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group’s reporting and operating segments under HKFRS 8 *Operating Segments* are as follows:

- Alteration and addition works; and
- Civil engineering works.

The CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

### Segment revenue and profit

The following is an analysis of the Group’s revenue and results by operating segments:

#### For the six months ended 30 September 2021

	Alteration and addition works HK\$’000 (Unaudited)	Civil engineering works HK\$’000 (Unaudited)	Total HK\$’000 (Unaudited)
Segment revenue — external	47,944	101,329	149,273
Segment results	997	14,686	15,683
Other income			80
Other gains			16
Administrative expenses			(5,865)
Profit before tax			9,914

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 5. SEGMENT INFORMATION (continued)

### Segment revenue and profit (continued)

For the six months ended 30 September 2020

	Alteration and addition works HK\$'000 (Unaudited)	Civil engineering works HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue — external	43,676	88,701	132,377
Segment results	4,721	9,138	13,859
Other income			2,564
Other gains			50
Administrative expenses			(5,891)
Finance costs			(1)
Profit before tax			10,581

## 6. OTHER INCOME AND OTHER GAINS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other income:		
Interest income	75	582
Government subsidies under Employment Support Scheme and Anti-epidemic Fund	5	1,982
	80	2,564
Other gains:		
Exchange gain, net	16	–
Gain on disposal of property, plant and equipment, net	–	50
	16	50

During the six months ended 30 September 2021, the Group recognised government grants in respect of COVID-19 related subsidies aggregating to approximately HK\$5,000 (Unaudited) (six months ended 30 September 2020: approximately HK\$1,982,000 (Unaudited)) under Employment Support Scheme and Anti-epidemic Fund provided by the Hong Kong Government.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax:		
Hong Kong	–	1,569
Deferred tax (Note 16)	–	(264)
	–	1,305

No provision for Hong Kong Profits Tax is provided as the Company and its subsidiaries do not have assessable profits for the six months ended 30 September 2021. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2020.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity was calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the six months ended 30 September 2020.

## 8. PROFIT BEFORE TAX

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging:		
Staff costs (including emoluments of the Company's directors):		
Salaries and other benefits	14,413	10,844
Retirement benefit scheme contributions	415	408
	14,828	11,252
Auditor's remuneration	619	450
Depreciation of property, plant and equipment	450	2,406
Depreciation of right-of-use assets	–	34

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 9. DIVIDENDS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interim dividend proposed after the end of the reporting period	<b>39,990</b>	–

Note: On 1 November 2021, the Board has declared an interim dividend of HK cents 6.45 per share for the six months ended 30 September 2021 payable on or around 6 December 2021 to owners of the Company whose names appear on the register of members of the Company (the **“Register of Members”**) on 19 November 2021. The amount of interim dividend declared was calculated based on the number of ordinary shares in issue at the date of approval of the Interim Financial Information. The interim dividend has not been recognised as a liability in this Interim Financial Information (six months ended 30 September 2020: Nil).

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to the owners of the Company)	<b>9,914</b>	9,276

  

	Six months ended 30 September	
	Number of shares '000 (Unaudited)	Number of shares '000 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>620,000</b>	620,000

No diluted earnings per share is presented for both periods as there was no potential ordinary share in issue.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired certain items of property, plant and equipment in an aggregate of Nil (six months ended 30 September 2020: HK\$29,000).

During the six months ended 30 September 2021, the Group disposed certain items of property, plant and equipment with carrying amounts aggregating to Nil (six months ended 30 September 2020: HK\$12,000) for cash proceeds of Nil (six months ended 30 September 2020: HK\$62,000) resulting in net gains on disposal of Nil (six months ended 30 September 2020: net gains of HK\$50,000).

## 12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Trade receivables	12,209	135
Advances to sub-contractors and suppliers	9,510	6,335
Prepayments and deposits	2,169	1,089
Other receivables (Note)	7,086	7,155
Less: Allowance of credit losses for trade receivables and other receivables	(182)	(13)
	<b>30,792</b>	14,701

Note: Included in the other receivables as at 30 September 2021 was a refundable deposit of HK\$6,755,000 (Unaudited) (31 March 2021: HK\$6,751,000 (Audited)) paid to an insurance company as collateral for issuing a performance bond of HK\$6,636,000 (Unaudited) (31 March 2021: HK\$6,636,000 (Audited)) for an ongoing civil engineering project which is expected to be released in the year ending 31 March 2022. Such deposit bears interest at 0.01% per annum (31 March 2021: 0.1% per annum). The remaining amount of the other receivables as at 30 September 2021 and 31 March 2021 mainly represent advances to injured workers that could be reimbursed from insurance.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

### Trade receivables

The Group allows generally a credit period ranging from 30 to 90 days to its customers. The following is an aged analysis of trade receivables from contracts with customers presented based on dates of work certified at the end of each reporting period, net of allowance of credit losses.

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
1–30 days	8,630	135
31–60 days	3,406	–
61–90 days	173	–
	<b>12,209</b>	135
Less: Allowance of credit losses	(169)	–
	<b>12,040</b>	135

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 13. CONTRACT ASSETS

The carrying amounts of the Group's contract assets as at 1 April 2020, 31 March 2021 and 30 September 2021 amounted to approximately HK\$120,950,000 (Audited), HK\$81,831,000 (Audited) and HK\$93,848,000 (Unaudited) (included allowance of credit losses of Nil (Audited), approximately HK\$1,547,000 (Audited) and HK\$2,083,000 (Unaudited)), respectively, represent the Group's rights to considerations from customers for the provision of services on alteration and addition works and civil engineering works, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by the customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months after completion of the relevant works.

The Group's contract assets are analysed as follows:

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Provision of services on alteration and addition works		
— Retention receivables	<b>6,538</b>	7,794
— Others	<b>25,710</b>	16,510
Provision of services on civil engineering works		
— Retention receivables	<b>29,620</b>	33,240
— Others	<b>34,063</b>	25,834
	<b>95,931</b>	83,378
Less: Allowance of credit losses	<b>(2,083)</b>	(1,547)
	<b>93,848</b>	81,831

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 13. CONTRACT ASSETS (continued)

Changes of contract assets were mainly due to: (i) changes in retention receivables as a result of changes in number of ongoing and completed contracts under the defect liability period; and (ii) changes in the size and number of contract works that the relevant services were completed but yet been certified at the end of each reporting period.

The Group's contract assets included retention receivables to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period as follows:

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Within one year	<b>6,022</b>	7,946
After one year	<b>30,136</b>	33,088
	<b>36,158</b>	41,034
Less: Allowance of credit losses	<b>(826)</b>	(805)
	<b>35,332</b>	40,229

## 14. TRADE, RETENTION AND OTHER PAYABLES

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Trade payables	<b>46,621</b>	39,077
Retention payables	<b>14,831</b>	11,152
Staff costs payables	<b>3,863</b>	6,571
Other payables (Note)	<b>2,626</b>	2,268
	<b>67,941</b>	59,068

Note: Other payables mainly represent payables in respect of construction industry council levy and pneumoconiosis compensation fund board levy, accruals of audit fees and various office expenses.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 14. TRADE, RETENTION AND OTHER PAYABLES (continued)

### Trade payables

The credit period of trade payables granted by the Group's suppliers are usually within 60 days.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
1 – 30 days	44,562	27,769
31 – 60 days	1,993	11,230
61 – 90 days	66	78
	<b>46,621</b>	39,077

### Retention payables

Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works.

The retention payables are to be settled, based on the expiry of maintenance period, at the end of the reporting period as follows:

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
On demand or within one year	3,816	3,960
After one year	11,015	7,192
	<b>14,831</b>	11,152

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 15. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of Shares	HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
As at 1 April 2020 (audited), 31 March 2021 (audited) and 30 September 2021 (unaudited)	5,000,000,000	50,000
<b>Issued:</b>		
As at 1 April 2020 (audited), 31 March 2021 (audited) and 30 September 2021 (unaudited)	620,000,000	6,200

## 16. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Deferred tax assets	68	95
Deferred tax liabilities	(68)	(95)
	-	-

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 16. DEFERRED TAXATION (continued)

The movements in deferred tax assets and liabilities during the six months ended 30 September 2021 and year ended 31 March 2021, without taking into account the offsetting of balances within the same jurisdiction, are as follows:

	<b>Tax losses</b> HK\$'000	<b>Accelerated depreciation allowance</b> HK\$'000	<b>Total</b> HK\$'000
At 1 April 2020 (Audited)	–	(1,534)	(1,534)
Credit to profit or loss	95	1,439	1,534
At 31 March 2021 (Audited)	95	(95)	–
(Charge)/Credit to profit or loss (Note 7)	(27)	27	–
At 30 September 2021 (Unaudited)	68	(68)	–

At the end of the reporting period, the Group has unused tax losses of approximately HK\$22,619,000 (Unaudited) (31 March 2021: HK\$30,127,000 (Audited)) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of HK\$414,000 (Unaudited) (31 March 2021: HK\$576,000 (Audited)) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$22,205,000 (Unaudited) (31 March 2021: HK\$29,551,000 (Audited)) due to the unpredictability of future profit streams.

## 17. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the Interim Financial Information, the Group had related party transactions in respect of the compensation of the key management personnel, representing the remuneration of the directors of the Company and senior management of the Group, during the six months ended 30 September 2021 and 2020 as below:

	<b>Six months ended 30 September</b>	
	<b>2021</b> HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short-term benefits	<b>4,132</b>	2,575
Retirement benefit scheme contributions	<b>53</b>	53
	<b>4,185</b>	2,628

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## **18. EVENTS AFTER THE REPORTING PERIOD**

As at 30 September 2021, a performance bond of approximately HK\$24.2 million given by a bank under its bank facilities granted to the Group in favour of a customer of the Group as required under the relevant contract was secured by the pledged bank deposits and a corporate guarantee given by the Company.

In October 2021, the bank facilities were revised and such corporate guarantee was released and replaced by a personal guarantee given by Mr. Lo Wing Hang, a director of the Company, and the pledged bank deposits was increased to approximately HK\$24.2 million.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board has declared an interim dividend of HK cents 6.45 per share for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil), which will be payable on or around 6 December 2021 to shareholders of the Company (the **"Shareholders"**) whose names appear on the Register of Members on Friday, 19 November 2021.

### CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to interim dividend, the Register of Members will be closed from Tuesday, 16 November 2021 to Friday, 19 November 2021 (both days inclusive) during which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 November 2021.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 30 September 2021, 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 the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the **"SFO"**)) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to Section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the **"Model Code"**), notified to the Company and the Stock Exchange were as follow:

#### (i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/interested in	Percentage of shareholding
Mr. Tang Wing Kwok (Note 1)	Interest in controlled corporation	465,000,000	75%
Mr. Lo Wing Hang (Note 2)	Interest in controlled corporation	465,000,000	75%

Notes:

1. These 465,000,000 Shares are held by Sky Winner Holdings Limited. Mr. Tang Wing Kwok beneficially owns 69.48% of the entire issued share capital of Sky Winner Holdings Limited, who in turn beneficially owns 52.11% shareholding in the Company. Therefore, Mr. Tang Wing Kwok is deemed, or taken to be, interested in all our Shares held by Sky Winner Holdings Limited for the purpose of the SFO. Mr. Tang Wing Kwok is the chairman, an executive Director and the chairman of the nomination committee of the Company. Mr. Tang Wing Kwok is also a director of Sky Winner Holdings Limited.
2. These 465,000,000 Shares are held by Sky Winner Holdings Limited. Mr. Lo Wing Hang beneficially owns 30.52% of the entire issued share capital of Sky Winner Holdings Limited, who in turn beneficially owns 22.89% shareholding in the Company. Therefore, Mr. Lo Wing Hang is deemed, or taken to be, interested in all our Shares held by Sky Winner Holdings Limited for the purpose of the SFO. Mr. Lo Wing Hang is the vice-chairman, the chief executive officer, an executive Director and a member of the remuneration committee of the Company. Mr. Lo Wing Hang is also a director of Sky Winner Holdings Limited.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES (continued)

#### (ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held	Percentage of shareholding
Mr. Tang Wing Kwok	Sky Winner Holdings Limited	Beneficial owner	6,948	69.48%
Mr. Lo Wing Hang	Sky Winner Holdings Limited	Beneficial owner	3,052	30.52%

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

As at 30 September 2021, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to the Section 336 of the SFO, or which would be directly or indirectly interested in 5% 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 members of the Group.

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Sky Winner Holdings Limited	Beneficial interest	465,000,000	75%
Ms. Lam Ah Yee (Note 1)	Spouse interest	465,000,000	75%
Ms. Chan Wai Ching Rebecca (Note 2)	Spouse interest	465,000,000	75%

Notes:

1. Ms. Lam Ah Yee is the spouse of Mr. Tang Wing Kwok. Accordingly, Ms. Lam Ah Yee is deemed, or taken to be interested in all 465,000,000 Shares in which Mr. Tang Wing Kwok is interested for the purpose of the SFO.
2. Ms. Chan Wai Ching Rebecca is the spouse of Mr. Lo Wing Hang. Accordingly, Ms. Chan Wai Ching Rebecca is deemed, or taken to be interested in all 465,000,000 Shares in which Mr. Lo Wing Hang is interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2021, the Directors were not aware of any person or corporation (other than the Directors and the chief executives) who had any interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to Section 336 of the SFO, which would have to be recorded in the register referred to therein.

## OTHER INFORMATION

### ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed “Directors’ and chief executive’s interest in securities” above and the paragraph headed “Share Option Scheme” below, at no time during the six months ended to 30 September 2021 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holdings company, or/and any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights by means of the acquisition of Shares in or debentures of the Company of any other body corporate.

### DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the six months ended 30 September 2021, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders’ approval requirements under the Listing Rules.

Save as disclosed under the “Related Party Transactions” in Note 17 to the Notes to the condensed consolidated financial statements, there were no transaction, arrangement or contract of significance, to which the Company, any of its subsidiaries, its parent company, or its parent company’s subsidiaries was a party, and in which a Director or any entity connected with a Director had a material interest, whether directly and indirectly, subsisted as at 30 September 2021 or any time during the six months ended 30 September 2021, nor was there any other transaction, arrangement or contract of significance in relation to the Group’s business between the Company or any of the Company’s subsidiaries and a controlling shareholder or any of its subsidiaries.

### SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 4 April 2019, the Company adopted a share option scheme (the “**Share Option Scheme**”) with effect from 4 April 2019. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarised in the Prospectus. The main purpose of the Share Option Scheme is to motivate employees to optimise their performance efficiency for the benefit of the Company, to attract and retain best available personnel, to provide additional incentive to employees (full time or part time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote success of the business of the Group.

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which option granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders.

## OTHER INFORMATION

### SHARE OPTION SCHEME (continued)

Options granted to substantial shareholders or independent non-executive Directors or any of their respective close associates (including a discretionary trust whose discretionary objects include substantial shareholders, independent non-executive Directors, or any of their respective close associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

The Share Option Scheme will remain in force for a period of ten years commencing on the date of the adoption (i.e. 4 April 2019) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless otherwise terminated earlier by the Shareholders in general meeting.

No share options had been granted under the Share Option Scheme since the adoption of the Scheme. During the period between the adoption date of the Share Option Scheme and the date of this interim report, no share option has been granted, exercised, cancelled or lapsed. As at the date of this interim report, the total number of shares available for issue under the Share Option Scheme was 62,000,000, representing 10% of the entire issued share capital of the Company.

### CORPORATE GOVERNANCE

The Company is committed in achieving a high standard of corporate governance standard. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders, enhance its corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

#### Compliance with Corporate Governance Code

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the "CG code") contained in Appendix 14 to the Listing Rules. To the best of the knowledge of the Board, the Company has complied with the CG code for the six months ended 30 September 2021 and up to the date of this interim report. The Directors will periodically review on the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the code provisions from time to time.

#### Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code for the six months ended 30 September 2021 and up to the date of this interim report.

## OTHER INFORMATION

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries for the six months ended 30 September 2021 and up to the date of this interim report.

### **COMPETING INTERESTS**

The Directors confirm that neither the controlling shareholders of the Company nor the Directors and their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business for the six months ended 30 September 2021 and up to the date of this interim report, and that is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that was publicly available and with the knowledge of the Directors as at the date of this interim report, the Company has maintained the prescribed minimum public float for its Shares as required under the Listing Rules for the six months ended 30 September 2021 and up to the date of this interim report.

### **AUDIT COMMITTEE**

The Company established the Audit Committee on 4 April 2019 in accordance with the Rule 3.21 of the Listing Rules with the written terms of reference in compliance with the CG code as set out in Appendix 14 of the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. Yeung Tze Long, Mr. Cheung Ting Kin and Mr. Chan Pui Hang, Ian. Mr. Yeung Tze Long currently serves as the chairman of the Audit Committee.

The interim financial results of the Group for the six months ended 30 September 2021 are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

By Order of the Board

**Tang Wing Kwok**

*Chairman and Executive Director*

Hong Kong, 1 November 2021