

B & D Strategic Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1780

INTERIM REPORT 2023 ▶



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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*)

Mr. Wang Shuai (*Appointed on 8 November 2023*)

Independent non-executive Directors

Mr. Yeung Tze Long

Mr. Chan Pui Hang Ian

Ms. Li Yuen Shan

AUDIT COMMITTEE

Mr. Yeung Tze Long (*Chairman*)

Mr. Chan Pui Hang Ian

Ms. Li Yuen Shan

REMUNERATION COMMITTEE

Mr. Yeung Tze Long (*Chairman*)

Mr. Lo Wing Hang

Mr. Chan Pui Hang Ian

NOMINATION COMMITTEE

Mr. Tang Wing Kwok (*Chairman*)

Mr. Chan Pui Hang Ian

Ms. Li Yuen Shan

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
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North Point
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
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88 Queensway
Hong Kong

PRINCIPAL BANKER

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

COMPANY WEBSITE

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 2023, together with the comparative figures for the corresponding six months ended 30 September 2022.

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 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 civil engineering works which 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.

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 2023, we focused undertaking projects in the private sectors.

With the gradual recovery of economies from the COVID-19 pandemic in Hong Kong and the expected slowdown in the increase in interest rates, the construction market in Hong Kong is expected to improve in the coming years. However, the number of sizable construction contracts available for tendering remained low and the market competition remained keen. Therefore, the profitability of new construction contracts is expected to be at a relatively low rate. As a result, the Group maintains a cautious outlook on its business and financial performance in the near future. Looking forward, the Group will keep endeavor to expand its business by (i) closely monitoring the market conditions, (ii) maintaining its experienced and dedicated management team, and (iii) maintaining good relationship with our customers, subcontractors and suppliers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$98.1 million for the six months ended 30 September 2022 to approximately HK\$108.1 million for the six months ended 30 September 2023, representing an increase of approximately 10.1%.

The increase was primarily because more construction works were performed during the six months ended 30 September 2023 than that during the six months ended 30 September 2022.

Direct Costs

Our direct costs increased from approximately HK\$85.4 million for the six months ended 30 September 2022 to approximately HK\$127.3 million for the six months ended 30 September 2023, representing an increase of approximately 49.1%. Such increase in direct costs was mainly attributable to (a) substantial additional subcontracting costs were incurred to (i) catch up with the progress of a project in the alteration and addition works segment as a result of continuous changes in the design and construction plans of such project; and (ii) handle the unexpected complexity of a project in the civil engineering works segment; and (b) some construction works for a project in the civil engineering works segment were required to rework arising from the material change in design and construction plans and a provision for onerous contract was made to that project in light of additional subcontracting costs and overheads to be incurred as a result of a delay in project completion.

Gross (Loss) Profit

Our gross profit amounted to approximately HK\$12.8 million and gross loss amounted to approximately HK\$19.2 million for the six months ended 30 September 2022 and 30 September 2023 respectively, represented a decrease of approximately 150.4%. The change from gross profit to gross loss was mainly due to an increase in direct costs as above mentioned and a decrease in profit margin for both the civil engineering works segment and the alteration and addition works segment for the six months ended 30 September 2023.

Gross (Loss) Profit Margin of Operating Segments

The gross profit margin of alteration and addition works segment decreased from approximately 13.4% for the six months ended 30 September 2022 to approximately 4.3% for the six months ended 30 September 2023. The decrease was mainly because of an increase in direct costs as substantial additional subcontracting costs were incurred to catch up with the progress of a project in the alteration and addition works segment as a result of continuous changes in the design and construction plans of such project.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Gross (Loss) Profit Margin of Operating Segments (continued)

The gross profit margin of civil engineering works segment decreased from a profit of approximately 14.7% for the six months ended 30 September 2022 to a loss of approximately 43.2% for the six months ended 30 September 2023. The decrease was mainly because of an increase in direct costs as substantial additional subcontracting costs were incurred to handle the unexpected complexity of a project in the civil engineering works segment, and some construction works for a project in the civil engineering works segment were required to rework arising from the material change in design and construction plans and a provision for onerous contract was made to that project in light of additional subcontracting costs and overheads to be incurred as a result of a delay in project completion.

Other Income

Our other income was approximately HK\$1.4 million for the six months ended 30 September 2023, which is comparable to that of approximately HK\$1.3 million for the six months ended 30 September 2022.

Administrative Expenses

Our administrative expenses increased from approximately HK\$6.0 million for the six months ended 30 September 2022 to approximately HK\$6.7 million for the six months ended 30 September 2023. The increase was mainly due to the increase in entertainment expenses.

(Loss) Profit Before Tax and Income Tax Expense

Our (loss) profit before tax decreased from a profit of approximately HK\$8.8 million for the six months ended 30 September 2022 to a loss of approximately HK\$25.0 million for the six months ended 30 September 2023, which was mainly attributable to the decrease from gross profit to gross loss as discussed above.

Our income tax expense remains Nil for the six months ended 30 September 2023 and 30 September 2022 because the Company and its subsidiaries do not have assessable profits for the six months ended 30 September 2023, while the assessable profits of the Company and its subsidiaries for the six months ended 30 September 2022 were wholly absorbed by tax loss brought forward from previous years of assessment.

(Loss) Profit and Total Comprehensive (Expense) Income for the Period

Our (loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company decreased from a profit of approximately HK\$8.8 million for the six months ended 30 September 2022 to a loss of approximately HK\$25.0 million for the six months ended 30 September 2023, which was mainly due to the decrease from profit before tax to loss before tax as discussed above.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2023, 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 2023, the Group had total cash and cash equivalents, bank deposits with original maturity more than three months and restricted bank deposits of approximately HK\$130.6 million, approximately HK\$10.4 million and approximately HK\$24.2 million respectively (31 March 2023: approximately HK\$142.9 million, approximately HK\$22.2 million and approximately HK\$24.2 million respectively).

The Group has funded the liquidity and capital requirements primarily through its internal financial resources for the six months ended 30 September 2023.

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 2023 as well as for the six months ended 30 September 2022.

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 2023 remained Nil (31 March 2023: Nil).

DEBTS AND CHARGES ON ASSETS

As at 30 September 2023, the Group had a performance bond of approximately HK\$24.2 million (31 March 2023: approximately HK\$24.2 million) given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers.

As at 30 September 2023 and 31 March 2023, the performance bond given by the bank was granted under the bank facilities of the Group which were secured by the restricted bank deposits and personal guarantee given by Mr. Lo Wing Hang, an executive director, Vice Chairman and Chief Executive Officer of the Company, in favour of the bank.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2023, the Group had no material capital commitments and contingent liabilities (31 March 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the six months ended 30 September 2023, 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

There was no plan for material investments or capital assets as at 30 September 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, we employed a total of 52 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 50 full-time employees as at 30 September 2022. 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, experience 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 2023 was approximately HK\$12.4 million compared to approximately HK\$11.8 million in the corresponding six months ended 30 September 2022.

EVENTS AFTER THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The Company underwent a change in controlling shareholder after an agreement for sale and purchase of 465,000,000 shares of the Company (the "**Shares**"), representing 75% of the total issued share, of the Company, was entered into between Sky Winner Holdings Limited as the vendor and Kyosei Technology Inc. as the purchaser on 11 September 2023 and the completion of the sale and purchase of the Shares took place immediately on 11 September 2023 and Sky Winner Holdings Limited ceased to be a controlling shareholder of the Company.

Immediately upon the acquisition of the Shares, an unconditional mandatory cash offer was made by Get Nice Securities Limited for and on behalf of Kyosei Technology Inc. for all issued shares of the Company (other than those already owned by Kyosei Technology Inc. and parties acting in concert with it). The unconditional mandatory cash offer was closed on 10 November 2023. Upon the close of the unconditional mandatory cash offer on 10 November 2023, Kyosei Technology Inc. and parties acting in concert with it were interested in 465,002,500 shares in the Company, representing approximately and slightly higher than 75% of the entire issued share capital of the Company. For further details, please refer to the announcements of the Company dated 19 September 2023 and 10 November 2023 as well as the composite offer and response document of the Company dated 20 October 2023.

Save as disclosed above, in note 13 of the Notes to the condensed consolidated financial statements and in the section headed "Appointment of Director" of this interim report, the Board is not aware of any significant event requiring disclosure that has been occurred after 30 September 2023 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 2023

	Notes	Six months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4, 5	108,056	98,131
Direct costs		(127,275)	(85,355)
Gross (loss) profit		(19,219)	12,776
Other income	6	1,420	1,343
Other gains		5	28
Impairment losses under expected credit loss model, net of reversal		(480)	703
Administrative expenses		(6,706)	(6,030)
Finance costs		(6)	–
(Loss) Profit before tax	8	(24,986)	8,820
Income tax expense	7	–	–
(Loss) Profit and total comprehensive (expense) income for the period		(24,986)	8,820
(Loss) Earnings per share			
–Basic (HK cents)	10	(4.03)	1.42

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 September 2023

	Notes	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	1,513	1,791
Restricted bank deposits		24,199	24,199
Rights-of-use assets		178	–
		25,890	25,990
Current assets			
Trade and other receivables, deposits and prepayments	12	39,422	26,433
Contract assets	13	54,804	50,595
Bank deposits with original maturity more than three months		10,412	22,175
Bank deposits, bank balances and cash		130,558	142,945
		235,196	242,148
Current liabilities			
Trade, retention and other payables	14	79,253	32,770
Contract liabilities		30	8,876
Lease liabilities		181	–
Provision		10,124	–
Deferred income		64	72
		89,652	71,718
Net current assets		145,544	170,430
Net assets		171,434	196,420
Capital and reserves			
Share capital	15	6,200	6,200
Reserves		165,234	190,220
Total equity		171,434	196,420

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2022 (Audited)	6,200	109,572	14,939	60,501	191,212
Profit and total comprehensive income for the period	-	-	-	8,820	8,820
Balance at 30 September 2022 (Unaudited)	6,200	109,572	14,939	69,321	200,032
Balance at 1 April 2023 (Audited)	6,200	109,572	14,939	65,709	196,420
Loss and total comprehensive expense for the period	-	-	-	(24,986)	(24,986)
Balance at 30 September 2023 (Unaudited)	6,200	109,572	14,939	40,723	171,434

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 2023

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
OPERATING ACTIVITIES	(25,504)	21,878
Cash generated from operations		
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(25,504)	21,878
INVESTING ACTIVITIES		
Placement of bank deposits with original maturity more than three months	(25,350)	(20,704)
Withdrawal of bank deposits with original maturity more than three months	37,113	20,663
Purchases of property, plant and equipment	-	(307)
Interest received	1,412	186
NET CASH FROM (USED IN) INVESTING ACTIVITIES	13,175	(162)
FINANCING ACTIVITIES		
Interest paid	(6)	-
Repayments of lease liabilities	(52)	-
NET CASH USED IN FINANCING ACTIVITIES	(58)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,387)	21,716
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	142,945	125,752
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Represented by bank balances and cash	130,558	147,468

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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. Kenichi Yanase. In the opinion of the directors of the Company, the immediate and ultimate holding company of the Group is Kyosei Technology Inc., 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 2023 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 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Information for the six months ended 30 September 2023 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 the 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 2023 are the same as those presented in the annual consolidated financial statements of the Group for the year ended 31 March 2023.

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 2023 for the preparation of the Group’s Interim Financial Information:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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 2023

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 2023 and 2022.

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Contract revenue from provision of services on alteration and addition works	56,844	74,410
Contract revenue from provision of services on civil engineering works	51,212	23,721
	108,056	98,131

Included in the Group's revenue during the six months ended 30 September 2023 is contract revenue of approximately HK\$13,158,000 (Unaudited) (six months ended 30 September 2022: approximately HK\$3,649,000 (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 2023

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 results

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

For the six months ended 30 September 2023

	Alteration and addition works HK\$’000 (Unaudited)	Civil engineering works HK\$’000 (Unaudited)	Total HK\$’000 (Unaudited)
Segment revenue – external	56,844	51,212	108,056
Segment results	2,439	(22,144)	(19,705)
Other income and other gains			1,425
Administrative expenses			(6,706)
Loss before tax			(24,986)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

5. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 September 2022

	Alteration and addition works HK\$'000 (Unaudited)	Civil engineering works HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue – external	74,410	23,721	98,131
Segment results	9,989	3,490	13,479
Other income and other gains			1,371
Administrative expenses			(6,030)
Profit before tax			8,820

6. OTHER INCOME

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other income:		
Interest income	1,412	186
Government grants	8	1,120
Others	-	37
	1,420	1,343

During the six months ended 30 September 2023, the Group recognised government grants of approximately HK\$8,000 (unaudited) (six months ended 30 September 2022: approximately HK\$1,120,000 (unaudited)) in respect of subsidies provided by the Hong Kong Government, of which, Nil (unaudited) and approximately HK\$8,000 (unaudited) (six months ended 30 September 2022: approximately HK\$1,120,000 (unaudited) and Nil (unaudited)) are related to Employment Support Scheme and the subsidiary under the Construction Innovation and Technology Fund, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

7. INCOME TAX EXPENSE

No Hong Kong Profits Tax is provided for profits arising in Hong Kong since the Company and its subsidiaries do not have assessable profits for the six months ended 30 September 2023, while the assessable profits of the Company and its subsidiaries for the six months ended 30 September 2022 were wholly absorbed by tax loss brought forward in previous years of assessment.

8. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
(Loss) profit before tax has been arrived at after charging:		
Staff costs (including emoluments of the Company's directors):		
Salaries and other benefits	11,583	10,864
Discretionary bonus*	500	580
Retirement benefit scheme contributions	365	369
	12,448	11,813
Auditor's remuneration:		
— the Company	400	425
— subsidiaries of the Company	141	96
	541	521
Depreciation of property, plant and equipment	278	339
Depreciation of right-of-use assets	60	—
Short-term lease expenses	1,176	481

* The discretionary bonus is determined by reference to individual performance of the employee and approved by the management of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

9. DIVIDENDS

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 September 2023 and 30 September 2022.

10. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
(Loss) earnings for the purpose of calculating basic (loss) earnings per share ((loss) profit for the period attributable to the owners of the Company)	24,986	8,820

	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	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 2023

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired certain items of property, plant and equipment in an aggregate of Nil (six months ended 30 September 2022: approximately HK\$307,000).

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade receivables	34,800	18,827
Less: Allowance of credit losses for trade receivables	(777)	(413)
	34,023	18,414
Other receivables	956	1,490
Less: Allowance of credit losses for other receivables	(7)	(7)
	949	1,483
Advances to sub-contractors and suppliers	1,330	2,899
Prepayments and deposits	3,120	3,637
	39,422	26,433

Trade receivables

As at 1 April 2022, the carrying amount of the Group's trade receivables was approximately HK\$24,180,000 and an allowance of credit losses of approximately HK\$459,000 was made.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the directors of the Company regularly.

The Group allows generally a credit period ranging from 30 to 90 days (31 March 2023: 30 to 90 days) to its customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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

Trade receivables (continued)

The following is an aged analysis of trade receivables presented based on dates of work certified at the end of the reporting period, net of allowance for credit losses.

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
1-30 days	19,569	14,495
31-60 days	12,311	-
61-90 days	2,143	3,919
	34,023	18,414

13. CONTRACT ASSETS

The carrying amounts of the Group's contract assets as at 1 April 2022, 31 March 2023 and 30 September 2023 amounted to approximately HK\$62,706,000 (Audited), approximately HK\$50,595,000 (Audited) and approximately HK\$54,804,000 (Unaudited) (included allowance of credit losses of approximately HK\$1,793,000 (Audited), approximately HK\$1,016,000 (Audited) and approximately HK\$1,132,000 (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

13. CONTRACT ASSETS (continued)

The Group's contract assets are analysed as follows:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Provision of services on alteration and addition works		
— Retention receivables	14,399	16,628
— Others	15,268	13,873
Provision of services on civil engineering works		
— Retention receivables	15,174	15,174
— Others	11,095	5,936
	55,936	51,611
Less: Allowance of credit losses	(1,132)	(1,016)
	54,804	50,595

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 the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

13. CONTRACT ASSETS (continued)

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:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Within one year	9,043	10,049
After one year	20,530	21,753
	29,573	31,802
Less: Allowance of credit losses	(623)	(681)
	28,950	31,121

14. TRADE, RETENTION AND OTHER PAYABLES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade payables	55,995	42,329
Retention payables	15,283	14,001
Staff costs payables	3,985	3,711
Other payables	3,990	2,729
	79,253	62,770

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
1-30 days	48,582	21,621
31-60 days	4,953	18,728
61-90 days	1,358	1,975
Over 90 days	1,102	5
	55,995	42,329

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 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
On demand or within one year	1,827	2,049
After one year	13,456	11,952
	15,283	14,001

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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		
Authorised:		
As at 1 April 2022 (Audited), 31 March 2023 (Audited) and 30 September 2023 (Unaudited)	5,000,000,000	50,000
Issued:		
As at 1 April 2022 (Audited), 31 March 2023 (Audited) and 30 September 2023 (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 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Deferred tax assets	179	163
Deferred tax liabilities	(179)	(163)
	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

16. DEFERRED TAXATION (continued)

The movements in deferred tax assets and liabilities during the six months ended 30 September 2023 and year ended 31 March 2023, without taking into account the offsetting of balances within the same jurisdiction, are as follows:

	Tax losses HK\$'000	Accelerated depreciation allowance HK\$'000	Total HK\$'000
At 1 April 2022 (Audited)	155	(155)	–
Credit (charge) to profit or loss	8	(8)	–
At 31 March 2023 (Audited)	163	(163)	–
(Charge)/Credit to profit or loss (Note 7)	16	(16)	–
At 30 September 2023 (Unaudited)	179	(179)	–

At the end of the reporting period, the Group has unused tax losses of approximately HK\$48,859,000 (Unaudited) (31 March 2023: HK\$20,112,000 (Audited)) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of approximately HK\$1,083,000 (Unaudited) (31 March 2023: approximately HK\$988,000 (Audited)) of such losses. No deferred tax asset has been recognised in respect of the remaining of approximately HK\$47,776,000 (Unaudited) (31 March 2023: approximately HK\$19,124,000 (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 2023 and 2022 as below:

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Short-term benefits	2,981	2,652
Retirement benefit scheme contributions	52	53
	3,033	2,705



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

18. EVENTS AFTER THE REPORTING PERIOD

In November 2023, a performance bond of approximately HK\$2.5 million was given by a bank in favour of the Group's customer as security for the due performance and observance of the Group's obligations under the contract entered into between the Group and its customer.

The performance bond given by the bank was granted under the bank facilities which were secured by a restricted bank deposit and a personal guarantee given by Mr. Tang Wing Kwok, the chairman and executive director of the Company, in favour of the bank.

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2023 and 30 September 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 30 September 2023, no Directors and chief executive of the Company has any interest and short positions 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.

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

As at 30 September 2023, 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 the 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
Kyosei Technology Inc.	Beneficial interest	465,000,000	75%
Mr. Kenichi Yanase	Beneficial interest	465,000,000	75%

Save as disclosed above, as at 30 September 2023, 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 30 September 2023 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 2023, 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 2023 or any time during the six months ended 30 September 2023, 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.

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

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.

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.



OTHER INFORMATION

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 2023 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 2023 and up to the date of this interim report.

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 2023 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 2023 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.

OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

Immediately after the close of the unconditional mandatory cash offer made by Get Nice Securities Limited for and on behalf of Kyosei Technology Inc. on 10 November 2023 as disclosed in the section headed “Events after the six months ended 30 September 2023” above, the public held 154,997,500 shares, representing approximately and slightly lower than 25% of the entire issued share capital, of the Company. As such, the Company could not satisfy the minimum public float requirement of 25% as set out in Rules 8.08(1)(a) and 13.32(1) of the Listing Rules.

The Company therefore made an application to the Stock Exchange for a temporary waiver from strict compliance with Rules 8.08(1)(a) and 13.32(1) of the Listing Rules and a waiver was granted by the Stock Exchange on 15 November 2023 for the period commencing from 10 November 2023 to 24 November 2023.

The Company has been informed by Kyosei Technology Inc. that 2,500 shares of the Company had been disposed on-market on 17 November 2023. Immediately upon the on-market disposal, 155,000,000 shares, representing 25% of the entire issued share capital, of the Company are held by the public shareholders. Accordingly, the minimum public float of the Company of 25% as required under Rule 8.08(1)(a) of the Listing Rules has been restored.

For details, please refer to the announcements of the Company dated 10 November 2023, 15 November 2023 and 17 November 2023 respectively.

Save as disclosed above, 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 2023 and up to the date of this interim report.

APPOINTMENT OF DIRECTOR

Mr. Wang Shuai was appointed as an executive Director with effect from 8 November 2023. For details of the appointment, please refer to the announcement of the Company dated 8 November 2023. Save as aforesaid mentioned, there was no change in Director during the six months ended 30 September 2023 and up to the date of this interim report.



OTHER INFORMATION

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. Chan Pui Hang, Ian and Ms. Li Yuen Shan. 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 2023 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, 28 November 2023