

RONGZUN INTERNATIONAL HOLDINGS GROUP LIMITED

榮尊國際控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1780)

2024
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Hiroshi Kaneko (*Chief Executive Officer*)

Mr. Wang Shuai (*resigned on 10 July 2024*)

Non-executive Directors

Mr. Zhang Yanfeng (*Chairman*) (*appointed on 22 December 2023 and resigned on 8 April 2024*)

Mr. Wang Xue Yan (*Chairman*) (*appointed on 24 September 2024*)

Independent non-executive Directors

Mr. Yiu To Wa

Mr. Jin Fan

Mr. Sung Ka Woon

AUDIT COMMITTEE

Mr. Yiu To Wa (*Chairman*)

Mr. Jin Fan

Mr. Sung Ka Woon

REMUNERATION COMMITTEE

Mr. Sung Ka Woon (*Chairman*)

Mr. Yiu To Wa

Mr. Jin Fan

NOMINATION COMMITTEE

Mr. Sung Ka Woon (*Chairman*)

Mr. Yiu To Wa

Dr. Hiroshi Kaneko

COMPANY SECRETARY

Mr. Tsang King Sun

AUTHORISED REPRESENTATIVES

Dr. Hiroshi Kaneko

Mr. Tsang King Sun

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
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North Point
Hong Kong

AUDITORS

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

PRINCIPAL BANKER

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

COMPANY WEBSITE

www.bnd-strategic.com.hk

STOCK CODE

1780

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Rongzun International Holdings Group 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 2024, together with the comparative figures for the corresponding six months ended 30 September 2023.

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 2024, we focused undertaking projects in the private sectors.

For the fiscal period under review, the operation of the Group continues to be challenging, owing to the Hong Kong economic recovery lags behind expectations and the challenges from technology advancement in artificial intelligence, and the military and political instability in various regions which has precipitated global economic uncertainty and unprecedented obstacles for businesses. The Group’s performance was adversely impacted by intensified competition within the civil engineering works and alteration and addition works sectors, labour shortages, and a decline in the number of contracts available for tendering for alteration and addition works pertaining to shopping malls.

As we look to the future, the Group will focus on expanding our business network and diversifying our customer base, while maintaining a vigilant oversight of market conditions. We remain cautiously optimistic about the prospects of the construction industry in Hong Kong and believe that we will have the opportunity to undertake more sizeable projects, leveraging our effective cost control measures, long-standing relationships with major customers, suppliers and subcontractors, diverse service capabilities, well-established industry presence, and experienced management team.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$108.1 million for the six months ended 30 September 2023 to approximately HK\$43.3 million for the six months ended 30 September 2024, representing a decrease of approximately 59.9%.

The decrease was primarily because less construction works were performed during the six months ended 30 September 2024 than that during the six months ended 30 September 2023.

Direct Costs

Our direct costs decreased from approximately HK\$127.3 million for the six months ended 30 September 2023 to approximately HK\$47.2 million for the six months ended 30 September 2024, representing a decrease of approximately 62.9%. This decrease in direct costs was mainly due to (i) lower labour, subcontracting and material costs incurred because of reduced construction works, and (ii) additional subcontracting and rework costs incurred during the six months ended 30 September 2023 to catch up with the progress and address unexpected project complexities when compared with the six months ended 30 September 2024.

Gross Loss and Gross Loss Margin of Operating Segments

Our gross loss amounted to approximately HK\$3.9 million for the six months ended 30 September 2024 when compared with the six months ended 30 September 2023 of HK\$19.2 million, represented a decrease of approximately 79.7%. The decrease in gross loss was primarily due to the decrease in direct costs as above mentioned.

Accordingly, the gross loss margin improved from approximately 17.8% for the six months ended 30 September 2023 to approximately 9.0% for the six months ended 30 September 2024.

Other Income

Our other income decreased from approximately HK\$1.4 million for the six months ended 30 September 2023 to approximately HK\$0.6 million for the six months ended 30 September 2024. The decrease was mainly due to the decrease in bank interest income.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Administrative Expenses

Our administrative expenses amounted to approximately HK\$6.7 million for the six months ended 30 September 2023 which are comparable to that of approximately HK\$7.9 million for the six months ended 30 September 2024.

Loss Before Tax and Income Tax Expense

Our loss before tax decreased from approximately HK\$25.0 million for the six months ended 30 September 2023 to approximately HK\$10.5 million for the six months ended 30 September 2024, which was mainly attributable to the decrease of gross loss as discussed above.

Our income tax expense remains Nil for both six months ended 30 September 2024 and 2023 because the Company and its subsidiaries do not have assessable profits for both periods.

Loss and Total Comprehensive Expenses for the Period

Our loss and total comprehensive expense for the period attributable to owners of the Company decreased from approximately HK\$25.0 million for the six months ended 30 September 2023 to approximately HK\$10.5 million for the six months ended 30 September 2024, which was mainly due to the decrease from loss before tax as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2024, 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 2024, the Group had total cash and cash equivalents, bank deposits with original maturity more than three months and restricted bank deposits of approximately HK\$48.2 million, approximately HK\$56.4 million and approximately HK\$35.0 million respectively (31 March 2024: approximately HK\$123.9 million, HK\$Nil and approximately HK\$26.7 million respectively).

The Group has funded the liquidity and capital requirements primarily through its internal financial resources for the six months ended 30 September 2024 as well as for the six months ended 30 September 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024 as well as for the six months ended 30 September 2023.

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 2024 remained Nil (31 March 2024: Nil).

DEBTS AND CHARGES ON ASSETS

As at 30 September 2024, the Group had a performance bond of approximately HK\$26.7 million (31 March 2024: same) 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 2024 and 31 March 2024, 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 the directors of the subsidiary of the Company, Mr. Lo Wing Hang ("**Mr. Lo**") and Mr. Tang Wing Kwok ("**Mr. Tang**") amounted to HK\$24.2 million and HK\$2.5 million respectively in favour of the bank.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2024, the Group had no material capital commitments and contingent liabilities (31 March 2024: Nil).

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

During the six months ended 30 September 2024, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries and associated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

There was no plan for material investments or capital assets as at 30 September 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2024, we employed a total of 40 full-time employees (including one executive Director but excluding three independent non-executive Directors and one non-executive Director), as compared to a total of 52 full-time employees as at 30 September 2023. 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 2024 was approximately HK\$11.9 million compared to approximately HK\$12.4 million in the corresponding six months ended 30 September 2023.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2024 and 30 September 2023.

EVENTS AFTER THE SIX MONTHS ENDED 30 SEPTEMBER 2024

Save as disclosed, in note 17 of the notes to the condensed consolidated financial statements of this interim report, the Board is not aware of any significant event requiring disclosure that has been occurred after 30 September 2024 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 2024

	Notes	Six months ended 30 September	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	4, 5	43,338	108,056
Direct costs		(47,245)	(127,275)
Gross loss		(3,907)	(19,219)
Other income	6	616	1,420
Other gains		18	5
Reversal of (allowance for) impairment losses under expected credit loss model, net		754	(480)
Administrative expenses		(7,972)	(6,706)
Finance costs		-	(6)
Loss before tax	8	(10,491)	(24,986)
Income tax	7	-	-
Loss and total comprehensive expense for the period		(10,491)	(24,986)
Loss per share			
-Basic (HK cents)	10	(1.69)	(4.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2024

	Notes	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		1,189	1,571
Rights-of-use assets		59	119
Equity instrument designated at fair value through other comprehensive income	11	13,000	13,000
Restricted bank deposits		–	2,490
		14,248	17,180
Current assets			
Trade and other receivables, deposits and prepayments	12	16,187	30,546
Contract assets	13	41,507	53,056
Bank deposits with original maturity more than three months		64,710	–
Restricted bank deposits		26,689	24,199
Cash and cash equivalents		48,159	123,949
		197,252	231,750
Current liabilities			
Trade, retention and other payables	14	32,768	59,665
Amount due to a related company		2,001	1,943
Contract liabilities		–	30
Lease liability		62	123
Deferred income		64	73
		34,895	61,834
Net current assets		162,357	169,916
Net assets		176,605	187,096
Capital and reserves			
Share capital	15	6,200	6,200
Reserves		170,405	180,896
Total equity		176,605	187,096

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total HK\$'000
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
Balance at 1 April 2024 (Audited)	6,200	109,572	14,939	56,385	187,096
Loss and total comprehensive expense for the period	-	-	-	(10,491)	(10,491)
Balance at 30 September 2024 (Unaudited)	6,200	109,572	14,939	45,894	176,605

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 2024

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Cash used in operations	(11,693)	(25,504)
NET CASH USED IN OPERATING ACTIVITIES	(11,693)	(25,504)
INVESTING ACTIVITIES		
Placement of bank deposits with original maturity more than three months	(64,710)	(25,350)
Withdrawal of bank deposits with original maturity more than three months	–	37,113
Proceeds from disposal of property, plant and equipment	280	–
Purchases of property, plant and equipment	(194)	–
Interest received	588	1,412
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(64,036)	13,175
FINANCING ACTIVITIES		
Interest paid	–	(6)
Repayments of lease liabilities	(61)	(52)
NET CASH USED IN FINANCING ACTIVITIES	(61)	(58)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(75,790)	(12,387)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	123,949	142,945
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Represented by bank balances and cash	48,159	130,558

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

1. GENERAL INFORMATION

Rongzun International Holdings Group 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 2024 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 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Information for the six months ended 30 September 2024 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 2024 are the same as those presented in the annual consolidated financial statements of the Group for the year ended 31 March 2024.

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 2024 for the preparation of the Group’s Interim Financial Information:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 2024

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 2024 and 2023.

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Contract revenue from provision of services on alteration and addition works	28,896	56,844
Contract revenue from provision of services on civil engineering works	14,442	51,212
	43,338	108,056

Included in the Group's revenue during the six months ended 30 September 2024 is contract revenue of approximately HK\$6,835,000 (Unaudited) (six months ended 30 September 2023: approximately HK\$13,158,000 (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 2024

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 2024

	Alteration and addition works HK\$’000 (Unaudited)	Civil engineering works HK\$’000 (Unaudited)	Total HK\$’000 (Unaudited)
Segment revenue – external	28,896	14,442	43,338
Segment results	(4,792)	1,639	(3,153)
Other income and other gains			634
Administrative expenses			(7,972)
Loss before tax			(10,491)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

5. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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)

6. OTHER INCOME

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Other income:		
Interest income	588	1,412
Government grants	–	8
Others	28	–
	616	1,420

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

7. INCOME TAX

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 2024 and 2023.

8. LOSS BEFORE TAX

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Loss before tax has been arrived at after charging:		
Staff costs (including emoluments of the Company's directors):		
Salaries and other benefits	11,632	11,583
Discretionary bonus*	–	500
Retirement benefit scheme contributions	291	365
	11,923	12,448
Auditor's remuneration:		
– the Company	–	400
– subsidiaries of the Company	135	141
	135	541
Depreciation of property, plant and equipment	314	278
Depreciation of right-of-use assets	60	60
Gain on disposal of property, plant and equipment	18	–
Short-term lease expenses	418	1,176

* 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 2024

9. DIVIDENDS

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 September 2024 and 30 September 2023.

10. LOSS PER SHARE

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

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Loss for the period attributable to the owners of the Company	10,491	24,986

	Number of shares '000 (Unaudited)	
	Number of shares '000 (Unaudited)	Number of shares '000 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	620,000	620,000

For the six months ended 30 September 2024 and 2023, diluted loss per share equals basic loss per share as there was no potential ordinary share in issue during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

11. EQUITY INSTRUMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Financial asset measured at FVTOCI: – Unlisted equity security	13,000	13,000

On 31 January 2024, a direct wholly-owned subsidiary of the Company (the “**Purchaser**”) entered into an equity transfer agreement (“**Equity Transfer Agreement**”) with an independent third party (the “**Vendor**”) pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase 5% equity interest in a private company incorporated in BVI where its major asset is an investment in the form of equity capital in a company established in the People’s Republic of China and is principally engaged in research and development of the technologies in acellular cartilage matrix which can be applied to surgeries for tackling the disease of cataract (the “**Research and Development Company**”). The unlisted equity security was acquired at a total consideration of HK\$13,000,000 and completed on 31 January 2024.

The directors of the Company are of the view that the unlisted equity security investment is not held for trading and they do not expect that the Group will realise the unlisted equity investment within 12 months after the end of the reporting period. Accordingly, they are classified under non-current assets.

As at 31 March 2024, the fair value of the Group’s unlisted equity security is based on discounted cash flow model with reference to a professional valuation performed by an independent professional valuer. Details of which refers to note 32 of the Annual Report for the year ended 31 March 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

11. EQUITY INSTRUMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

The Vendor also guaranteed the Purchaser in the Equity Transfer Agreement the right to put back the instrument to the Vendor at original consideration of HK\$13,000,000 (the “**Put Option**”) if the Research and Development Company cannot obtain the specified license within 10 months from the date of acquisition (the “**Put Option Expiry Date**”). On 20 March 2024, a supplemental agreement was entered into between the Vendor and the Purchaser to further extend the Put Option Expiry Date to 31 December 2025. The Put Option is a separate instrument from the equity instrument designated at FVTOCI and is accounted for a derivative financial instrument measured at fair value through profit or loss. The directors of the Company consider that the fair value of the derivative financial instrument is insignificant at the date of acquisition, 31 March 2024 and 30 September 2024 as it is not expected that the Put Option condition will be triggered.

In the opinion of the Directors, there was no change in the fair value during the six months ended 30 September 2024.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Trade receivables	4,441	26,285
Less: Allowance of credit losses for trade receivables	(30)	(433)
	4,411	25,852
Other receivables	375	506
Less: Allowance of credit losses for other receivables	-	(6)
	375	500
Advances to sub-contractors and suppliers	9,536	987
Prepayments and deposits	1,865	3,207
	16,187	30,546

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

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

Trade receivables

During the six months ended 30 September 2024, a reversal of impairment losses under expected credit loss model of approximately HK\$403,000 was credited to the profit or loss (six months ended 30 September 2023: Allowance for impairment loss under expected credit loss model of approximately HK\$364,000 was charged to the profit or loss).

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 2024: 30 to 90 days) to its customers.

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 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
1-30 days	4,409	20,032
31-60 days	-	5,818
61-90 days	-	-
Over 90 days	2	2
	4,411	25,852

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

13. CONTRACT ASSETS

The carrying amounts of the Group's contract assets as at 30 September 2024 and 31 March 2024 amounted to approximately HK\$41,507,000 (Unaudited) and approximately HK\$53,056,000 (Audited) (included impairment losses under expected credit loss model amounted to approximately HK\$737,000 (Unaudited) and approximately HK\$1,081,000 (Audited)), respectively, represent the Group's rights to considerations from customers for the provision of services on alteration and addition works and civil engineering works, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by the customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months after completion of the relevant works.

The Group's contract assets are analysed as follows:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Provision of services on alteration and addition works		
– Retention receivables	15,275	14,816
– Others	15,837	29,004
Provision of services on civil engineering works		
– Retention receivables	5,410	7,562
– Others	5,722	2,756
	42,244	54,138
Less: Allowance of credit losses	(737)	(1,082)
	41,507	53,056

Changes of contract assets were mainly due to: (1) changes in retention receivables as a result of changes in number of ongoing and completed contracts under the defect liability period; and (2) 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 2024

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 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within one year	279	279
After one year	20,406	22,099
	20,685	22,378
Less: Allowance of credit losses	(380)	(446)
	20,305	21,932

14. TRADE, RETENTION AND OTHER PAYABLES

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Trade payables	15,666	38,527
Retention payables	11,860	14,591
Staff costs payables	3,582	3,996
Other payables	1,660	2,551
	32,768	59,665

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

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 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
1-30 days	8,997	17,487
31-60 days	192	4,384
61-90 days	603	55
Over 90 days	5,874	16,601
	15,666	38,527

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 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
On demand or within one year	1,152	3,795
After one year	10,708	10,796
	11,860	14,591

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

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 2023 (Audited), 31 March 2024 (Audited) and 30 September 2024 (Unaudited)	5,000,000,000	50,000
Issued:		
As at 1 April 2023 (Audited), 31 March 2024 (Audited) and 30 September 2024 (Unaudited)	620,000,000	6,200

16. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the interim report, the Group had the related party transactions in respect of the remuneration of the directors of the Company of the Group, during the period as below:

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Short-term benefits	2,711	2,981
Retirement benefit scheme contributions	63	52
	2,774	3,033

17. EVENTS AFTER THE REPORTING PERIOD

On 8 April 2024, a direct wholly owned subsidiary of the Company (the “**Buyer**”) has signed a memorandum of understanding (the “**MOU**”) with an independent third party (the “**Seller**”) and a custodian (the “**Custodian**”) pursuant to which the Seller agrees to sell the land use rights for which the Seller has entered into a lease of customary land for the land on 1 October 2023 with the Minister of Natural Resources and Environment of the Independent State of Samoa on behalf of the beneficial customary land owners for a term of 30 years, with an option to renew for additional 30 years. Upon the execution of the MOU, the Buyer shall pay a refundable deposit of HK\$6,500,000 to the Custodian’s designated bank account.

As of the date of this interim report, no binding sale and purchase agreement was entered into with the Seller.

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2024 and 30 September 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 30 September 2024, the interest and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), notified to the Company and the Stock Exchange were as follow:

Long position in the Shares

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Dr. Hiroshi Kaneko (<i>Note</i>)	Interest in controlled corporation	465,000,000	75%

Note:

These 465,000,000 Shares are held by Kyosei Technology Inc. Dr. Hiroshi Kaneko beneficially owns 28.05% of the entire issued share capital of Kyosei Technology Inc. Therefore, Dr. Hiroshi Kaneko is therefore deemed to have an interest in the above Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Dr. Hiroshi Kaneko is the director of Kyosei Technology Inc., the substantial share holder of the Company.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2024, 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 Divisions 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.	Interest in controlled corporation	465,000,000	75%
Mr. Kenichi Yanase (<i>Note</i>)	Interest in controlled corporation	465,000,000	75%
Dr. Hiroshi Kaneko (<i>Note</i>)	Interest in controlled corporation	465,000,000	75%

Note:

465,000,000 Shares are beneficially owned by Kyosei Technology Inc. is owned as to 65.45% by Mr. Kenichi Yanase and 28.05% by Dr. Hiroshi Kaneko and therefore Mr. Kenichi Yanase and Dr. Hiroshi Kaneko are deemed to be interested in the same number of Shares held by Kyosei Technology Inc..

Save as disclosed above, as at 30 September 2024, 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 of 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 2024 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 2024, 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 16 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 2024 or any time during the six months ended 30 September 2024, 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.

OTHER INFORMATION

SHARE OPTION SCHEME

Pursuant to written resolutions passed on 4 April 2019, the Company adopted a share option scheme (the **"Share Option Scheme"**). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Under the Share Option Scheme, the board of directors of the Company may, at its discretion, grant options to subscribe for ordinary shares of the Company to eligible participants (**"Eligible Participants"**) who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) directors and employees of the Company or any of its subsidiaries (including persons who are granted shares or options under the scheme as an inducement to enter into employment contracts with these companies); (ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company; and (iii) the persons who provide services to the Group on a continuing and recurring basis in their ordinary and usual course of business which are in the interests of the long term growth of the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 10% of the ordinary share capital of the Company in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's ordinary shares at the date of the grant) in excess of HK\$5,000,000, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

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. The exercise period of the share options granted is determinable by the directors of the Company, save that such period shall not be more than ten years from the date of the offer of the share options, subject to the provisions for early termination as set out in the Share Option Scheme.

Unless otherwise determined by the directors of the Company at their absolute discretion, there is no requirement of a minimum period for which an option must be held before an option can be exercised. In addition, there is no performance target which must be achieved before any of the options can be exercised.

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 C1 to the Listing Rules.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a designated position of Chairman for the period from 1 April 2024 to 24 September 2024. Before 24 September 2024, the responsibilities of the chairman and the chief executive officer of the Company are vested in Dr. Hiroshi Kaneko (the executive director and the chief executive officer of the Company). As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company. Save for the above, the Company had complied with all code provisions as set out in the CG Code throughout the six months ended 30 September 2024 and, where appropriate, the applicable recommended best practices of the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she had complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2024 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 2024 and up to the date of this interim report.

OTHER INFORMATION

NON-COMPETITION UNDERTAKING

In order to avoid any possible competition between our Group and our former controlling shareholders, each of Mr. Tang Wing Kwok, Mr. Lo Wing Hang and Sky Winner as former controlling shareholders entered into a deed of non-competition with our Company (for itself and as trustee for subsidiaries of our Group) on 4 April 2019. Pursuant to the deed of non-competition, each of the former controlling shareholders has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, as long as the deed on non-competition remains effective, he/it shall not, and shall procure his or its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether on its own account or with each other or in conjunction with or on behalf of any person or company or otherwise, the development, participation, management and operation of any existing business which in competition with or likely to be in competition, whether directly or indirectly, with the existing business activity of any member of our Group or such other business activity our Group may engage from time to time in future.

The former controlling shareholders have confirmed to the Company of their compliance with the deed of non-competition dated 4 April 2019 for disclosure in this interim report for the six months ended 30 September 2024 and up to the date of this interim report.

All the independent non-executive Directors are delegated with the authority to review the deed of non-competition given by the former controlling shareholders. The independent non-executive Directors were not aware of any non-compliance of the deed of non-competition for the six months ended 30 September 2024 and up to the date of this interim report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available and with the knowledge of the Directors, the Company has maintained the prescribed minimum public float under the Listing Rules as at the date of the interim report.

CHANGE OF DIRECTORS

Mr. Wang Shuai resigned as executive Director with effect from 10 July 2024 and Mr. Wang Xue Yan was appointed as chairman and non-executive Director with effect from 24 September 2024.

For details of the resignation and appointment, please refer to the announcement of the Company dated 10 July 2024 and 24 September 2024 respectively. Save as aforesaid mentioned, there was no change in Director during the six months ended 30 September 2024 and up to the date of this interim report.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) is currently comprised of three independent non-executive Directors, namely Mr. Jin Fan, Mr. Sung Ka Woon and Mr. Yiu To Wa. Mr. Yiu To Wa currently serves as the chairman of the Audit Committee.

The interim financial results of the Group for the six months ended 30 September 2024 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

Dr. Hiroshi Kaneko

Executive Director and Chief Executive Officer

Hong Kong, 29 November 2024