



B & D Strategic Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1780

Interim Report

2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Wing Kwok (*Chairman*)

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

Independent non-executive Directors

Mr. Yeung Tze Long

Mr. Yiu Chun Wing

Mr. Cheung Ting Kin

AUDIT COMMITTEE

Mr. Yeung Tze Long (*Chairman*)

Mr. Yiu Chun Wing

Mr. Cheung Tin Kin

REMUNERATION COMMITTEE

Mr. Yeung Tze Long (*Chairman*)

Mr. Lo Wing Hang

Mr. Yiu Chun Wing

NOMINATION COMMITTEE

Mr. Tang Wing Kwok (*Chairman*)

Mr. Yiu Chun Wing

Mr. Cheung Tin Kin

COMPANY SECRETARY

Ms. Li Yuen Shan

AUTHORISED REPRESENTATIVES

Mr. Tang Wing Kwok

Ms. Li Yuen Shan

REGISTERED OFFICE IN CAYMAN ISLANDS

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Grand Cayman KY1-1108

Cayman Islands

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 79 Lei Muk Road
Kwai Chung
New Territories
Hong Kong

COMPLIANCE ADVISER

Grande Capital Limited
Room 2701, 27th Floor, Tower 1
Admiralty Centre
18 Harcourt Road, Admiralty
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

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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North Point
Hong Kong

CORPORATE INFORMATION

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
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88 Queensway
Hong Kong

PRINCIPAL BANKER

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

COMPANY WEBSITE

www.bnd-strategic.com.hk

STOCK CODE

1780

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the **"Board"**) of directors (the **"Directors"**) of B & D Strategic Holdings Limited (the **"Company"**) is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the **"Group"**) for the six months ended 30 September 2019, together with the comparative figures for the corresponding six months ended 30 September 2018. The information contained in this interim report should be read in conjunction with the prospectus of the Company dated 13 April 2019 (the **"Prospectus"**).

BUSINESS REVIEW AND OUTLOOK

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

We have obtained all material licenses, permits and registration required for carrying on our business activities, including the Registered General Building Contractors and Specialist Contractors — Site Formation Works granted by the Buildings Department; the Approved Contractors for Public Works (Roads and Drainage) and the Approved Contractors for Public Works (Site Formation) 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 concreting formwork, reinforcement bar fixing, concreting and general civil works.

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

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$160.8 million for the six months ended 30 September 2018 to approximately HK\$203.5 million for the six months ended 30 September 2019, representing an increase of approximately 26.5%.

The increase was primarily attributable from an award of a civil engineering project in a relatively large scale during the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Direct Costs

Our direct costs increased from approximately HK\$127.9 million for the six months ended 30 September 2018 to approximately HK\$169.3 million for the six months ended 30 September 2019, representing an increase of approximately 32.4%. Such increase in direct costs was attributable from a significant increase in subcontracting costs as a result of the increase in the use of subcontractors, instead of direct labour, because of the nature and technical needs of contract works.

Gross Profit and Gross Profit Margin

Our gross profit amounted to approximately HK\$32.9 million and approximately HK\$34.2 million for the six months ended 30 September 2018 and the six months ended 30 September 2019 respectively, representing an increase of approximately 3.7%. The increase in our gross profit was primarily attributable from profit generated from a civil engineering project in a relatively large scale during the six months ended 30 September 2019.

The gross profit margin of alteration and addition works segment decreased from approximately 21.2% for the six months ended 30 September 2018 to approximately 14.3% for the six months ended 30 September 2019. The decrease was mainly because (i) higher gross profit margin for the core construction works of an alternation and additions works project has been recognised in the six months ended 30 September 2018, which was in completion stage in the six months ended 30 September 2019; and (ii) several new alteration and addition works projects with different scale in size were in initial stages which generated a lower profit margin during the six months ended 30 September 2019.

The gross profit margin of civil engineering works segment was approximately 18.2% for the six months ended 30 September 2018 and approximately 18.3% for the six months ended 30 September 2019. The gross profit margin was generally stable during the six months ended 30 September 2019 and 2018.

Other Income, Other Gains or Losses

Our other income, other gains or losses increased from approximately HK\$76,000 for the six months ended 30 September 2018 to approximately HK\$899,000 for the six months ended 30 September 2019. Such difference was mainly due to the increase of interest income arising from placing of fixed deposit during the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Administrative Expenses

Our administrative expenses increased from approximately HK\$4.8 million for the six months ended 30 September 2018 to approximately HK\$6.9 million for the six months ended 30 September 2019, representing an increase of approximately 45.8%. Such increase was mainly due to the post-listing expenses incurred to maintain the listing status of the Company, including share registration services, professional fees and financial printing fee, etc., for the six months ended 30 September 2019 while no such expenses incurred for the six months ended 30 September 2018.

Income Tax Expenses

Our profit before tax increased from approximately HK\$17.1 million for the six months ended 30 September 2018 to approximately HK\$28.1 million for the six months ended 30 September 2019, which was mainly attributable to the net effect of (i) the increase in revenue and gross profit as discussed above; (ii) the recognition of listing expenses of approximately HK\$11.1 million during the six months ended 30 September 2018 while no such expenses was recognised during the six months ended 30 September 2019; and (iii) the increase in the administrative expenses as discussed above.

Following the increase in our profit before tax, our income tax expense increased from approximately HK\$4.4 million for the six months ended 30 September 2018 to approximately HK\$4.7 million for the six months ended 30 September 2019 as a result of the net effect of (i) the increase in revenue and gross profit as discussed above; (ii) the tax effect of non-deductible listing expenses for the six months ended 30 September 2018; and (iii) the increase in the administrative expenses as discussed above.

Profit and Total Comprehensive Income for the Period

Our profit and total comprehensive income for the period attributable to owners of the Company increased from approximately HK\$12.7 million for the six months ended 30 September 2018 to approximately HK\$23.4 million for the six months ended 30 September 2019, which was mainly due to the net effect of (i) the increase in the gross profit as discussed above; (ii) the recognition of listing expenses of approximately HK\$11.1 million during the six months ended 30 September 2018 while no such expenses was recognised during the six months ended 30 September 2019; and (iii) the increase in the administrative expenses as discussed above.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2019, 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 2019, the Group had total cash and cash equivalents and pledged bank deposits of approximately HK\$172.8 million and approximately HK\$27.5 million respectively (31 March 2019: approximately HK\$61.1 million and approximately HK\$21.3 million respectively).

The Group has funded the liquidity and capital requirements primarily through capital contributions and cash inflow generated from operating activities for the six months ended 30 September 2019 as well as the proceeds received from the Share Offer by listing of the Company's share.

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 2019 as well as for the six months ended 30 September 2018.

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 2019 remained nil (31 March 2019: Nil).

DEBTS AND CHARGES ON ASSETS

The Group had no debts and charges on assets as at 30 September 2019 and 31 March 2019.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no material capital commitments and contingent liabilities (31 March 2019: Nil).

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

During the six months ended 30 September 2019, 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

Save as disclosed under the section headed “Future Plans and Use of Proceeds” in the Prospectus, there was no other plans for material investments or capital assets as at 30 September 2019.

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

Following the Listing, the net proceeds from the initial public offering amounted to approximately HK\$96.7 million, which will be applied by the Group in accordance with the disclosure as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

Up to the date of this interim report, details of the use of the proceeds are listed as below:

	Planned use of proceed HK\$'000	Actual usage up to the date of this interim report HK\$'000
Strengthening our financial position	77,428	77,428
Expanding our workforce	10,840	69
Enhancing our machinery fleet		
— Replacing NRMM exempted machinery	4,162	4,162
General working capital	4,355	4,355
	<hr/> 96,785	<hr/> 86,014

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, we employed a total of 62 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 83 full-time employees as at 30 September 2018. The remuneration packages that the Group offers to employees includes salary, discretionary bonuses, staff benefits, contributions and retirement schemes as well as other cash subsidies. In general, the Group determines employee's salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions. The total staff cost incurred by the Group for the six months ended 30 September 2019 was approximately HK\$10.9 million compared to approximately HK\$16.8 million in the corresponding six months ended 30 September 2018.

EVENTS AFTER THE SIX MONTHS ENDED 30 SEPTEMBER 2019

Save as disclosed in this interim report, the Board is not aware of any significant event requiring disclosure that has been occurred after 30 September 2019 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 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4, 5	203,473	160,804
Direct costs		(169,323)	(127,873)
Gross profit		34,150	32,931
Other income, other gains or losses	6	899	76
Listing expenses		–	(11,125)
Administrative expenses		(6,948)	(4,765)
Finance costs		(2)	–
Profit before tax	8	28,099	17,117
Income tax expenses	7	(4,735)	(4,435)
Profit and total comprehensive income for the period		23,364	12,682
Earnings per share			
— Basic (HK cents)	10	3.92	2.73

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	15,627	4,063
Right-of-use assets		88	–
		15,715	4,063
Current assets			
Trade and other receivables, deposits and prepayments	12	54,942	34,247
Contract assets	13	83,074	76,095
Pledged bank deposits		27,511	21,263
Bank balances and cash		172,753	61,121
		338,280	192,726
Current liabilities			
Trade and other payables	14	61,696	43,095
Contract liabilities	13	–	3,028
Lease liabilities		70	–
Taxation liabilities		7,845	3,559
		69,611	49,682
Net current assets		268,669	143,044
Net assets		284,384	147,107
Capital and reserves			
Share capital	15	6,200	–*
Reserves		277,312	146,702
Equity attributable to owners of the Company		283,512	146,702
Non-current liabilities			
Deferred tax liabilities	16	854	405
Lease liabilities		18	–
Total equity		284,384	147,107

* Amount less than HK\$1,000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2018 (Audited)	390	–	16,875	96,043	113,308
Profit and total comprehensive income for the period	–	–	–	12,682	12,682
Issue of ordinary share of the Company on date of Incorporation	–*	–	–	–	–*
Issue of ordinary share of the Company for the Reorganisation	(390)	2,326	(1,936)	–	–
Balance at 30 September 2018 (Unaudited)	–*	2,326	14,939	108,725	125,990
Balance at 31 March 2019 and 1 April 2019 (Audited)	–*	2,326	14,939	129,437	146,702
Profit and total comprehensive income for the period	–	–	–	23,364	23,364
Issue of shares pursuant to the Capitalisation Issue (Note 15)	4,650	(4,650)	–	–	–
Issue of shares pursuant to the Share Offer (Note 15)	1,550	111,896	–	–	113,446
Balance at 30 September 2019 (Unaudited)	6,200	109,572	14,939	152,801	283,512

* Amount less than HK\$1,000

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.

CONDENSED CONSOLIDATED 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)
OPERATING ACTIVITIES		
Cash generated from operations	14,843	29,103
Hong Kong Profits Tax paid	–	–
NET CASH FROM OPERATING ACTIVITIES	14,843	29,103
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(6,636)	–
Withdrawal of a pledged bank balance	388	–
Proceeds from disposal of property, plant and equipment	202	7
Purchases of property, plant and equipment	(14,416)	(170)
Interest received	599	19
NET CASH USED IN INVESTING ACTIVITIES	(19,863)	(144)
FINANCING ACTIVITIES		
Payment for lease liabilities	(34)	–
Issue of shares pursuant to the Share Offer	130,200	–
Interest paid	(2)	–
Issue costs paid	(13,512)	(2,496)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	116,652	(2,496)
NET INCREASE IN CASH AND CASH EQUIVALENTS	111,632	26,463
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	61,121	44,719
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Represented by bank balances and cash	172,753	71,182

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL INFORMATION

B & D Strategic Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 24 April 2018 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 30 April 2019 (the “**Listing**”). Its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, 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 engaged 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.

As at 30 September 2019, the ultimate controlling party of the Group is Mr. Tang Wing Kwok (“**Mr. Tang**”). In the opinion of the directors of the Company, the immediate and ultimate holding company of the Group is Sky Winner Holdings Limited (“**Sky Winner**”), a company incorporated in the British Virgin Islands (“**BVI**”).

The unaudited condensed consolidated financial statements (the “**Interim Financial Information**”) is presented in Hong Kong Dollar (“**HK\$**”), which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30 September 2019 and 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). 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 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by HKICPA, the accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30 September 2019 are the same as those followed in the preparation of the annual consolidated financial statements of the Group 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 certain amendments to HKFRSs which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Interim Financial Information:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and 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 the Interim Financial Information.

Impacts and changes in accounting policies of application of HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* (the “**HKAS 17**”), and the related interpretations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application of HKFRS 16 Leases (continued)

3.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties 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 recognition exemption for lease of low-value assets. 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.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application of HKFRS 16 Leases (continued)

3.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Right-of-use assets (continued)

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are presented as separate line item

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application of HKFRS 16 Leases (continued)

3.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. 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.

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;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application of HKFRS 16 Leases (continued)

3.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application of HKFRS 16 Leases (continued)

3.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (Continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application of HKFRS 16 Leases (continued)

3.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application of HKFRS 16 Leases (continued)

3.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	465
Lease liabilities discounted at relevant incremental borrowing rates	(7)
Less:	
Recognition exemption — short-term leases	(336)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	122
Analysed as	
Current portion	69
Non-current portion	53
Lease liabilities as at 1 April 2019	122

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	122
By class:	
Buildings	122

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application of HKFRS 16 Leases (continued)

3.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amount previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amount under HKFRS 16 at 1 April 2019 HK\$'000
Non-current assets				
Right-of-use assets		–	122	122
Current liabilities				
Lease liabilities	(a)	–	(69)	(69)
Non-current liabilities				
Lease liabilities	(a)	–	(53)	(53)

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

- (a) As at 1 April 2019, current lease liabilities and non-current lease liabilities of HK\$69,000 and HK\$53,000 were recognised respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 being recognised over time under long-term contracts in Hong Kong) during the six months ended 30 September 2019 and 2018.

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Contract revenue from provision of services on alteration and addition works	76,514	123,165
Contract revenue from provision of services on civil engineering works	126,959	37,639
	203,473	160,804

Included in the Group's revenue during the six months ended 30 September 2019 is contract revenue of HK\$5,176,000 (six months ended 30 September 2018: HK\$53,450,000) derived from provision of services on alteration and addition works to a customer 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

5. SEGMENT INFORMATION (continued)

Segment revenue and profit

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

For the six months ended 30 September 2019

	Alteration and addition works HK\$'000 (Unaudited)	Civil engineering works HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue — external	76,514	126,959	203,473
Segment results	10,932	23,218	34,150
Other income, other gains or losses			899
Administrative expenses			(6,948)
Finance costs			(2)
Profit before tax			28,099

For the six months ended 30 September 2018

	Alteration and addition works HK\$'000 (Unaudited)	Civil engineering works HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue — external	123,165	37,639	160,804
Segment results	26,065	6,866	32,931
Other income, other gains or losses			76
Listing expenses			(11,125)
Administrative expenses			(4,765)
Profit before tax			17,117

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

6. OTHER INCOME, OTHER GAINS OR LOSSES

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Bank interest income	599	19
Gain on disposal of property, plant and equipment	202	7
Others	98	50
	899	76

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax:		
Hong Kong	4,286	4,515
Deferred tax (Note 16)	449	(80)
	4,735	4,435

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2019 (six months ended 30 September 2018: 16.5%).

Commencing from year ended 31 March 2019, the assessable profits of a Hong Kong incorporated subsidiary (as elected by the management) is subject to the two-tiered profits tax rates regime which was effective on 28 March 2018 that the first HK\$2 million of assessable profits will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The Hong Kong Profits Tax of other Hong Kong incorporated subsidiaries is calculated at 16.5% of their respective estimated assessable profits for the six months ended 30 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

8. PROFIT BEFORE TAX

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and other benefits	10,544	16,192
Retirement benefit scheme contributions	389	652
	10,933	16,844
Auditor's remuneration	500	350
Minimum lease payments under operating leases in respect of:		
— properties and warehouse	157	585
— plant and machinery	337	1,083
Depreciation of property, plant and equipment	2,852	1,370
Depreciation of right-of-use assets	34	–

9. DIVIDENDS

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interim dividend proposed after the end of the reporting period	30,000	–

On 26 November 2019, the Board has declared an interim dividend of HK cents 4.84 per share for the six months ended 30 September 2019 payable on or around 8 January 2020 to owners of the Company whose names appear on the register of members of the Company on 13 December 2019. The amount of interim dividend declared was calculated based on the number of ordinary shares in issue at the date of approval of the Interim Financial Information. The interim dividend has not been recognised as a liability in this Interim Financial Information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

10. EARNINGS PER SHARE

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to the owners of the Company)	23,364	12,682
	Number of shares '000 (Unaudited)	Number of shares '000 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	595,437	465,000

The weighted average number of ordinary shares for the purpose of calculating basic earning per share has been adjusted for the issuance of 155,000,000 ordinary shares pursuant to the Share Offer on 30 April 2019 and on the assumption that the reorganisation and the Capitalisation Issue had been effective on 1 April 2018.

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

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired certain items of property, plant and equipment in an aggregate of approximately HK\$14,416,000 (six months ended 30 September 2018: HK\$170,000).

During the six months ended 30 September 2019, the Group disposed certain items of property, plant and equipment with carrying amount of approximately HK\$490,000 (six months ended 30 September 2018: HK\$78,000) for cash proceeds of approximately HK\$202,000 (six months ended 30 September 2018: HK\$7,000) resulting in a gain on disposal of approximately HK\$202,000 (six months ended 30 September 2018: gain of HK\$7,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables	45,836	20,551
Advances to sub-contractors and suppliers	6,362	5,512
Deferred issue costs	–	5,697
Other receivables (Note)	1,449	970
Prepayments and deposits	1,295	1,517
	54,942	34,247

Note: Other receivables mainly represent advances to injured workers that could be reimbursed from insurance.

Trade receivables

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
1 – 30 days	20,261	20,111
31 – 60 days	23,190	440
61 – 90 days	–	–
Over 90 days	2,385	–
	45,836	20,551

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

13. CONTRACT ASSETS AND LIABILITIES

Contract assets 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. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer.

The Group's contract assets are analysed as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Provision of services on alteration and addition works		
— Retention receivables	17,541	16,018
— Others	45,088	35,286
Provision of services on civil engineering works		
— Retention receivables	19,445	9,877
— Others	1,000	14,914
	83,074	76,095

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 each reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

13. CONTRACT ASSETS AND LIABILITIES (continued)

The Group's contract assets are the 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 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Within one year	17,959	7,771
After one year	19,027	18,124
	36,986	25,895

Contract liabilities as at 31 March 2019 represent the Group's obligation to transfer alteration and addition works services to customers for which the Group has received advance payments from the customers and will be recognised as revenue for the year ending 31 March 2020.

14. TRADE AND OTHER PAYABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables	45,821	18,428
Retention payables	11,191	10,438
Staff costs payables	2,808	2,752
Accrued issue costs	–	8,421
Other payables (Note)	1,876	3,056
	61,696	43,095

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

14. TRADE AND OTHER PAYABLES (continued)

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
1 – 30 days	31,869	13,167
31 – 60 days	13,952	5,261
61 – 90 days	–	–
Over 90 days	–	–
	45,821	18,428

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 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
On demand or within one year	2,461	3,159
After one year	8,730	7,279
	11,191	10,438

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

15. SHARE CAPITAL

The Company was incorporated on 24 April 2018 with the initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. One nil-paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was subsequently transferred to Sky Winner at a consideration of HK\$0.01 on the same day.

On 19 June 2018, Mr. Tang and Mr. Lo Wing Hang (“**Mr. Lo**”) (as vendors and warrantors), Sky Winner (as confirmer) and the Company (as purchaser) entered into a sale and purchase agreement, pursuant to which, (a) Mr. Tang transferred his 34,741 ordinary shares (representing 69.48% of the entire issued share capital) in Joy Goal to the Company and in consideration of which the 1 nil-paid subscriber share of the Company and registered in the name of Sky Winner was credited as fully paid together with the Company issuing and allotting 6,947 ordinary shares of the Company, all credited as fully paid to Sky Winner at the instruction of Mr. Tang; and (b) Mr. Lo transferred his 15,259 ordinary shares (representing 30.52% of the entire issued share capital) in Joy Goal to the Company and in consideration of which the Company issued and allotted 3,052 ordinary shares of the Company, all credited as fully paid to Sky Winner at the instruction of Mr. Lo.

On 4 April 2019, written resolutions of the sole shareholder of the Company were passed to approve the increase in authorised ordinary share capital of the Company from HK\$380,000 divided into 38,000,000 ordinary shares of the Company of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 ordinary shares of the Company of HK\$0.01 each by the creation of additional 4,962,000,000 new ordinary shares of the Company of HK\$0.01 each, ranking pari passu in all respects with the ordinary shares of the Company in issue on 4 April 2019.

On 30 April 2019, the Company effected the capitalisation of an amount of HK\$4,649,900 standing to the credit of the share premium account of the Company as a result of the Share Offer and to appropriate such amount as to capital to pay up in full, at par, 464,990,000 ordinary shares of the Company of HK\$0.01 each for allotment and issue to the shareholders of the Company on 4 April 2019, each ranking pari passu in all respects with the then existing issued ordinary shares of the Company (the “**Capitalisation Issue**”).

On 30 April 2019, 155,000,000 ordinary shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$0.84 per share by way of public offer and placing of the Company's ordinary shares. On the same date, the Company's ordinary shares were listed on the Main Board of the Stock Exchange.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

15. SHARE CAPITAL (continued)

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

	Number of share(s)	Share capital HK\$'000
<i>Ordinary shares of HK\$0.01 each</i>		
Authorised		
As at 24 April 2018 (date of incorporation) and 31 March 2019 and 1 April 2019 (Audited)	38,000,000	380
Increase during the six months ended 30 September 2019	4,962,000,000	49,620
As at 30 September 2019 (Unaudited)	5,000,000,000	50,000
Issued		
Issued as at 24 April 2018 (date of incorporation)	1	—*
Issued on 19 June 2018 (date of completion of the Reorganisation)	9,999	—*
As at 31 March 2019 and 1 April 2019 (Audited)	10,000	—*
Issue of shares pursuant to the Capitalisation Issue	464,990,000	4,650
Issue of shares pursuant to the Share Offer	155,000,000	1,550
As at 30 September 2019 (Unaudited)	620,000,000	6,200

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

16. DEFERRED TAXATION

The movements in deferred tax liabilities during the six months ended 30 September 2019 and year ended 31 March 2019, without taking into account the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated depreciation allowance HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2018 (Audited)	(501)	–	(501)
Credit to profit or loss	96	–	96
At 31 March 2019 (Audited)	(405)	–	(405)
Charge to profit or loss (Note 7)	(449)	–	(449)
At 30 September 2019 (Unaudited)	(854)	–	(854)

17. RELATED PARTY DISCLOSURES

Other than the transactions and balances with related parties disclosed elsewhere in the Interim Financial Information, the Group had related party transactions in respect of the compensation of the key management personnel of the Group during the six months ended 30 September 2019 and 2018:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short-term benefits	2,402	1,919
Post-employment benefits	59	60
	2,461	1,979

OTHER INFORMATION

INTERIM DIVIDEND

The Board has declared an interim dividend of HK cents 4.84 per share for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil), which will be payable on or around Monday, 8 January 2020 to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company (the “**Register of Members**”) on Friday, 13 December 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders’ entitlement to interim dividend, the Register of Members will be closed from Tuesday, 10 December 2019 to Friday, 13 December 2019 (both days inclusive) during which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 9 December 2019.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTEREST IN SECURITIES

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

(i) Long position in the Shares

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

Notes:

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

OTHER INFORMATION

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

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

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

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

As at the date of this interim report, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to the Section 336 of the SFO, or which would be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

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

Notes:

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

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

OTHER INFORMATION

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed “Directors’ and chief executive’s interest in securities” above and the paragraph headed “Share Option Scheme” below, at no time from the Listing Date to the date of this interim report 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 2019, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (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 Disclosures” in Note 17 to the Interim Financial Information, 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 2019 or any time during the six months ended 30 September 2019, nor was there any other transaction, arrangement or contract of significance in relation to the Group’s business between the Company or any of the Company’s subsidiaries and a controlling shareholder or any of its subsidiaries.

SHARE OPTION SCHEME

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

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which option granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial shareholders or independent non-executive Directors or any of their respective close associates (including a discretionary trust whose discretionary objects include substantial shareholders, independent non-executive Directors, or any of their respective close associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

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

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

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

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 Shareholders, enhance its corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

OTHER INFORMATION

CORPORATE GOVERNANCE (continued)

Compliance with Corporate Governance Code

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the "**CG code**") contained in Appendix 14 to the Listing Rules. As the Shares were not listed on the Main Board of the Stock Exchange until 30 April 2019, the CG Code provisions were not applicable to the Company before the Listing Date. To the best of the knowledge of the Board, the Company has complied with the CG code since the Listing Date and up to the date of this interim report. The Directors will periodically review on the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the code provisions from time to time.

Compliance with the Model Code for Securities Transactions by Directors

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 September 2019.

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 Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the six months ended 30 September 2019 and up to the date of this interim report, and that is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the six months ended 30 September 2019 and up to the date of this interim report.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee (the “**Audit Committee**”) of the Board was established on 4 April 2019. The Audit Committee consists of three independent non-executive Directors, namely Mr. Yeung Tze Long, Mr. Cheung Ting Kin and Mr. Yiu Chun Wing. Mr. Yeung Tze Long currently serves as the chairman of the Audit Committee.

The interim financial results of the Group for the six months ended 30 September 2019 are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

By Order of the Board

Tang Wing Kwok

Chairman and Executive Director

Hong Kong, 26 November 2019