

B & D Strategic Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1780

INTERIM REPORT 2020



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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. Cheung Ting Kin

Mr. Chan Pui Hang Ian

AUDIT COMMITTEE

Mr. Yeung Tze Long (*Chairman*)

Mr. Cheung Tin Kin

Mr. Chan Pui Hang Ian

REMUNERATION COMMITTEE

Mr. Yeung Tze Long (*Chairman*)

Mr. Lo Wing Hang

Mr. Chan Pui Hang Ian

NOMINATION COMMITTEE

Mr. Tang Wing Kwok (*Chairman*)

Mr. Cheung Tin Kin

Mr. Chan Pui Hang Ian

COMPANY SECRETARY

Ms. Chik Wai Chun

AUTHORISED REPRESENTATIVES

Mr. Tang Wing Kwok

Ms. Chik Wai Chun

CORPORATE INFORMATION

REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 1350
Clifton House
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Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2803–2803A, Asia Trade Centre
No. 79 Lei Muk Road
Kwai Chung
New Territories
Hong Kong

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

Ocorian Trust (Cayman) Limited
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Grand Cayman KY1-1108
Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITORS

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Certified Public Accountants
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88 Queensway
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PRINCIPAL BANKER

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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 2020, together with the comparative figures for the corresponding six months ended 30 September 2019. 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 has been implementing its future plans as set out in the section headed "Future Plans and Use of Proceeds" to the Prospectus.

In general, our customers primarily include property asset management companies, property developers and contractors in Hong Kong. During the six months ended 30 September 2020, we focused undertaking projects in the private sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK (continued)

Following the outbreak of the COVID-19 pandemic since early 2020, completion progress of certain projects was affected. Although the operation of the construction projects was resumed to normal during the six months ended 30 September 2020 with the strict preventive measures that have been taken by the Group on both at sites and office levels, the impact of the COVID-19 pandemic became obvious as the Group is facing with challenges including the increase in competition with low bidding tender price, the decrease in the size of tenders and the increase in costs for labours and subcontractors with the subsistence of the COVID-19 pandemic during the six months ended 30 September 2020. The Directors are of the view that the construction industry will continue to be tough in the second half of 2020. In response to the market condition, the Group will keep on striving to remain its competitiveness by, on the one hand, continuing to maintain its high standard of project planning with the provision of diverse types of services in alteration addition works and civil engineering works, and on the other hand, adopting a relatively more competitive pricing strategy. The Group will closely monitor the market and respond to changes in the market conditions with a view to secure more opportunities.

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$203.5 million for the six months ended 30 September 2019 to approximately HK\$132.4 million for the six months ended 30 September 2020, representing a decrease of approximately 34.9%.

The decrease was primarily because certain projects with relatively larger contract sums were completed during the year ended 31 March 2020 and certain new projects undertaken during the six months ended 30 September 2020 are with lower contract sums.

Direct Costs

Our direct costs decreased from approximately HK\$169.3 million for the six months ended 30 September 2019 to approximately HK\$118.5 million for the six months ended 30 September 2020, representing a decrease of approximately 30.0%. Such decrease in direct costs was attributable to the reason of the decrease in revenue as discussed above; and partially offset by the increase in direct costs due to (i) progress of certain projects were negatively affected due to the adverse impact from COVID-19 pandemic; and (ii) unexpected complexity of construction works.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Gross Profit and Gross Profit Margin

Our gross profit amounted to approximately HK\$34.2 million and approximately HK\$13.9 million for the six months ended 30 September 2019 and the six months ended 30 September 2020 respectively, representing a decrease of approximately 59.4%. The decrease in our gross profit was primarily due to the decrease in our gross profit in both alteration and addition works and civil engineering works segments.

The gross profit margin of alteration and addition works segment decreased from approximately 14.3% for the six months ended 30 September 2019 to approximately 10.8% for the six months ended 30 September 2020. The decrease was mainly because certain projects with relatively larger contract sums were completed during the year ended 31 March 2020 and certain new projects undertaken during the six months ended 30 September 2020 are with lower contract sums and lower profit margin.

The gross profit margin of civil engineering works segment was approximately 18.3% for the six months ended 30 September 2019 and approximately 10.3% for the six months ended 30 September 2020. The decrease was mainly due to the combined effect of (i) the progress of certain projects were negatively affected due to the adverse impact from COVID-19 pandemic; and (ii) unexpected complexity of construction works arose.

Other income and Other Gains

Our other income and other gains increased from approximately HK\$899,000 for the six months ended 30 September 2019 to approximately HK\$2.6 million for the six months ended 30 September 2020. Such difference was mainly due to the recognition of government subsidies of approximately HK\$2.0 million during the six months ended 30 September 2020.

Administrative Expenses

Our administrative expenses decreased from approximately HK\$6.9 million for the six months ended 30 September 2019 to approximately HK\$5.9 million for the six months ended 30 September 2020, representing a decrease of approximately 15.2%. Such decrease was mainly due to the decrease in legal and professional fees and entertainment expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Profit Before Tax and Income Tax Expenses

Our profit before tax decreased from approximately HK\$28.1 million for the six months ended 30 September 2019 to approximately HK\$10.6 million for the six months ended 30 September 2020, which was mainly attributable to the reason of the decrease in gross profit as discussed above.

Following the decrease in our profit before tax, our income tax expense decreased from approximately HK\$4.7 million for the six months ended 30 September 2019 to approximately HK\$1.3 million for the six months ended 30 September 2020.

Profit and Total Comprehensive Income for the Period

Our profit and total comprehensive income for the period attributable to owners of the Company decreased from approximately HK\$23.4 million for the six months ended 30 September 2019 to approximately HK\$9.3 million for the six months ended 30 September 2020, which was mainly due to the reason of the decrease in gross profit as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2020, 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 2020, the Group had total cash and cash equivalents and pledged bank deposits of approximately HK\$204.9 million and approximately HK\$1.9 million respectively (31 March 2020: approximately HK\$150.1 million and approximately HK\$17.0 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 2020 as well as the proceeds received from the Share Offer.

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 2020 as well as for the six months ended 30 September 2019.

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 2020 remained nil (31 March 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

DEBTS AND CHARGES ON ASSETS

Save as disclosed elsewhere in this interim report, the Group had no debts and charges on assets as at 30 September 2020 and 31 March 2020.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2020, the Group had no material capital commitments and contingent liabilities (31 March 2020: Nil).

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

During the six months ended 30 September 2020, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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 2020.

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

The Listing of the Company’s shares has commenced on the Stock Exchange on 30 April 2019 (the ‘**Listing Date**’). 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	2,095
Enhancing our machinery fleet		
— Replacing NRMM exempted machinery	4,162	4,162
General working capital	4,355	4,355
	96,785	88,040

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS (continued)

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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, we employed a total of 59 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 62 full-time employees as at 30 September 2019. 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 2020 was approximately HK\$11.3 million compared to approximately HK\$10.9 million in the corresponding six months ended 30 September 2019.

EVENTS AFTER THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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 2020 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 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4, 5	132,377	203,473
Direct costs		(118,518)	(169,323)
Gross profit		13,859	34,150
Other income and other gains	6	2,614	899
Administrative expenses		(5,891)	(6,948)
Finance costs		(1)	(2)
Profit before tax	8	10,581	28,099
Income tax expenses	7	(1,305)	(4,735)
Profit and total comprehensive income for the period		9,276	23,364
Earnings per share			
— Basic (HK cents)	10	1.50	3.92

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	12,304	14,693
Right-of-use assets		20	54
Other receivables	12	6,740	6,696
		19,064	21,443
Current assets			
Trade and other receivables, deposits and prepayments	12	20,754	20,670
Contract assets	13	79,910	120,950
Tax receivable		351	788
Pledged bank deposits		1,892	16,963
Bank balances and cash		204,898	150,120
		307,805	309,491
Current liabilities			
Trade, retention and other payables	14	53,645	68,321
Lease liabilities		18	53
Taxation liabilities		1,147	14
Deferred income		501	–
		55,311	68,388
Net current assets		252,494	241,103
Net assets		271,558	262,546
Capital and reserves			
Share capital	15	6,200	6,200
Reserves		264,088	254,812
Equity attributable to owners of the Company		270,288	261,012
Non-current liabilities			
Deferred tax liabilities	16	1,270	1,534
Total equity		271,558	262,546

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total HK\$'000
Balance at 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
Balance at 1 April 2020 (Audited)	6,200	109,572	14,939	130,301	261,012
Profit and total comprehensive income for the period	–	–	–	9,276	9,276
Balance at 30 September 2020 (Unaudited)	6,200	109,572	14,939	139,577	270,288

* 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. Ka Shun Civil Engineering, Ka Shun Contractors, Ka Construction and Joy Goal are wholly-owned subsidiaries of the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	39,172	14,843
Hong Kong Profits Tax paid	-	-
NET CASH FROM OPERATING ACTIVITIES	39,172	14,843
INVESTING ACTIVITIES		
Placement of pledged bank deposits	-	(6,636)
Withdrawal of pledged bank balances	15,071	388
Proceeds from disposal of property, plant and equipment	62	202
Purchases of property, plant and equipment	(29)	(14,416)
Interest received	538	599
NET CASH FROM (USED IN) INVESTING ACTIVITIES	15,642	(19,863)
FINANCING ACTIVITIES		
Repayments of lease liabilities	(35)	(34)
Issue of shares pursuant to the Share Offer	-	130,200
Interest paid	(1)	(2)
Issue costs paid	-	(13,512)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(36)	116,652
NET INCREASE IN CASH AND CASH EQUIVALENTS	54,778	111,632
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	150,120	61,121
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Represented by bank balances and cash	204,898	172,753

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020, 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 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Information for the six months ended 30 September 2020 have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by HKICPA and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30 September 2020 are the same as those presented in the annual consolidated financial statements of the Group for the year ended 31 March 2020.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s Interim Financial Information:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these Interim Financial Information.

3.1. Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the Interim Financial Information. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Application of new and amendments to HKFRSs (continued)

3.2. Accounting policies newly adopted by the Group

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

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 2020 and 2019.

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Contract revenue from provision of services on alteration and addition works	43,676	76,514
Contract revenue from provision of services on civil engineering works	88,701	126,959
	132,377	203,473

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE (continued)

Disaggregation of revenue from contracts with customers (continued)

Included in the Group's revenue during the six months ended 30 September 2020 is contract revenue of HK\$5,874,000 (six months ended 30 September 2019: HK\$5,176,000) 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.

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 2020

	Alteration and addition works HK\$'000 (Unaudited)	Civil engineering works HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue — external	43,676	88,701	132,377
Segment results	4,721	9,138	13,859
Other income and other gains			2,614
Administrative expenses			(5,891)
Finance costs			(1)
Profit before tax			10,581

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

5. SEGMENT INFORMATION (continued)

Segment revenue and profit (continued)

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 and other gains			899
Administrative expenses			(6,948)
Finance costs			(2)
Profit before tax			28,099

6. OTHER INCOME AND OTHER GAINS

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	582	599
Gain on disposal of property, plant and equipment, net	50	202
Government subsidies under Employment Support Scheme and Anti-epidemic Fund	1,982	—
Others	—	98
	2,614	899

During the current interim period, the Group recognised government grants in respect of COVID-19 related subsidies of approximately HK\$1,982,000 (Unaudited) related to Employment Support and other subsidy under Anti-epidemic Fund Scheme provided by the Hong Kong Government.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax:		
Hong Kong	1,569	4,286
Deferred tax (Note 16)	(264)	449
	1,305	4,735

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2020 (six months ended 30 September 2019: 16.5%).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

8. PROFIT BEFORE TAX

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and other benefits	10,844	10,544
Retirement benefit scheme contributions	408	389
	11,252	10,933
Auditor's remuneration	450	500
Depreciation of property, plant and equipment	2,406	2,852
Depreciation of right-of-use assets	34	34

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

9. DIVIDENDS

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interim dividend proposed after the end of the reporting period	–	30,000

The directors of the Company do not recommend the payment of an interim dividend for ordinary share in respect of the six months ended 30 September 2020 (Six months ended 30 September 2019: an interim dividend of HK4.84 cents per ordinary share amounting to HK\$30,000,000 in aggregate (Unaudited)).

10. EARNINGS PER SHARE

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period)	9,276	23,364

	Six months ended 30 September	
	Number of shares '000 (Unaudited)	Number of shares '000 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	620,000	595,437

The weighted average number of the ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 September 2020 has been determined based on 620,000,000 ordinary shares in issue during the period.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 September 2019 has been determined as 595,437,000 ordinary shares, on the assumption that the Reorganisation and the Capitalisation Issue (Note 15) have been effective on 1 April 2019.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired certain items of property, plant and equipment in an aggregate of approximately HK\$29,000 (six months ended 30 September 2019: HK\$14,416,000).

During the six months ended 30 September 2020, the Group disposed certain items of property, plant and equipment with carrying amounts aggregating to approximately HK\$12,000 (six months ended 30 September 2019: HK\$Nil) for cash proceeds of approximately HK\$62,000 (six months ended 30 September 2019: HK\$202,000) resulting in net gains on disposal of approximately HK\$50,000 (six months ended 30 September 2019: net gains of HK\$202,000).

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade receivables	17,128	15,640
Advances to sub-contractors and suppliers	1,123	2,492
Other receivables (Note)	7,648	7,761
Prepayments and deposits	1,595	1,473
	27,494	27,366
Less: Non-current portion	(6,740)	(6,696)
	20,754	20,670

Note: Included in the other receivables as at 30 September 2020 is a refundable deposit of HK\$6,740,000 (Unaudited) (31 March 2020: HK\$6,696,000 (Audited)) paid to an insurance company as collateral for issuing a performance bond for an ongoing civil engineering project which is expected to be released after 30 September 2021 and is, therefore, classified as non-current. Such deposit bears interest at 0.35% per annum. The remaining amount of the other receivables as at 30 September 2020 and 31 March 2020 mainly represent advances to injured workers that could be reimbursed from insurance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

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 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
1 – 30 days	13,852	15,227
31 – 60 days	3,276	413
	17,128	15,640

13. CONTRACT ASSETS

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 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Provision of services on alteration and addition works		
— Retention receivables	9,243	18,718
— Others	23,598	48,045
Provision of services on civil engineering works		
— Retention receivables	35,219	27,763
— Others	11,850	26,424
	79,910	120,950

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

13. CONTRACT ASSETS (continued)

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.

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 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within one year	11,130	23,939
After one year	33,332	22,542
	44,462	46,481

14. TRADE, RETENTION AND OTHER PAYABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade payables	36,015	47,600
Retention payables	11,188	13,777
Staff costs payables	4,740	3,827
Other payables (Note)	1,702	3,117
	53,645	68,321

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 2020

14. TRADE, RETENTION 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 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
1 – 30 days	31,137	43,096
31 – 60 days	4,878	4,504
	36,015	47,600

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 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
On demand or within one year	1,975	4,927
After one year	9,213	8,850
	11,188	13,777

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 pursuant to the group reorganisation (the “**Reorganisation**”) completed by the Group on 19 June 2018 for the listing of the Company’s shares on the Stock Exchange and the Share Offer.

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 2020

15. SHARE CAPITAL (continued)

As at 30 September 2020 and 31 March 2020, the share capital of the Group represents the issued share capital of the Company and details of movements of share capital of the Company are as follows:

	Number of shares	HK\$'000
Authorised ordinary shares with par value of HK\$0.01 each:		
At 1 April 2019	38,000,000	380
Increase in authorised share capital under the Reorganisation	4,962,000,000	49,620
At 30 September 2019, 1 April 2020 and 30 September 2020	5,000,000,000	50,000
Ordinary shares, issued and fully paid:		
At 1 April 2019 and 30 September 2019	10,000	—*
Issue of ordinary shares of the Company pursuant to the Share Offer	155,000,000	1,550
Capitalisation Issue	464,990,000	4,650
At 31 March 2020, 1 April 2020 and 30 September 2020	620,000,000	6,200

* Amount less than HK\$1,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

16. DEFERRED TAXATION

The movements in deferred tax liabilities during the six months ended 30 September 2020 and year ended 31 March 2020 are as follows:

	Accelerated depreciation allowance HK\$'000
At 1 April 2019 (Audited)	405
Charge to profit or loss	1,129
At 31 March 2020 (Audited)	1,534
Credit to profit or loss (Note 7)	(264)
At 30 September 2020 (Unaudited)	1,270

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 2020 and 2019:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term benefits	2,575	2,402
Post-employment benefits	53	59
	2,628	2,461

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: HK cents 4.84 per share).

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 30 September 2020, 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 30 September 2020, 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 2020, 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 Notes to the condensed consolidated financial statements, there were no transaction, arrangement or contract of significance, to which the company any of its subsidiaries, its parent company, or its parent company’s subsidiaries was a party, and in which a Director or any entity connected with a Director had a material interest, whether directly and indirectly, subsisted as at 30 September 2020 or any time during the six months ended 30 September 2020, 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 six months ended 30 September 2020 and up to 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. 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 during the six months ended 30 September 2020 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 during the six months ended 30 September 2020 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 2020.

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 2020 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 2020 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. Chan Pui Hang, *lan*. 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 2020 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, 30 November 2020