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SUN KONG HOLDINGS LIMITED **申港控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8631)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

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*This announcement, for which the directors (the “**Directors**”) of Sun Kong Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together the “**Group**”). 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, there are no other matters the omission of which would make any statement herein or this announcement misleading.*

HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$67.7 million for the year ended 31 March 2023, representing a decrease of approximately HK\$163.2 million or 70.7% as compared to the year ended 31 March 2022.
- The Group's gross profit margin increased from 3.0% for the year ended 31 March 2022 to 4.8% for the year ended 31 March 2023 due to (i) more diesel oil were sold to higher margin customers of construction; and (ii) reduction in repairing costs of diesel tank wagons.
- The Group recorded a loss attributable to the owners of the Company of approximately HK\$12.1 million for the year ended 31 March 2023, representing an increase of approximately HK\$9.0 million from a loss of approximately HK\$3.1 million for the year ended 31 March 2022.
- The Board does not recommend the payment of any dividend for the year ended 31 March 2023.

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2023 (the “**Reporting Period**”) together with the comparative audited figures for the year ended 31 March 2022, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<i>3</i>	67,722	230,915
Cost of sales		<u>(64,449)</u>	<u>(224,026)</u>
Gross profit		3,273	6,889
Other income	<i>5</i>	591	325
Administrative and other operating expenses		(9,032)	(9,043)
Impairment loss on trade and other receivables		(6,456)	(1,024)
Finance costs	<i>6</i>	<u>(442)</u>	<u>(281)</u>
Loss before tax	<i>6</i>	(12,066)	(3,134)
Income tax expense	<i>7</i>	<u>—</u>	<u>—</u>
Loss and total comprehensive loss for the year		<u>(12,066)</u>	<u>(3,134)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic	<i>8</i>	<u>(3.02)</u>	<u>(0.78)</u>
Diluted		<u>(3.02)</u>	<u>(0.78)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		4,721	7,782
Right-of-use assets		–	260
Financial assets at fair value through profit or loss (“FVPL”)		1,737	1,714
Deposit paid for acquisition of property, plant and equipment		<u>3,517</u>	<u>–</u>
		<u>9,975</u>	<u>9,756</u>
Current assets			
Trade receivables	<i>10</i>	45,901	59,264
Other receivables		1,980	629
Bank balances and cash		<u>376</u>	<u>1,941</u>
		<u>48,257</u>	<u>61,834</u>
Current liabilities			
Trade payables	<i>11</i>	2,239	5,332
Other payables		3,850	3,477
Bank overdrafts		4,255	4,739
Lease liabilities		–	299
Bank borrowings		<u>7,930</u>	<u>5,719</u>
		<u>18,274</u>	<u>19,566</u>
Net current assets		<u>29,983</u>	<u>42,268</u>
NET ASSETS		<u>39,958</u>	<u>52,024</u>
Capital and reserves			
Share capital	<i>12</i>	4,000	4,000
Reserves		<u>35,958</u>	<u>48,024</u>
TOTAL EQUITY		<u>39,958</u>	<u>52,024</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Reserve					Total HK\$'000
	Share capital HK\$'000 (Note 12)	Share premium HK\$'000 (Note (i))	Capital reserve HK\$'000 (Note (ii))	Accumulated profits HK\$'000	Total HK\$'000	
At 1 April 2021	4,000	44,810	10	6,338	51,158	55,158
Loss and total comprehensive loss for the year	-	-	-	(3,134)	(3,134)	(3,134)
At 31 March 2022	4,000	44,810	10	3,204	48,024	52,024
At 1 April 2022	4,000	44,810	10	3,204	48,024	52,024
Loss and total comprehensive loss for the year	-	-	-	(12,066)	(12,066)	(12,066)
At 31 March 2023	4,000	44,810	10	(8,862)	35,958	39,958

- (i) Share premium represents the excess of the net proceeds from issuance of Company's shares over its par value.
- (ii) Capital reserve represents the amount of the issued and paid-up share capital of the entities now comprising the Group before completion of the Group's reorganisation to rationalise the group structure for the listing of the Company less consideration paid to acquire the relevant interests (if any) upon completion of the reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

Sun Kong Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 31 October 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is situated at Section C of Lot No. 1345 in D.D121, Yuen Long, New Territories, Hong Kong.

The principal activity of the Company is investment holding and the Company together with its subsidiaries (“**the Group**”) are principally engaged in sales of diesel oil and related products in Hong Kong.

In the opinion of the directors of the Company, the immediate and ultimate holding company is Fully Fort Group Limited, which is incorporated in the British Virgin Islands (the “**BVI**”). The ultimate controlling party is Mr. Law Ming Yik.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and also comply with the disclosure requirements of the Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules.

Adoption of new/revised HKFRSs

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year.

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018-2020 Cycle

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements Project – 2018-2020 Cycle

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent – i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

HKFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

3. REVENUE

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Revenue from contracts with customers within HKFRS 15</u>		
Recognised at a point in time		
Sales of diesel oil	65,990	230,435
Sales of diesel exhaust fluid	1,639	480
	67,629	230,915
Recognised over time		
Ancillary transportation service	93	–
	67,722	230,915

4. INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers individually contributing 10% or more of the total revenue of the Group during the years ended 31 March 2023 and 2022 are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	13,656	64,246
Customer B	<i>Note</i>	32,475
Customer C	<i>Note</i>	50,717
Customer D	8,573	<i>Note</i>
	<u>22,229</u>	<u>147,438</u>

Note:

These customers contributed less than 10% of revenue of the Group for years ended 31 March 2023 and 2022.

5. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fair value gain on financial assets at FVPL	23	–
Gain on disposal of property, plant and equipment, net	–	281
Government grants (<i>Note</i>)	544	–
Interest income arising from a life insurance policy	–	44
Sundry income	24	–
	<u>591</u>	<u>325</u>

Note: During the year ended 31 March 2023, the Group has received funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. LOSS BEFORE TAX

This is stated after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance costs		
Interest on bank overdrafts	237	190
Interest on bank borrowings	200	67
Interest on lease liabilities	<u>5</u>	<u>24</u>
	<u>442</u>	<u>281</u>
Staff costs (including directors' emoluments)		
Salaries and other benefits	6,576	7,333
Contributions to defined contribution schemes	<u>223</u>	<u>287</u>
	<u>6,799</u>	<u>7,620</u>
Other items		
Auditor's remuneration	480	480
Cost of inventories	59,940	217,743
Depreciation of property, plant and equipment:		
Cost of sales	2,470	2,460
Administrative and other operating expenses	118	208
Depreciation of right-of-use assets:		
Administrative and other operating expenses	260	391
Fair value (gain) loss on financial assets at FVPL	(23)	286
Expenses relating to short-term leases	52	–
Impairment loss on trade receivables, net	6,456	896
Impairment loss on other receivables	<u>–</u>	<u>128</u>

7. TAXATION

For the years ended 31 March 2023 and 2022, the Group's entities established in the Cayman Islands and the British Virgin Islands ("BVI") are exempted from income tax.

For the years ended 31 March 2023 and 2022, Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes.

Reconciliation of income tax expense

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before tax	<u>(12,066)</u>	<u>(3,134)</u>
Income tax at applicable tax rate	(1,991)	(517)
Non-deductible expenses	65	87
Tax exempt revenue	(90)	–
Unrecognised tax losses	951	282
Unrecognised temporary difference	<u>1,065</u>	<u>148</u>
Income tax expense for the year	<u>–</u>	<u>–</u>

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss for the purpose of calculating basic loss per share	<u>12,066</u>	<u>3,134</u>
	2023	2022
Number of shares		
Weighted average number of ordinary shares, for the purpose of calculating basic and diluted loss per share	<u>400,000,000</u>	<u>400,000,000</u>

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during years ended 31 March 2023 and 2022.

9. DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 March 2023 and 2022.

10. TRADE RECEIVABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
From third parties	56,511	63,418
Less: Loss allowance	<u>(10,610)</u>	<u>(4,154)</u>
	<u>45,901</u>	<u>59,264</u>

All the trade receivables are expected to be recovered within one year.

The credit period granted to customers ranged from 0 to 120 days. The ageing of gross trade receivables by invoice date is as follows:

	2023	2022
	HK\$'000	HK\$'000
Within 30 days	12,929	10,299
31 to 60 days	3,913	5,829
61 to 90 days	941	7,581
91 to 365 days	16,440	37,470
More than one year	22,288	2,239
	56,511	63,418

At the end of the reporting period, the Group had a concentration of credit risk as 35% (2022: 45%) and 90% (2022: 87%) of the total trade receivables were made up by the Group's largest outstanding balance and the five largest outstanding balances respectively.

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance, if any, based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables.

There was no change in the estimation techniques or significant assumptions made during the years ended 31 March 2023 and 2022.

Trade receivables from sales of diesel oil

At the end of the reporting period, the Group recognised an impairment loss of approximately HK\$8,877,000 (2022: approximately HK\$2,421,000) on the trade receivables from sales of diesel oil. The movement in the loss allowance for trade receivables from sales of diesel oil during the year is summarised below:

	2023	2022
	HK\$'000	HK\$'000
At the beginning of the reporting period	2,421	1,525
Increase in allowance on the trade receivables from sales of diesel oil	6,456	896
At the end of the reporting period	8,877	2,421

As at 31 March 2023	Expected loss rate	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>	Credit-impaired
Not past due	0.8%	18,763	156	No
Within 30 days overdue	2.5%	1,258	31	No
31-60 days overdue	5.0%	1,633	82	No
61-90 days overdue	8.3%	1,126	94	No
91-365 days overdue	24.6%	31,135	7,651	No
More than one year overdue	100%	<u>863</u>	<u>863</u>	Yes
		<u><u>54,778</u></u>	<u><u>8,877</u></u>	
As at 31 March 2022	Expected loss rate	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>	Credit-impaired
Not past due	0.7%	34,027	240	No
Within 30 days overdue	2.1%	13,337	282	No
31-60 days overdue	4.2%	6,045	256	No
61-90 days overdue	7.1%	1,598	113	No
91-365 days overdue	17.1%	6,212	1,064	No
More than one year overdue	100%	<u>466</u>	<u>466</u>	Yes
		<u><u>61,685</u></u>	<u><u>2,421</u></u>	

Trade receivables from sales of steam coal

The management assesses that the life-time ECL for the trade receivables from sales of steam coal amounted to HK\$1,733,000 (2022: HK\$1,733,000) which overdue over one year are credit-impaired, thus loss allowance of HK\$1,733,000 was recognised as at 31 March 2023 and 2022.

The Group does not hold any collateral over trade receivables from sales of diesel oil and sales of steam coal as at 31 March 2023 and 2022.

11. TRADE PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables		
To third parties	<u>2,239</u>	<u>5,332</u>

At the end of the reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	2,239	3,486
31 to 60 days	<u>–</u>	<u>1,846</u>
	<u>2,239</u>	<u>5,332</u>

12. SHARE CAPITAL

	No. of shares	<i>HK\$'000</i>
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>3,000,000,000</u>	<u>30,000</u>
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>400,000,000</u>	<u>4,000</u>

SCOPE OF WORK OF MESSRS. MAZARS CPA LIMITED

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of comprehensive income, and related notes thereto for the year ended 31 March 2023 as set out in this preliminary announcement have been agreed by the Company's auditors, Mazars CPA Limited ("**Mazars**"), to the amounts set out in the Company's audited consolidated financial statements for the year ended 31 March 2023. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the sale of diesel oil and related products in Hong Kong. The services of the Group include sourcing and transportation of diesel oil and related products in Hong Kong. Most of the Group's customers are logistic companies and construction companies which require diesel oil to operate their logistic fleets. The Group had seven diesel tank wagons of various capacity as at 31 March 2023.

In 2022, the economy in the Hong Kong and People's Republic of China ("**Mainland China**") continues to deteriorate under the prolonged effect of the COVID-19 pandemic outbreak due to the lockdown in major cities in the Mainland China. Fortunately, Hong Kong and Mainland China cancelled a series of precautionary and quarantine control measures in the late fourth quarter. The demand in diesel oil from cross-boundary transportation sector was then pickup accordingly, however, the demand is far below pre-COVID-19 crisis level.

Crude oil prices have been increased significantly during the period largely driven by the stagflation expectation and economic contraction caused by the COVID-19 pandemic and the Russian-Ukrainian War. Brent crude oil maintained at high level throughout the year of 2022. Our purchase cost of diesel oil remains at high level and directly creates pressure on the operating cash flow.

The Group has recorded a revenue of approximately HK\$67.7 million for the year ended 31 March 2023, representing a decrease of approximately HK\$163.2 million or 70.7%, as compared to the Group's revenue of approximately HK\$230.9 million for the year ended 31 March 2022. The decrease was mainly due to decrease in the sale of diesel oil as a result of the COVID-19 outbreak which has caused severe disruption to manufacturing and logistic activities between Hong Kong and the Mainland China.

The Group recorded a loss attributable to the owners of the Company of approximately HK\$12.1 million for the year ended 31 March 2023 representing an increase of approximately HK\$9.0 million from a loss of approximately HK\$3.1 million for the year ended 31 March 2022.

FUTURE PROSPECTS

Slow recovery from COVID crisis, global freight overcapacity, stagflation and geopolitical tensions are critical to the Group's business and operating environment. The Group will continue to closely monitor the diesel market demand, pay close attention to its cash flow management, integrate existing resources and actively adjust business plans to ensure stability of its operations amid such difficult times while being fully prepared for business recovery.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$163.2 million or approximately 70.7% from approximately HK\$230.9 million for the year ended 31 March 2022 to approximately HK\$67.7 million for the year ended 31 March 2023.

Revenue from the sale of diesel oil and diesel exhaust fluid accounted for approximately HK\$66.0 million and HK\$1.6 million respectively, representing approximately 97.5% and 2.4% respectively, of the Group's total revenue for the year ended 31 March 2023. For the year ended 31 March 2022, the revenue from the sale of diesel oil and diesel exhaust fluid accounted for approximately HK\$230.4 million and HK\$0.5 million respectively, representing approximately 99.8% and 0.2% respectively, of the Group's total revenue. Sale of diesel oil remained the largest contributor to the Group's revenue.

The Group recorded an ancillary transportation service income of approximately HK\$0.1 million for the year ended 31 March 2023. The service was to help the Oil Major transport the diesel oil to its customers.

Sales quantity

The sales quantity of diesel oil decreased by approximately 82.0% from 50.0 million litres for the year ended 31 March 2022 to 9.0 million litres for the year ended 31 March 2023, which showed less diesel oil was required from the Group's logistics customers during the year ended 31 March 2023. The sales quantity of diesel exhaust fluid increased by approximately 317.7% from 120.2 thousand litres for the year ended 31 March 2022 to 502.1 thousand litres for the year ended 31 March 2023.

Selling price

The average selling price of the Group's diesel oil increased by approximately 59.0% from HK\$4.61 per litre for the year ended 31 March 2022 to HK\$7.33 per litre for the year ended 31 March 2023 whereas the average selling price of the Group's diesel exhaust fluid decreased by approximately 18.5% from HK\$4.00 per litre for the year ended 31 March 2022 to HK\$3.26 per litre for the year ended 31 March 2023. The increase of the average selling price of the Group's diesel oil was in line with the increasing trend in the prevailing market prices.

Cost of sales

Cost of sales primarily consists of costs of diesel oil, diesel exhaust fluid, direct labour costs and depreciation. The purchase cost for diesel oil and diesel exhaust fluid depends on the domestic purchase price offered by the Group's oil suppliers, with reference to the price indices such as Europe Brent spot crude price.

For the year ended 31 March 2023, the Group's cost of sales was approximately HK\$64.4 million, representing a decrease of 71.3% from HK\$224.0 million for the year ended 31 March 2022. Such decrease was in line with the overall drop in revenue.

The largest component of the cost of sales was diesel oil cost, which amounted to approximately HK\$217.1 million and HK\$58.3 million, representing approximately 96.9% and 90.5% of the cost of sales for the years ended 31 March 2022 and 2023, respectively. The average unit purchase cost of diesel oil increased by 49.1% from approximately HK\$4.34 per litre for the ended 31 March 2022 to approximately HK\$6.47 per litre for the year ended 31 March 2023. The increase in average unit purchase cost of diesel oil was in line with the market trend for the year ended 31 March 2023.

For the years ended 31 March 2022 and 2023, the diesel exhaust fluid costs were approximately HK\$0.4 million and HK\$1.4 million respectively, representing approximately 0.2% and 2.2% of the cost of sales, respectively.

The direct labour costs comprise wages and benefits, including wages, bonuses, retirement benefit costs and other allowances and benefits payable to the diesel tank wagons drivers and logistics assistants involved in the transportation of the products from the oil depot to the customers. The direct labour costs amounted to approximately HK\$2.5 million and HK\$1.3 million for the years ended 31 March 2022 and 2023, respectively. The Group had four full-time drivers responsible for the logistics support for the Group's diesel tank wagons as at 31 March 2023.

Depreciation represented depreciation charges for the Group's equipments which consist mainly of diesel tank wagons. The depreciation amounted to approximately HK\$2.5 million for the years ended 31 March 2022 and 2023.

Gross profit and gross profit margin

The gross profit represented the Group's revenue less cost of sales. The Group recorded a decrease in gross profit by approximately HK\$3.6 million or approximately 52.2% from approximately HK\$6.9 million for the year ended 31 March 2022 to approximately HK\$3.3 million for the year ended 31 March 2023. The Group's gross profit margin increased from 3.0% for the year ended 31 March 2022 to 4.8% for the year ended 31 March 2023 due to (i) more diesel oil were sold to higher margin customers of construction; and (ii) reduction in repairing costs of diesel tank wagons.

Administrative and other operating expenses

Administrative and other operating expenses mainly include administrative staff costs, professional service fees, rent and rate and others. The Group's administrative and other operating expenses were approximately HK\$9.0 million for the year ended 31 March 2022 and 31 March 2023 respectively.

Income tax expense

The group did not incur income tax for the year ended 31 March 2023 and 2022.

Loss for the year

As a result of the foregoing, the Group's net loss increased by approximately HK\$9.0 million from a loss of approximately HK\$3.1 million for the year ended 31 March 2022 to a loss of approximately HK\$12.1 million for the year ended 31 March 2023.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources and Liquidity

The Group finances its operations through cash generated from operating activities and banking facilities. The Group recorded net current assets of approximately HK\$30.0 million as at 31 March 2023.

As at 31 March 2023, the Group's current assets amounted to approximately HK\$48.3 million and the Group's current liabilities amounted to approximately HK\$18.3 million. Current ratio was approximately 2.6 as at 31 March 2023. Current ratio is calculated by current assets over current liabilities at the end of the year.

As at 31 March 2023, bank and cash balances were mainly denominated in Hong Kong dollar. The Group considers that any reasonable changes in foreign exchange rates of currencies against major functional currencies would not result in a significant change in the Group's results, as the net carrying amounts of financial assets and liabilities denominated in a currency other than the respective subsidiaries' functional currencies are considered to be not significant.

As at 31 March 2023, the Group's total debts comprised bank overdrafts and bank loan.

The Group's bank borrowings carry variable interest rates of 2.5% per annum below Hong Kong dollar prime rate (2022: 2.5%).

As at 31 March 2023, The banking facilities available to the Group was approximately HK\$14.0 million and approximately HK\$12.2 million of the banking facilities was utilised.

GEARING RATIO

The gearing ratio, being the ratio of bank loan to total equity, of the Group as at 31 March 2023 was 30.5% (2022: 20.1%).

FOREIGN CURRENCY EXPOSURE RISK

The Group operates mainly in Hong Kong and is not exposed to any foreign exchange risks throughout the year ended 31 March 2023.

CHARGES ON GROUP'S ASSETS

None of the Group's assets were charged as at 31 March 2023 (2022: Nil).

CAPITAL STRUCTURE

As at 31 March 2023, the capital structure of the Group consisted of equity attributable to the owners of the Company of approximately HK\$40.0 million. The share capital of the Group only comprises ordinary shares. The shares of the Company were listed on GEM of the Stock Exchange on 8 January 2019 (the "**Listing Date**"). There has been no change in the capital structure of the Group since then.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2023. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

During the year ended 31 March 2023, the Group did not have any significant investments, material acquisitions nor disposals of subsidiaries, associates or joint ventures.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2023, the Group had approximately HK\$1.8 million of capital commitments in respect of the acquisition of property and equipment that have not been provided in the Group's consolidated financial statements.

CAPITAL EXPENDITURE

During the Reporting Period, the payment for capital expenditure of the Group increased by approximately HK\$3.1 million or 775.0% as compared with last year to approximately HK\$3.5 million (2022: approximately HK\$0.4 million), which was related to the deposit payment for upgrading information technology systems.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section "Future Plans and Use of Proceeds" in the prospectus of the Company dated 21 December 2018 (the "**Prospectus**") and in the paragraph headed "Comparison of implementation plans for business strategies with actual implementation progress" below in this announcement, the Group does not have any future plans for material investments or capital assets as at the date of this announcement.

DIVIDENDS

The Board did not recommend a payment of any dividend for the years ended 31 March 2022 and 2023.

USE OF PROCEEDS

The shares of the Company were listed on GEM of the Stock Exchange on 8 January 2019 by way of share offer. The Directors intend to apply the net proceeds (the “**Net Proceeds**”) from the share offer in accordance with the proposed implementation plan as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The Net Proceeds, after deducting underwriting commission and other listing expenses, amounted to approximately HK\$34.8 million. Details of the change in use of Net Proceeds are set out in the Company’s announcements dated 3 July 2020, 18 August 2020 and 23 March 2023 (the “**UOP Announcement 2023**”). Set out below is the actual use of the Net Proceeds up to 31 March 2023:

	Intended allocation of Net Proceeds as set forth in the Prospectus <i>HK\$ million</i>	The change in use of Net Proceeds as set forth in the UOP Announcement <i>HK\$ million</i>	Further change in use of Net Proceeds as set forth in the UOP announcement 2023 <i>HK\$ million</i>	Actual use of Net Proceeds up to 31 March 2023 <i>HK\$ million</i>	Unused total Net Proceeds up to 31 March 2023 <i>HK\$ million</i>	Expected timeline for fully utilising the unutilised amount as at 31 March 2023 <i>(Note 1)</i>
Purchase of diesel tank wagons	15.0	–	(2.6)	(12.4)	–	N/A
Expand manpower	12.5	(10.8)	–	(1.7)	–	N/A
Upgrade information technology systems	5.0	–	–	(3.5)	1.5	By 31 March 2024 <i>(Note 2)</i>
Working capital	2.3	10.8	2.6	(13.1)	2.6	By 31 March 2024
Total	<u>34.8</u>			<u>30.7</u>	<u>4.1</u>	

Note:

1. The expected timeline for utilising the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.
2. The Group planned to utilize approximately HK\$5.0 million of the Net Proceeds for upgrading the information technology systems of the Group. Up to the date of this announcement, the Group has engaged vendor in upgrading the Group’s information technology systems and the upgrade is expected to be completed by 31 March 2024. As such the expected timeline as set out in the third Quarterly Report for the nine months ended 31 December 2022 was extended to 31 March 2024. Nonetheless, the Company will continue to adopt a prudent approach for such purpose and will continue to apply the Net Proceeds in accordance with the proceeds allocation as set out in the Prospectus. Save as disclosed above, the Directors are not aware of any material change to the implementation plans in relation to the Net Proceeds as stated in the Prospectus.

Save as discussed, the Group will apply the Net Proceeds in the manners consistent with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The implementation plans for business strategies and use of Net Proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus. The Group implemented its business strategies and applied the Net Proceeds based on the actual development of the Group’s business and industry, as well as market conditions.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group engaged a total of 18 employees (31 March 2022: 23 employees) including the Directors. For the year ended 31 March 2023, total staff costs amounted to approximately HK\$6.8 million (year ended 31 March 2022: approximately HK\$7.6 million). Remuneration (including employees’ benefits) is maintained within the market level and reviewed on a periodic basis. Employees’ salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group’s business performance.

ENVIRONMENT POLICIES AND PERFORMANCE

The principal activity of the Group is governed by Hong Kong environmental laws and regulations including the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) and the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) in Hong Kong. These laws and regulations cover a broad range of environmental matters, including air pollution, noise and gas emissions, leakage of oil products or other hazardous substances. The Group recognises the importance of environmental protection and has implemented various environmental protection measures in order to minimise the operation impact on the environment and natural resources.

The Board is committed to establish and ensure high standards of corporate governance within the Group and therefore has adopted sound corporate governance practices. The Company’s corporate governance practices are based on the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. The Directors strongly believe that reasonable and sound corporate governance practices are essential for the growth of the Group and for safeguarding and enhancing shareholders’ interests.

The Directors consider that throughout the year ended 31 March 2023, the Company has complied with all the applicable code provisions set out in the CG Code.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

Since the Listing Date and up to 31 March 2023, there has been no purchase, sale or redemption of any Company's listed securities.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its 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 were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Long position in the shares

Name of Director	Capacity/ Nature of Interest	Number of shares	Percentage of issued share capital of the Company
Mr. Law Ming Yik	Interest in a controlled corporation (<i>Note 1</i>)	251,110,000 shares (L) (<i>Note 2</i>)	62.78%

Notes:

- (1) The Company is owned as to 62.78% by Fully Fort which is wholly owned by Mr. Law Ming Yik, the Chairman and an executive Director. Under the SFO, Mr. Law Ming Yik is deemed to be interested in the Shares held by Fully Fort.
- (2) The letter "L" denotes the person's long position in the relevant shares.

Save as disclosed above, as at the date of this announcement, none of the Directors and chief executive of the Company had any interests or short positions 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 required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.

Interests and short positions of the substantial Shareholders and other persons in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 March 2023, so far as it is known to the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which (i) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules, or (iii) who will be, directly or indirectly, be interested 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 any member of the Group.

Name of Shareholders	Capacity/nature of interest	Number of shares held	Percentage of shareholding
Mr. Law Ming Yik	Interest in a controlled corporation (<i>Note 1</i>)	251,110,000 shares (<i>Long position</i>)	62.78%
Fully Fort Group Limited	Beneficial owner (<i>Note 1</i>)	251,110,000 shares (<i>Long position</i>)	62.78%

Note:

1. The shares are held by Fully Fort, the equity interest of which is owned as to 100% by Mr. Law Ming Yik. Mr. Law Ming Yik is deemed to be interested in all the shares held by Fully Fort for the purpose of Part XV of SFO.

Save as disclosed above, as at 31 March 2023, the Directors have not been notified by any person who had interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Directors' Securities Transactions

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions as at the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place after the financial year ended 31 March 2023 to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement the Company has maintained a sufficient public float as required under the GEM Listing Rules.

Audit Committee

The Company established the Audit Committee on 11 December 2018 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 (currently referred as D.3.3) of the CG Code. The full terms of reference setting out details of the authority, duties and responsibilities of the Audit Committee is available on both the GEM's website and the Company's website.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Ting Fung, Mr. Wong Ka Chun Matthew and Mr. Fenn David. Mr. Wong Ka Chun Matthew is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited results for the year ended 31 March 2023 and has provided advice and comments hereon.

Share Option Scheme

The following is a summary of the principal terms of the rules of the share option scheme conditionally adopted by the resolutions in writing of all the Shareholders (the “**Share Option Scheme**”) passed on 11 December 2018 (the “**Adoption Date**”). The Share Option Scheme became effective on the Listing Date. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

Corporate Governance Practices

The Board considers good corporate governance 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 CG Code. In the opinion of the Board, the Company has complied with the CG Code during the Reporting Period.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain an on-going dialogue with the Shareholders and in particular, through the annual general meeting or other general meetings to communicate with the Shareholders and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholder meeting.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group’s business in a timely manner, subject to relevant regulatory requirements.

OUTLOOK

Taking into consideration of the challenging market outlook, the Group will reinforce cost control and continue to deploy more resources on enhancing its service capabilities, expanding its network presence and diversifying its customer base. The Group will also proactively seek potential business development that will broaden its sources of income and enhance value to the shareholders.

APPRECIATION

The Board would like to extend its sincere thanks to the Shareholders, business partners and customers for their utmost support to the Group. The Group would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the year.

On behalf of the Board
Sun Kong Holdings Limited
Law Ming Yik
Chairman and executive Director

Hong Kong, 21 June 2023

As at the date of this announcement, the executive Directors of the Company are Mr. LAW Ming Yik (chairman) and Mr. LI Isaiah (chief executive officer); and the independent non-executive Directors of the Company are Mr. FENN David, Mr. WONG Ka Chun, Matthew and Mr. CHAN Ting Fung.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on GEM's website at www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.skhl.com.hk.