



# 2019

INTERIM REPORT



**CHONG KIN GROUP HOLDINGS LIMITED**

**創建集團(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*Stock Code: 1609*

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhang Jinbing (*Chairman and Chief Executive Officer*)

Mr. Ni Biao

Mr. Yang Rui (appointed on 2 September 2019)

### Independent Non-Executive Directors

Mr. Tam Ping Kuen, Daniel

Dr. Zhu Zhengfu

Dr. Li Yifei

## AUDIT COMMITTEE

Mr. Tam Ping Kuen, Daniel (*Chairman*)

Dr. Zhu Zhengfu

Dr. Li Yifei

## REMUNERATION COMMITTEE

Mr. Tam Ping Kuen, Daniel (*Chairman*)

Dr. Zhu Zhengfu

Dr. Li Yifei

## NOMINATION COMMITTEE

Mr. Zhang Jinbing (*Chairman*)

Mr. Tam Ping Kuen, Daniel

Dr. Zhu Zhengfu

Dr. Li Yifei

## COMPANY SECRETARY

Ms. Lee Eva

## AUTHORISED REPRESENTATIVES

Mr. Zhang Jinbing

Ms. Lee Eva

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 1350

Clifton House 75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6808, 68th Floor, Central Plaza  
18 Harbour Road, Wanchai, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Limited

Clifton House, 75 Fort Street

P. O. Box 1350

Grand Cayman KY1-1108, Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East, Hong Kong

## LEGAL ADVISER AS TO HONG KONG LAW

D.S. Cheung & Co.

29th Floor, Bank of East Asia Harbour View Centre

56 Gloucester Road, Wanchai, Hong Kong

## AUDITORS

KTC Partners CPA Limited

Room 617, 6th floor, Seapower Tower

Concordia Plaza, 1 Science Museum Road

Tsim Sha Tsui East

Kowloon, Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Bank of East Asia, Limited

China CITIC Bank Corporation Limited

Citibank (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

## STOCK CODE

1609

## WEBSITE

[www.chongkin.com.hk](http://www.chongkin.com.hk)

# Management Discussion and Analysis

## BUSINESS REVIEW

Chong Kin Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”, “**we**” or “**us**”) is principally engaged in three operating segments: (i) concrete placing services and other ancillary services for both public and private sector, including building and infrastructure related projects in Hong Kong; (ii) new energy vehicle and logistics related services in China (“**NEV and Logistics**”), including new energy vehicle sales and leasing, road freight transportation, logistics park development, warehousing services and the research and development, production and sales of lithium-ion powder batteries; and (iii) finance lease services in China.

In the six months ended 30 September 2019, we progressed on the strategy to further strengthen our position in NEV and Logistics industry, with the objective of deploying and growing the service platform through a revenue sharing model.

We also committed to playing an active role in the community through supporting local initiatives and making charitable donations. We believe this commitment can lead to greater employee engagement and is also attractive to potential employees, suppliers and customers.

## FINANCIAL REVIEW

Revenue of the Group for the six months ended 30 September 2019 (the “**Reporting Period**”) amounted to approximately HK\$271.1 million (for the six months ended 30 September 2018 (the “**Previous Period**”): HK\$178.7 million).

Loss attributable to the owners of the Company for the Reporting Period amounted to approximately HK\$10.4 million (Previous Period: profit of HK\$0.7 million).

Basic and diluted loss per share for the Reporting Period amounted to approximately HK cents 1.11 (Previous Period: earnings of HK cents 0.09).

The directors of the Company (the “**Directors**”) do not recommend the declaration of any interim dividend for the Reporting Period (Previous Period: Nil).

## REVENUE

The revenue of the Group for the Reporting Period increased by 51.7% to approximately HK\$271.1 million, compared to HK\$178.7 million in the Previous Period. The increase was mainly attributed to the strong revenue growth from NEV and Logistics business. NEV and Logistics segment contributed more than 67% of the total revenue in the Reporting Period, compared to nil in the Previous Period. The strong revenue growth of NEV and Logistics segment of the Group has effectively made up and overwhelmed the sluggish growth and keen competition in the segment of concrete placing services and other ancillary services.

# Management Discussion and Analysis

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

The gross profit of the Group for the Reporting Period amounted to approximately HK\$39.5 million, representing an increase of approximately 113.8% as compared with approximately HK\$18.5 million for the Previous Period. The Group's gross profit margin for the Reporting Period was approximately 14.6%, as compared with approximately 10.3% for the Previous Period. The increase in the gross profit and gross profit margin was mainly attributed to the higher gross margin achieved in the newly established NEV and Logistics market.

## **OTHER INCOME**

Other income mainly comprises income from leasing of machinery to third parties, interest income from life insurance policies, government grants and reimbursement of employees' compensation from insurers for its injured workers. During the Reporting Period, other income amounted to approximately HK\$10.9 million as compared to approximately HK\$2.2 million for the previous period. The increase in other income was mainly attributed to an increase in lease interest income and rental income.

## **SELLING AND DISTRIBUTION EXPENSES**

The selling and distribution expenses of the Group for the Reporting Period amounted to approximately HK\$1.6 million, compared with nil for the Previous Period. The increase was mainly due to advertising and business promotion expenses, storage costs, staff costs and spending in sales department as a result of the increase in NEV and Logistics revenue during the Reporting Period.

## **ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

The administrative and other operating expenses of the Group for the Reporting Period amounted to approximately HK\$45.5 million, compared with approximately HK\$15.6 million for the Previous Period. The increase in expense was due to an increase in staff cost, depreciation and rental expenses subsequent to the development of NEV and Logistics business.

## **FINANCE COSTS**

Finance cost for the Reporting Period was approximately HK\$11 million, compared with approximately HK\$3.2 million in the Previous Period. The increase was mainly attributable to an increase in interest expense on a secured loan for NEV and Logistics business.

## **NET PROFIT/LOSS**

The net loss for the Reporting Period amounted to approximately HK\$10 million, compared with net profit of approximately HK\$0.7 million for the Previous Period. The fall in net profit was mainly due to an increase in administrative expenses and finance costs during the Reporting Period as hereinabove mentioned.



# Management Discussion and Analysis

## INTERIM DIVIDEND

The Board was resolved not to declare an interim dividend for the six months ended 30 September 2019 (Previous Period: Nil).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, internally generated cash flow and net proceeds received from the initial public offering of the Company's shares.

As at 30 September 2019, the loan and interest receivable amounted to HK\$55.5 million (31 March 2019: HK\$55.5 million) was under legal actions against the borrower to be recovered. Based on the current assessment, the management believes that no impairment allowance is necessary in respect of those loan and interest receivables as the balance is considered fully recoverable.

As at 30 September 2019, the Group had total cash and bank balances of approximately HK\$185.2 million (31 March 2019: HK\$45.5 million). The increase was mainly due to the net cash inflow generated from operating activities and the net proceeds from issuing new shares during the Reporting Period. The borrowings of the Group as at 30 September 2019 was approximately HK\$357 million (31 March 2019: HK\$397.2 million).

## GEARING RATIO

Gearing ratio is calculated by dividing total debts by total equity at the period end date and expressed as a percentage. Total debts are calculated as total borrowings and lease liabilities. As a result of the increased equity from the issue of new shares and the decrease in debt from bank, the gearing ratio of the Group decreased from approximately 52.7% as at 31 March 2019 to approximately 38% as at 30 September 2019.

## DEBTS AND CHARGES ON ASSETS

The total borrowings of the Group consist of the former substantial shareholder's loan, bank borrowings and finance leases that was decreased from approximately HK\$397.2 million as at 31 March 2019 to approximately HK\$357 million as at 30 September 2019, with interests being charged at fixed and floating rates. The Group did not carry out any interest rate hedging policy for its floating rate borrowings during the Reporting Period, but the Group has monitored interest risks continuously and may consider employing financial instrument for hedging purpose if and when necessary.

The Group's machinery and equipment with an aggregate net book value of approximately HK\$20.7 million and HK\$33.7 million as at 30 September 2019 and 31 March 2019 respectively were charged under finance leases.

# Management Discussion and Analysis

## FOREIGN EXCHANGE RISK

The Group's revenue and operating transactions were mostly denominated in Hong Kong dollars and Renminbi. The Group was exposed to certain foreign currency exchange risk but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed below, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

On 14 January 2019, the Group entered into the sales and purchase agreements with independent third parties relating to the acquisition of 100% of the equity interest in Blossom Field Trading Develop Limited and 86.67% of the equity interest in Hua Yao Shi Ye (Shenzhen) Company Limited respectively (the "**Acquisition**"), those companies in turn effectively hold approximately 90% of the equity interest in Hua Yao Finance Leasing (Shenzhen) Company Limited ("**Hua Yao Finance Leasing**"). The consideration for the Acquisition would be satisfied by immediately available funds of HK\$125,000 and HK\$325,000 respectively. The Group shall contribute to the registered capital of the Hua Yao Finance Leasing on a pro rata basis of its effective interest of 90% of the equity interest in the Hua Yao Finance Leasing in the sum of USD27,000,000 (equivalent to approximately HK\$210,600,000) which is required to be paid on or before 31 December 2045. The Acquisition was completed on 23 April 2019.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, 498 employees fell into the Group's payroll (30 September 2018: 443 employees). Total staff costs including directors' emoluments for the Reporting Period, amounted to approximately HK\$80.1 million (Previous Period: HK\$105 million). The remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive. The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation.

## CAPITAL COMMITMENTS

The Group had no other capital commitments as at 30 September 2019 and 31 March 2019.

# Management Discussion and Analysis

## CONTINGENT LIABILITIES

The concrete placing projects involved a number of claims, lawsuits and potential claims relate to employees' compensation and personal injury claims. The Directors are of the opinion that the probability of outflow in the settlement of legal claims is low, as the claims have been well covered by insurance policies. No provision for contingent liabilities is necessarily made after due consideration of each case.

Save as disclosed above, the Group had no material contingent liabilities as at 30 September 2019 (31 March 2019: nil).

## USE OF NET PROCEEDS FROM THE SUBSCRIPTION

On 15 April 2019, the Company and the subscriber, Prestige Rich Holdings Limited ("**Prestige**" or the "**Subscriber**"), a company controlled by Mr. Zhang Jinbing, entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for the subscription shares, being 60,000,000 new shares of the Company, at the subscription price of HK\$3.5 per subscription share (the "**Subscription**"). It is intended that the net proceeds approximately HK\$209.7 million from the Subscription will be fully utilised for the investment in the finance leasing business of the Group in China via payment of the registered capital of Hua Yao Finance Leasing.

The net proceeds were applied by the Group consistent with the disclosures in the circular of the Company dated 31 May 2019 (the "**Circular**") up to 30 September 2019 is as follows:

<b>Use of net proceeds:</b>	<b>Planned use of proceeds HK\$'000</b>	<b>Actual use of proceeds from the date of the Circular to 30 September 2019 HK\$'000</b>	<b>Unused amount HK\$'000</b>
Invest in the registered capital of Hua Yao Finance Leasing	209,700	88,350	121,350

Any net proceeds that were not applied immediately have been placed in the short-term deposits with licensed banks in Hong Kong as at 30 September 2019.

## Management Discussion and Analysis

In view of the latest government policies on financial subsidies for the promotion and application of new energy vehicles and also the differential local tax preferential policies in various parts of China, the Board has considered and resolved of the change in the use of unused amount in the sum of HK\$121,350,000 (the “**Unused Sum**”) from the Subscription and re-allocated approximately 75% of the Unused Sum for possible acquisitions or the establishment of financial leasing company in other parts of China and the rest as general working capital of the Company. For details, please refer to the Company’s announcement dated 7 November 2019.

### PROSPECTS

Given the keen competition in the domestic construction industry, it is expected that the business environment remains challenging. The Group will continue to take a relatively prudent operating strategy while evaluating the new contracts comprehensively.

The Group is optimistic on the growth of the NEV and Logistics business. At present, the battery electric logistics vehicle industry is featured with a relatively high market concentration in China. Apart from the government support, market demand and efforts by automakers have also prompted the industry’s growth.

Looking forward, the Group will continue to seize every opportunity in the NEV and Logistics sector and respond with positive strategies. We will utilize the resources to accelerate the development and growth in revenue stream with the aim to deliver sustainable return to the shareholders. The Group will make full effort in carrying out the diversification process so as to create greater value for the shareholders and the community.



## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2019

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2019</b>	2018
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>	<i>6</i>	<b>271,067</b>	178,746
Cost of sales		<b>(231,586)</b>	(160,278)
<b>Gross profit</b>		<b>39,481</b>	18,468
Other income	<i>7</i>	<b>10,911</b>	2,234
Selling and distribution expenses		<b>(1,611)</b>	–
Administrative and other operating expenses		<b>(45,498)</b>	(15,597)
<b>Operating profit</b>		<b>3,283</b>	5,105
Finance costs	<i>8</i>	<b>(10,977)</b>	(3,199)
<b>(Loss)/profit before income tax</b>	<i>9</i>	<b>(7,694)</b>	1,906
Income tax expense	<i>10</i>	<b>(2,275)</b>	(1,183)
<b>(Loss)/profit for the period</b>		<b>(9,969)</b>	723
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(10,424)</b>	723
Non-controlling interests		<b>455</b>	–
		<b>(9,969)</b>	723
<b>(Loss)/Earnings per share</b>			
<b>Basic and diluted (loss)/earnings per share</b>	<i>11</i>	<b>HK cents (1.11)</b>	HK cents 0.09

Details of dividends are disclosed in Note 12 to the condensed consolidated financial statements.

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

Note	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
	<b>(9,969)</b>	723
<b>Other comprehensive (expense)/income for the period</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	<b>(16,292)</b>	-
<b>Total comprehensive (expense)/income for the period</b>	<b>(26,261)</b>	723
<b>Total comprehensive (expense)/income attributable to:</b>		
Equity shareholders of the Company	<b>(25,222)</b>	723
Non-controlling interests	<b>(1,039)</b>	-
	<b>(26,261)</b>	723

## Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2019

	Note	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	71,442	123,026
Intangible assets		495	–
Right-of-use assets		44,094	–
Goodwill		406,699	406,699
Finance lease receivables		118,014	14,248
Other deposits		3,771	3,730
		<b>644,515</b>	547,703
<b>CURRENT ASSETS</b>			
Inventories		274,489	341,776
Finance lease receivables		26,582	9,080
Loan and interest receivables		55,452	55,452
Trade and other receivables	14	180,036	273,808
Amount due from a non-controlling shareholder of a subsidiary		24,932	24,932
Contract assets		132,368	147,583
Contingent consideration receivables		35,463	35,463
Current income tax recoverable		–	8,880
Cash and bank balances		185,186	45,454
		<b>914,508</b>	942,428
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	227,708	276,383
Amount due to a former director		30,000	30,000
Amount due to a shareholder		–	3,150
Amount due to a director		–	22,071
Amount due to a related party		–	1,150
Contract liabilities		–	1,561
Borrowings	16	337,855	381,424
Current income tax liabilities		2,745	2,176
		<b>598,308</b>	717,915

## Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2019

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
<b>NET CURRENT ASSETS</b>	<b>316,200</b>	224,513
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	19,135	15,784
Deferred tax liabilities	2,897	2,897
	<b>22,032</b>	18,681
<b>NET ASSETS</b>	<b>938,683</b>	753,535
<b>Capital and reserves</b>		
Share capital	9,778	9,178
Reserves	905,063	720,885
Equity attributable to equity shareholders of the Company	<b>914,841</b>	730,063
Non-controlling interests	<b>23,842</b>	23,472
<b>TOTAL EQUITY</b>	<b>938,683</b>	753,535

# Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2019

	Attributable to Owners of the Company							Total equity
	Share capital	Share premium	Translation reserve	Merger reserve	Retained earnings	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 17)			Note				
Balance at 1 April 2018	7,648	61,649	-	10	161,278	230,585	-	230,585
Adjustment on adoption of HKFRS 15, net of tax	-	-	-	-	532	532	-	532
Restated balance at 1 April 2018	7,648	61,649	-	10	161,810	231,117	-	231,117
Profit and total comprehensive income for the period	-	-	-	-	723	723	-	723
Balance at 30 September 2018	7,648	61,649	-	10	162,533	231,840	-	231,840
Balance at 1 April 2019	<b>9,178</b>	<b>642,897</b>	<b>22,792</b>	<b>10</b>	<b>55,186</b>	<b>730,063</b>	<b>23,472</b>	<b>753,535</b>
(Loss)/profit for the period	-	-	-	-	(10,424)	(10,424)	455	(9,969)
Other comprehensive expense for the period	-	-	(14,798)	-	-	(14,798)	(1,494)	(16,292)
Total comprehensive expense for the period	-	-	(14,798)	-	(10,424)	(25,222)	(1,039)	(26,261)
Shares issued at premium	600	209,400	-	-	-	210,000	-	210,000
Acquisition of subsidiaries	-	-	-	-	-	-	50	50
Capital contributions from non-controlling interest of a subsidiary	-	-	-	-	-	-	1,359	1,359
Balance at 30 September 2019	<b>9,778</b>	<b>852,297</b>	<b>7,994</b>	<b>10</b>	<b>44,762</b>	<b>914,841</b>	<b>23,842</b>	<b>938,683</b>

*Note:* The merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange.



# Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash generated from operating activities	<b>267,401</b>	87,094
Net cash used in investing activities	<b>(31,570)</b>	(7,545)
Net cash used in financing activities	<b>(96,099)</b>	(1,400)
Net increase in cash and cash equivalents	<b>139,732</b>	78,149
Cash and cash equivalents at beginning of period	<b>45,454</b>	21,828
Cash and cash equivalents at end of period, represented by cash and bank balances and bank overdrafts	<b>185,186</b>	99,977

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 31 May 2016 as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 October 2016. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business of the Company is Suite 6808, 68/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in provision of concrete placing services and other ancillary services in Hong Kong, NEV and Logistics and finance lease services in the PRC. Its parent and ultimate holding company is Prestige, a company incorporated in the British Virgin Islands. Mr. Zhang Jinbing is the owner and sole director of Prestige. As at 30 September 2019, the directors consider the ultimate controlling shareholder of the Company to be Mr. Zhang Jinbing.

## 2 BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2019 have been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

This condensed consolidated financial information has been prepared on the historical cost basis.

The condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 28 November 2019.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied to prepare this unaudited condensed consolidated interim financial information for the six months ended 30 September 2019 are consistent with the Group's annual financial statements for the year ended 31 March 2019.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKASs	Annual Improvements to HKFRSs 2015–2017 Cycle

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

### **Adoption of HKFRS 16**

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

### **New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Adoption of HKFRS 16 (Continued)

#### *New definition of a lease (Continued)*

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

#### *As a lessee – Leases previously classified as operating leases*

##### *Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for various items of property and vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

#### *Impacts on transition*

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of HK\$33,724,000 that were reclassified from property, plant and equipment.



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Adoption of HKFRS 16 (Continued)

#### Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	<b>Increase/ (decrease)</b> <i>HK\$'000</i> (Unaudited)
<b>Assets</b>	
Right-of-use assets	51,801
Property, plant and equipment	(33,724)
	<hr/>
Total assets	18,077
	<hr/>
<b>Liabilities</b>	
Lease liabilities (included in borrowings)	18,077
	<hr/>
Total liabilities	18,077
	<hr/> <hr/>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Adoption of HKFRS 16 (Continued)

#### Impacts on transition (Continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	<b>Increase/ (decrease)</b> <i>HK\$'000</i> (Unaudited)
Operating lease commitments as at 31 March 2019	20,775
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(1,066)
Commitments relating to leases of low-value assets	(821)
	<hr/>
	18,888
	<hr/>
Weighted average incremental borrowing rate as at 1 April 2019	4.66%
Lease liabilities as at 1 April 2019	18,077
	<hr/> <hr/>

### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

#### **Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Summary of new accounting policies (Continued)

#### **Lease liabilities**

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

#### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### **Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant judgement in determining the lease term of contracts with renewal options (Continued)

The Group has the option, under some of its leases, to lease plant and machinery and equipment for additional terms of certain years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

### Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and the movement during the period are as follows:

	<b>Increase/ (decrease)</b>
	<i>HK\$'000</i>
	(Unaudited)
As at 1 April 2019	51,801
Addition	12,182
Disposal	(10,172)
Interest expense	(7,568)
Exchange adjustments	(2,149)
	<hr/>
As at 30 September 2019	<u>44,094</u>

# Notes to the Condensed Consolidated Interim Financial Statements

*For the six months ended 30 September 2019*

## **4 FINANCIAL RISK MANAGEMENT**

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2019.

There have been no changes in the risk management policies since year end.

## **5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 6 REVENUE AND SEGMENT INFORMATION

### Revenue

*Analysis of revenue with adoption of HKFRS 15 and HKFRS 16*

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Total revenue recognised during the year:</b>		
Concrete placing services and other ancillary services	88,269	178,746
Sales of NEV	116,423	–
Provision for logistics related services	19,471	–
Car rental revenue	5,785	–
Sales of NEV under lease contracts	39,931	–
Finance lease services income	1,188	–
	<b>271,067</b>	<b>178,746</b>

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue from contracts with customers with the adoption of HKFRS 15</b>		
Concrete placing services and other ancillary services	88,269	178,746
Sales of NEV	116,423	–
Provision for logistics related services	19,471	–
	<b>224,163</b>	<b>178,746</b>
<b>Timing of revenue recognition</b>		
At a point in time	135,894	–
Over time	88,269	178,746
	<b>224,163</b>	<b>178,746</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### Revenue (Continued)

*Analysis of revenue with the adoption of HKFRS 15 and HKFRS 16 (Continued)*

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue from other sources with the adoption of HKFRS 16</b>		
Car rental revenue	5,785	–
Sales of NEV under lease contracts	39,931	–
Finance lease services income	1,188	–
	<b>46,904</b>	–

### Segment information

Information reported to the chief executive of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

For the six months ended 30 September 2019, the Group’s operating and reportable segments currently are: (i) concrete placing services and other ancillary services; and (ii) NEV and logistics and car leasing; and (iii) finance lease services. The CODM considers the Group has three operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

For the six months ended 30 September 2018, the Board regards the Group’s business as a single operating segment as the Group was engaged in the provision of concrete placing services and other ancillary services and reviews the consolidated financial statements for the Group as a whole accordingly. Also, the Group only engages its business in Hong Kong.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### Segment information (continued)

#### (i) Segment revenue and results

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

	Concrete placing services and other ancillary services	NEV and logistics and car leasing	Finance lease services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the period ended</b>				
<b>30 September 2019 (unaudited)</b>				
Segment revenue	88,269	181,610	1,188	271,067
Segment (loss)/profit	(7,613)	5,353	(509)	(2,769)
Unallocated income				10,953
Unallocated expenses				(4,901)
Finance costs				(10,977)
Loss before taxation				(7,694)
<b>For the period ended</b>				
<b>30 September 2018 (unaudited)</b>				
Segment revenue	178,746	-	-	178,746
Segment profit	7,233	-	-	7,233
Unallocated income				2,234
Unallocated expenses				(4,362)
Finance costs				(3,199)
Profit before taxation				1,906

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### Segment information (continued)

#### (i) Segment revenue and results (continued)

Segment profit/(loss) represents the profit/(loss) earned/(incurred) by each segment without allocation of certain administrative expenses, other gains and losses, fair value gain on contingent consideration receivables, finance costs and unallocated income and expenses. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

All the segment revenue reported above is from external customers.

#### (ii) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

#### Segment assets

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Concrete placing services and other ancillary services	180,269	197,740
NEV and logistics and car leasing	1,069,053	1,158,168
Finance lease services	85,829	-
<b>Total segment assets</b>	<b>1,335,151</b>	<b>1,355,908</b>
Property, plant and equipment	4,497	4,872
Amount due from a non-controlling shareholder of a subsidiary	24,932	24,932
Contingent consideration receivables	35,463	35,463
Other receivables, deposits and prepayments	59,277	67,039
Cash and bank balances	99,703	1,917
<b>Consolidated assets</b>	<b>1,559,023</b>	<b>1,490,131</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### Segment information (continued)

#### (ii) Segment assets and liabilities (continued)

##### Segment liabilities

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Concrete placing services and other ancillary services	47,009	57,075
NEV and logistics and car leasing	434,591	516,695
Finance lease services	351	-
Total segment liabilities	481,951	573,770
Other payables and accruals	135,492	159,929
Deferred tax liabilities	2,897	2,897
Consolidated liabilities	620,340	736,596



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 7 OTHER INCOME

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Bank interest income	92	–
Rental income	1,470	956
Interest income from life insurance policies	41	41
Lease interest income	7,960	–
Government grants (Note)	18	–
Insurance claims	–	815
Gain on disposal of property, plant and equipment	–	6
Others	1,330	416
	<b>10,911</b>	<b>2,234</b>

Note: There are no unfulfilled conditions or contingencies relating to these grants.

## 8 FINANCE COSTS

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on:		
– Bank overdrafts and bank borrowings	7,023	11
– Finance leases	21	54
– Loan from the former substantial shareholder	3,134	3,134
– Lease liabilities	799	–
	<b>10,977</b>	<b>3,199</b>

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

### 9 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax has been arrived at after charging:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	19,406	6,464
Depreciation of right-of-use assets	7,568	–
Operating lease rental on premises	718	1,597
Staff costs, including directors' emoluments	80,089	104,965

### 10 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for both periods.

Under the Enterprise Income Tax Law of the People's Republic of China (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2018 onwards.

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Hong Kong Profits Tax:		
Current income tax	493	1,183
PRC Enterprise Income Tax ("EIT")		
Current income tax	1,782	–
Income tax expense	2,275	1,183

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 11 (LOSS)/EARNINGS PER SHARE

For the periods ended 30 September 2018 and 2019, the calculation of the basic (loss)/earnings per share attributable to owners of the Company was based on: (i) the (loss)/profit attributable to owners of the Company; and (ii) the weighted average number of 939,727,213 shares (six months ended 30 September 2018: 764,800,000 shares) in issue during the period.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in issue during the respective periods.

## 12 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 September 2019 (2018: Nil).

## 13 PROPERTY, PLANT AND EQUIPMENT

	<b>Property, plant and equipment</b> <i>HK\$'000</i>
<b>Six months ended 30 September 2019 (Unaudited)</b>	
<b>Net book value</b>	
<b>As at 31 March 2019</b>	<b>123,026</b>
Adjustments upon application of HKFRS 16	<b>(33,724)</b>
As at 1 April 2019	<b>89,302</b>
Additions	<b>31,212</b>
Transfer to inventory	<b>(28,500)</b>
Depreciation	<b>(19,406)</b>
Exchange adjustment	<b>(1,166)</b>
<b>As at 30 September 2019</b>	<b>71,442</b>
<b>Six months ended 30 September 2018 (Unaudited)</b>	
<b>Net book value</b>	
<b>As at 1 April 2018</b>	34,238
Acquisition of subsidiary	280
Additions	5,200
Depreciation	(6,464)
<b>As at 30 September 2018</b>	<b>33,254</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 14 TRADE AND OTHER RECEIVABLES

	<b>As at 30 September 2019 HK\$'000 (Unaudited)</b>	As at 31 March 2019 HK\$'000 (Audited)
Trade receivables	<b>37,066</b>	61,236
Other receivables, deposits and prepayments	<b>142,970</b>	212,572
	<b>180,036</b>	273,808

Notes:

- (a) Credit terms granted to customers vary from contract to contract. The credit period granted to customers is 0 to 30 days from payment application date generally.
- (b) The ageing analysis of the trade receivables based on the date of payment certificates issued by customers is as follows:

	<b>As at 30 September 2019 HK\$'000 (Unaudited)</b>	As at 31 March 2019 HK\$'000 (Audited)
0–30 days	<b>14,059</b>	13,128
31–60 days	<b>2,213</b>	2,283
61–90 days	<b>1,991</b>	793
Over 90 days	<b>18,803</b>	45,032
	<b>37,066</b>	61,236

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 15 TRADE AND OTHER PAYABLES

	<b>As at 30 September 2019 HK\$'000 (Unaudited)</b>	As at 31 March 2019 HK\$'000 (Audited)
Trade payables	<b>144,918</b>	170,266
Accruals and other payables	<b>82,790</b>	106,117
	<b>227,708</b>	276,383

*Note:* The ageing analysis of trade payables based on the invoice date is as follows:

	<b>As at 30 September 2019 HK\$'000 (Unaudited)</b>	As at 31 March 2019 HK\$'000 (Audited)
0–30 days	<b>2,172</b>	21,544
31–60 days	<b>9,138</b>	2,310
61–90 days	<b>356</b>	–
Over 90 days	<b>133,252</b>	146,412
	<b>144,918</b>	170,266

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 16 BORROWINGS

	<b>As at 30 September 2019 HK\$'000 (Unaudited)</b>	As at 31 March 2019 HK\$'000 (Audited)
<b>Current</b>		
Bank borrowings, secured	<b>180,944</b>	238,434
Loan from former substantial shareholder	<b>135,771</b>	132,637
Lease liabilities	<b>21,140</b>	–
Finance lease liabilities	–	10,353
	<b>337,855</b>	381,424
<b>Non-current</b>		
Lease liabilities	<b>19,135</b>	–
Finance lease liabilities	–	15,784
	<b>19,135</b>	15,784
Total borrowings	<b>356,990</b>	397,208

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 17 SHARE CAPITAL

	Number of ordinary shares	Nominal amount HK\$'000 (Unaudited)
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 September 2018, 1 April 2019 and 30 September 2019	2,000,000,000	20,000
Issued and fully paid:		
At 30 September 2018	764,800,000	7,648
Issue of shares upon acquisition of subsidiary (note ii)	152,960,000	1,530
At 1 April 2019	917,760,000	9,178
Shares issued in placing arrangement (note iii)	60,000,000	600
At 30 September 2019	977,760,000	9,778

### Notes:

- (i) All the shares issued ranked pari passu in all respects with the then existing shares in issue.
- (ii) On 22 October 2018, the Company issued 152,960,000 shares to acquire the entire issued share capital and shareholder's loan of Stand East Investment Limited. Details of which are set out in the Company's Annual Report 2019.
- (iii) On 26 July 2019, pursuant to a subscription agreement dated 15 April 2019 between the Company and Prestige, a controlling shareholder of the Company, the Company issued 60,000,000 new ordinary shares of HK\$0.01 each at a price of HK\$3.50 per share. Details of the share subscription were contained in the Company's announcement dated 15 April 2019 and 26 July 2019, and the Company's circular dated 31 May 2019.



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 18 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The emoluments of the directors and the senior executives (representing the key management personnel), were as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Salaries, allowances and other benefits	<b>250</b>	239

## 19 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 20 ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 14 January 2019, the Group entered into the sales and purchase agreements with independent third parties relating to the acquisition of the entire equity interest in Blossom Field Trading Develop Limited and 86.67% of the equity interest in Hua Yao Shi Ye (Shenzhen) Company Limited respectively, those companies in turn effectively hold approximately 90% of the equity interest in Hua Yao Finance Leasing. The Group has expanded the business of finance leasing through Hua Yao Finance Leasing. The consideration for the Acquisition has been satisfied by immediately available funds of HK\$125,000 and HK\$325,000 respectively.

The Group shall contribute to the registered capital of Hua Yao Finance Leasing on a pro rata basis of its effective interest of 90% of the equity interest in Hua Yao Finance Leasing in the sum of USD27,000,000 (equivalent to approximately HK\$210,600,000) which is required to be paid on or before 31 December 2045. The Acquisition was completed on 23 April 2019. The Acquisition had been accounted for as acquisition of assets.

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	<i>HK\$'000</i>
Intangible assets	495
Other receivables	5
Non-controlling interest	(50)
	<hr/>
Total consideration	450
	<hr/> <hr/>
Total consideration satisfied by:	
Immediately available funds	450
	<hr/> <hr/>

## Corporate Governance and Other Information

### Purchase, sale or redemption of the Company's listed securities

During the Reporting Period, neither the Company, nor any of its subsidiaries repurchased, redeemed or sold any of the Company's listed securities.

### Competing interests

The Directors confirm that none of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) is interested in any business which competes or is likely to compete, directly or indirectly, with the Group's business apart from the business operated by the Group.

### Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 September 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (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**") as set out in Appendix 10 to the Listing Rules, notified the Company and the Stock Exchange were as follows:

### Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Mr. Zhang Jinbing	Interests in controlled corporation (Note)	633,600,000	64.80%
Mr. Yang Rui	Interests in controlled corporation (Note)	99,424,000	10.17%

*Note:* The 633,600,000 Shares are held by Prestige. Mr. Zhang Jinbing beneficially owns the entire issued share capital of Prestige, which in turn beneficially owns 64.8% of the shareholding in the Company. Mr. Zhang Jinbing is the chairman, an executive Director and the chairperson of the Nomination Committee of the Company. Mr. Zhang Jinbing is also a director of Prestige.

The 99,424,000 Shares are held by Prosperous East Investments Limited ("**Prosperous East**"). Mr. Yang Rui beneficially owns the entire issued share capital of Prosperous East, which in turn beneficially owns 10.17% of the shareholding in the Company. Mr. Yang Rui is the executive Director of the Company. Mr. Yang Rui is also a director of Prosperous East.

## Corporate Governance and Other Information

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

As at 30 September 2019, so far as is known to the Directors, the following persons (not being a Director nor chief executive of the Company) had interests or short position in shares or underlying shares which would be required 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 recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Prestige	Beneficial owner	633,600,000	64.80%
Prosperous East	Beneficial owner	99,424,000	10.17%
Joy Cham Holdings Limited	Beneficial owner	53,536,000	5.48%

### Share option scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**") since 17 October 2016. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or any other service providers of the Group and to promote the success of the businesses of the Group. No share option had been granted under the Share Option Scheme since its adoption.

## Corporate Governance and Other Information

### Compliance with the corporate governance code

Code provision A.2.1 of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Jinbing was appointed as the chairman of the Board and chief executive officer of the Company with effect from 12 January 2018. Notwithstanding the deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer on the same person can facilitate execution of the Group’s business strategies and provide a strong and consistent leadership to the Group. The Board considers that the appointment of Mr. Zhang Jinbing as the chairman of the Board and the chief executive officer of the Company will not impair the balance of power as all major decisions are made in consultation with members of the Board. In addition, under the supervision by the Board which currently consists of three executive Directors and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

Save as above disclosed, the Company has complied with all the applicable code provisions as set out under the CG Code during the Reporting Period and up to the date of this report.

### Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for the Directors’ securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed that they had fully complied with the requirements as set out in the Model Code during the Reporting Period and up to the date of this report.

## Corporate Governance and Other Information

### **Audit Committee**

The Company established the audit committee (the “**Audit Committee**”) with terms of reference in compliance with Rules 13.21 of the Listing Rules and code provision C.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee is to serve as a focal point for communication among the Directors, the external auditors and the management relate to financial reporting, risk management, internal controls and auditing. The Audit Committee also assists the Board in fulfilling its responsibilities by providing an independent review of the financial reports, ensuring the effectiveness of the Company’s internal control and risk management system. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Tam Ping Kuen Daniel (chairman of the Audit Committee), Dr. Zhu Zhengfu and Dr. Li Yifei.

### **Review of interim financial results**

The interim financial results of the Group for the Reporting Period 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 adequate disclosures have been made.

By order of the Board  
**CHONG KIN GROUP HOLDINGS LIMITED**  
**ZHANG Jinbing**  
*Chairman and Executive Director*