

Lotus Horizon Holdings Limited 智中國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code : 6063

Interim Report
2020





CONTENTS

- 2** Corporate Information
- 4** Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 5** Unaudited Condensed Consolidated Statement of Financial Position
- 6** Unaudited Condensed Consolidated Statement of Changes in Equity
- 7** Unaudited Condensed Consolidated Statement of Cash Flows
- 8** Notes to the Unaudited Condensed Consolidated Financial Statements
- 26** Management Discussion and Analysis
- 32** Other Information

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chu Kwok Fun
(*Chairman and Chief Executive Officer*)
Mr. Tsang Chiu Wan

Independent non-executive Directors

Ms. Leung Yin Fai
Mr. Ma Tsz Chun
Ms. Yuen Wai Yee

AUDIT COMMITTEE

Mr. Ma Tsz Chun (*Chairman*)
Ms. Leung Yin Fai
Ms. Yuen Wai Yee

REMUNERATION COMMITTEE

Ms. Leung Yin Fai (*Chairman*)
Mr. Tsang Chiu Wan
Mr. Ma Tsz Chun
Ms. Yuen Wai Yee

NOMINATION COMMITTEE

Mr. Chu Kwok Fun (*Chairman*)
Mr. Ma Tsz Chun
Ms. Leung Yin Fai

COMPANY SECRETARY

Mr. Lee Wai Hung Garic

AUTHORISED REPRESENTATIVES

Mr. Chu Kwok Fun
Mr. Lee Wai Hung Garic

REGISTERED OFFICE IN CAYMAN ISLANDS

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21/F, Delta House
3 On Yiu Street
Shatin, New Territories
Hong Kong

COMPLIANCE ADVISER

Innovax Capital Limited
Room 2002, 20th Floor
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Stevenson, Wong & Co.
39th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE INFORMATION

AUDITOR

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Dah Sing Bank Limited
35th Floor, Everbright Centre
108 Gloucester Road
Hong Kong

Shanghai Commercial Bank Limited
G28 Franki Centre
320 Junction Road
Kowloon Tong
Hong Kong

COMPANY WEBSITE

www.lotushorizonholdings.com

STOCK CODE

6063

The board (the “**Board**”) of directors (the “**Directors**”) of Lotus Horizon Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 September 2020 together with comparative figures for the corresponding period in 2019 as follows:

UNAUDITED 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	2019 HK\$'000
Revenue	3	98,973	126,217
Cost of sales		(75,992)	(90,056)
Gross profit		22,981	36,161
Other income, gains and losses, net	4	652	36
Impairment losses (recognized) reversed, net		(424)	41
Operating and administrative expenses		(12,371)	(7,023)
Finance costs		(498)	(662)
Listing expenses		(1,311)	(5,913)
Profit before taxation	5	9,029	22,640
Income tax expense	6	(1,485)	(4,549)
Profit and total comprehensive income for the period		7,544	18,091
Earnings per share, basic (HK cents)	8	0.38	1.21

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Non-current assets			
Property and equipment	9	15,658	3,701
Deposit and prepayment for a life insurance policy		1,507	1,228
Rental deposits		747	283
Deferred tax assets		222	153
		18,134	5,365
Current assets			
Trade and other receivables	10	16,126	21,269
Contract assets	11	99,024	79,313
Pledged bank deposits		22,962	5,122
Bank balances and cash		59,929	13,960
		198,041	119,664
Current liabilities			
Trade and other payables	12	21,367	21,281
Lease liabilities		2,154	1,466
Taxation payable		3,843	4,039
Bank borrowings	13	20,776	34,582
		48,140	61,368
Net current assets		149,901	58,296
Total assets less current liabilities		168,035	63,661
Non-current liability			
Lease liabilities		9,008	1,397
Net assets		159,027	62,264
Capital and reserves			
Share capital	14	20,000	— [#]
Reserves		139,027	62,264
Total equity		159,027	62,264

[#] Less than HK\$1,000

UNAUDITED 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	Retained profits HK\$'000	Total HK\$'000
At 1 April 2019	–	–	10,000	18,106	28,106
Profit and total comprehensive income for the period	–	–	–	18,091	18,091
At 30 September 2019	–	–	10,000	36,197	46,197
At 1 April 2020	– [#]	–	10,000	52,264	62,264
Profit and total comprehensive income for the period	–	–	–	7,544	7,544
Dividend	–	–	–	(10,000)	(10,000)
Shares in issue under the Capitalisation Issue ²	15,000	(15,000)	–	–	–
Shares issued pursuant to the Share Offer ¹	5,000	120,000	–	–	125,000
Expenses in connection with the issue of shares	–	(25,781)	–	–	(25,781)
At 30 September 2020	20,000	79,219	10,000	49,808	159,027

[#] Less than HK\$1,000

Note

- On 15 April 2020, the Company allotted and issued 50,000,000 and 450,000,000 new shares of par value of HK\$0.01 each at the Offer Price of HK\$0.25 each, credited as fully paid, pursuant to the Hong Kong Public Offering and International Offering as defined in the prospectus of the Company dated 30 March 2020, respectively (the “**Share Offer**”).
- The share premium account of the Company was credited as a result of the Listing, the Company capitalised an amount of HK\$14,999,998 standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of 1,499,999,800 shares for allotment and issue to the shareholders of the Company on 15 April 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Net cash (used in) from operating activities	(4,810)	7,661
Net cash used in investing activities	(5,874)	(310)
Net cash from (used in) financing activities	56,653	(6,214)
Net increase in cash and cash equivalents	45,969	1,137
Cash and cash equivalents at the beginning of period	13,960	13,457
Cash and cash equivalents at the end of period	59,929	14,594

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Lotus Horizon Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 14 November 2018 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 April 2020 (the “**Listing Date**”) (the “**Listing**”). The addresses of the Company’s registered office and the principal place of business of the Company is located at 21/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

Its immediate and ultimate holding company is Platinum Lotus Holdings Limited (“**Platinum Lotus**”), a limited liability company incorporated in the British Virgin Islands (“**BVI**”). The ultimate controlling shareholder of the Group is Mr. Chu Kwok Fun (“**Mr. Chu**”).

The Company acts as an investment holding company and the principal activities of the Group are the provision of design, supply and installation services for façade works and building metal finishing works.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2020 are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousands (HK\$’000), except when otherwise stated.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 September 2020 have been prepared in accordance with Hong Kong Accounting Standard (“**HKASs**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The unaudited condensed consolidated financial statements for the six months ended 30 September 2020 and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2020 (“**Financial Statements 2020**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”, together with HKASs and Interpretations, collectively referred to as “**HKFRS**”) issued by the HKICPA.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2020 have not been audited or reviewed by Company’s external auditors, but have been reviewed by the audit committee of the Company.

(b) Application of new and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE

Revenue represents the fair value of amounts received and receivable from the provision of design, supply and installation services for façade works and building metal finishing works in Hong Kong by the Group to external customers which is recognised over time using the input method and derived from long-term contracts during the period.

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Recognised over time		
Design, supply and installation services for		
— façade works	79,991	97,088
— building metal finishing works	18,982	29,129
	98,973	126,217

The Group's operating activities are attributable to a single operating segment focusing on the provision of design, supply and installation services for façade works and building metal finishing works. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the chief operating decision maker ("CODM"), being Mr. Chu, the chief executive officer and an executive director of the Company, for the purpose of resources allocation and performance assessment. Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance.

The CODM reviews the profit for the period of the Group as a whole to make decisions about resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information other than entity level information is prepared.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE (CONTINUED)

The customers of the Group are mainly property developers and main contractors in Hong Kong. All of the Group's provision of design, supply and installation services for façade works and building metal finishing works are made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

Transaction price allocated to the remaining performance obligations for contracts with customers

The table below shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	As at 30 September 2020 HK\$'000	As at 30 September 2019 HK\$'000
Provision of design, supply and installation services for façade works and building metal finishing works	364,194	320,876

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of design, supply and installation services for façade works and building metal finishing works as at 30 September 2020 will be recognised as revenue during the years ending 31 March 2021 to 31 March 2023 (31 March 2020: years ending 31 March 2021 to 31 March 2022).

Geographical information

All of the Group's revenue from external customers was generated from customers located in Hong Kong and all of the Group's non-current assets (excluding deferred tax assets) were located in Hong Kong.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE (CONTINUED)

Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group during the period are as follows:

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Customer A ¹	15,971	N/A ³
Customer B ²	13,922	25,417
Customer C ¹	13,900	N/A ³
Customer D ¹	10,439	— ⁴

Notes:

- Revenue from design, supply and installation services for façade works.
- Revenue from design, supply and installation services for building metal finishing works.
- The corresponding revenue did not contribute over 10% of the total revenue of the Group for the period.
- No revenue was derived during the period.

4. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Loss on disposal of property and equipment	(1,498)	—
Gain arising from early termination of a lease contract	142	—
Sundry income (note)	2,008	36
	652	36

Note: For the six months ended 30 September 2020, the amount mainly includes salary subsidy from the government amounting to approximately HK\$1.7 million.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' remunerations		
Fee	–	–
Other emoluments	1,947	1,115
	1,947	1,115
Other staff costs		
Salaries and other benefits	13,168	10,354
Retirement benefit scheme contributions for other staffs	379	328
Total staff costs	15,494	11,797
Auditor's remuneration	700	600
Variable rents in respect of office equipment which are not included in lease liabilities (Note)	22	19
Depreciation on property and equipment	1,718	896
and after crediting:		
Bank interest income	192	8

Note: The operating lease rentals for office equipment are determined according to predetermined fixed cost and the excess usage of printing pages pursuant to terms and conditions that are set out in respective rental agreements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
The income tax expense comprises:		
Hong Kong Profits Tax		
Current period	1,552	4,542
Underprovision in prior year	3	–
	1,555	4,542
Deferred tax (credit) charge	(70)	7
	1,485	4,549

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2,000,000 of profits of one qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 of that qualifying group entity will be taxed at 16.5%. Accordingly, Hong Kong Profits Tax of the qualifying entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at the flat rate of 16.5%.

7. DIVIDENDS

For the six months ended 30 September 2020, the Board of Directors has resolved not to declare any interim dividend (the six months ended 30 September 2019: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Profit for the period attributable to owners of the Company	7,544	18,091
	'000	'000
Weighted average number of ordinary shares in issue	1,961,749	1,500,000

The calculation of basic earnings per share for the six months ended 30 September 2020 and 2019 is based on the profit for the periods attributable to owners of the Company and the weighted average number of ordinary shares in issue.

The weighted average number of ordinary shares of the Company for the purpose of calculating basic earnings per share had been determined on the assumption that the Reorganisation as set out in the section "History, Development, and Reorganisation" in the prospectus of the Company dated 30 March 2020 and the capitalisation issue as described in note 14 have been effective on 1 April 2018.

No diluted earnings per share is presented as the Group has no potential ordinary shares in issue during both periods.

9. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2020, the addition of right-of-use assets, comprising the leases of the new principal place of business in Hong Kong and office equipment, amounted to approximately HK\$11.4 million (six months ended 30 September 2019: approximately HK\$2.0 million), and the disposal of right-of-use assets, mainly arising from surrender of leases of office premises, at the aggregate carrying value amounted to approximately HK\$2.4 million (six months ended 30 September 2019: HK\$Nil).

Besides, the Group acquired leasehold improvements, equipment, furniture and fixtures with a cost of approximately HK\$6.1 million (six months ended 30 September 2019: HK\$162,000). The Group also disposed of the aforementioned items at the aggregate carrying amount of approximately HK\$1.4 million (six months ended 30 September 2019: HK\$Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Trade receivables	9,172	14,009
Less: Allowances for impairment	(97)	(135)
	9,075	13,874
Deposits and prepayments	6,853	1,853
Deferred issue costs	–	5,004
Other receivables	945	821
	16,873	21,552
Less: Rental deposits classified as non-current portion	(747)	(283)
	16,126	21,269

Trade receivables represent amounts receivable for work certified after deduction of retention money by customers.

The Group usually allows a credit period ranging from 14 to 74 days to its customers. Before accepting any new customers, the Group will internally assess the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an ageing analysis of trade receivables, net of loss allowances, presented based on the approval dates of work certified by architects, surveyors or other representatives appointed by the customers, at the end of the reporting period, which are also the dates when the Group's right to consideration became unconditional:

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
0 to 30 days	2,440	7,953
31 to 60 days	–	1,978
61 to 90 days	2,194	–
Over 90 days	4,441	3,943
	9,075	13,874

Trade receivables

In determining the ECL, the management of the Group has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Under HKFRS 9, loss allowances for trade receivables have been measured at an amount equal to lifetime ECL under simplified approach.

Other receivables (including refundable rental deposits)

For purpose of impairment assessment, other receivables (including refundable rental deposits) are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on other receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12m ECL.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets	99,024	79,313
Analysed on a gross basis of:		
Contract assets (net of loss allowances)	99,251	79,579
Contract liabilities	(227)	(266)

Contract assets

Contract assets arise when the Group has right to consideration for completion of design, supply and installation of façade works and building metal finishing works and not yet billed under the relevant contracts, and its right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time.

In addition, contract assets arise when customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts.

Retention receivables represent the money withheld by the customers to secure the due performance of the contracts. The customers normally withhold 10% of the certified amount payable to the Group as retention money (accumulated up to maximum 5% of contract sum). 50% of retention receivable is normally recoverable upon the issuance of the certificate of practical completion by the architects for the completion of respective projects. The remaining 50% is recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective projects. Any amount of retention receivables previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiceable to the customer. The retention money does not have any significant financing component for financing benefit. The amounts are unsecured and interest-free.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

Contract liabilities

Contract liabilities primarily relate to the Group's obligation to transfer project works services to customers for which the Group has received consideration from the customers in advances. The contract liabilities as at 30 September 2020 and 31 March 2020 will be recognised as revenue for the year ending 31 March 2021.

Changes of contract assets were mainly due to (i) changes on progress of contract works when the Group satisfies the performance obligations under the contracts or when the relevant services were completed but not yet been certified by architects, surveyors or other representatives appointed by the customers at the end of the reporting period; and (ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

As at 30 September 2020, the carrying amounts of contract assets, on a gross basis, include retention receivables, net of loss allowances, held by customers for contract works amounting to HK\$21,763,000 (31 March 2020: HK\$18,060,000).

12. TRADE AND OTHER PAYABLES

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Non-current assets		
Trade payables	12,228	9,717
Retention payables	4,262	4,543
Accrued expenses	4,877	2,471
Accrued listing expenses and issue costs	–	4,550
	21,367	21,281

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES (CONTINUED)

The following is an ageing analysis of trade payables based on the invoice date at the end of the reporting period:

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
0 to 30 days	10,657	8,486
31 to 60 days	1,571	648
61 to 90 days	–	583
	12,228	9,717

The credit period of trade payables usually ranges from 0 to 30 days.

13. BANK BORROWINGS

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Factoring loans	2,088	–
Other bank borrowings	18,688	34,582
Variable-rate, secured and guaranteed bank borrowings	20,776	34,582
Carrying amounts of bank borrowings repayable*:		
Within one year	20,776	34,582

* The amounts due are based on scheduled repayment dates set out in the loan agreements

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. BANK BORROWINGS (CONTINUED)

The above variable-rate bank borrowings as at 30 September 2020 bear interests ranging from Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2.0% to 2.75% (31 March 2020: Hong Kong Prime Rate minus 1.0% to 1.5%) per annum to Hong Kong Prime Rate minus 1.0% (31 March 2020: HIBOR plus 2.5% to 3.0%) per annum.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group’s borrowings is as follows:

	30 September 2020	31 March 2020
Effective interest rates per annum:		
Variable-rate bank borrowings	2.5%–4.3%	3.8%–5.1%

As at 30 September 2020, the secured and guaranteed bank borrowings of HK\$2,088,000 were secured by trade receivables of HK\$2,782,000 (31 March 2020: Nil).

As at 30 September 2020, the aggregate carrying amount of bank borrowings with a repayment on demand clause amounted to HK\$20,776,000 (31 March 2020: HK\$17,013,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE CAPITAL

	Par Value HK\$	Number of ordinary shares '000	Share capital HK\$'000
Authorised share capital of the Company:			
At 1 April 2019	0.01	38,000	380
Increase on 5 March 2020 ^a	0.01	9,962,000	99,620
At 31 March 2020 and 30 September 2020		10,000,000	100,000

		Number of ordinary shares	Share capital HK\$
Issued and fully paid:			
At 14 November 2018 (date of incorporation)		1	– [#]
Issue of shares ^{b & c}		199	2
At 31 March 2019 and 2020		200	2
Shares in issue under the Capitalisation Issue ^d	1,499,999,800		14,999,998
Shares issued pursuant to the Share Offer ^e	500,000,000		5,000,000
At 30 September 2020	2,000,000,000		20,000,000

[#] Less than HK\$1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE CAPITAL (CONTINUED)

Notes:

- a. On 5 March 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of 9,962,000,000 additional shares.
- b. On 22 March 2019, as part of the Reorganisation, the Company acquired all the issued shares of Plateau Star Limited (“**Plateau Star**”) from Platinum Lotus, in consideration to which, the Company, at the direction of Mr. Chu, allotted and issued 99 fully paid shares to Platinum Lotus and credited as fully paid the one nil-paid share held by Platinum Lotus. As a result, Plateau Star became a wholly-owned subsidiary of the Company.
- c. On 27 March 2019, as part of the Reorganisation, the Company, through Plateau Star, acquired all issued shares of ICGL Technical Works (HK) Limited (“**ICGL (Hong Kong)**”) from Summit (Sino) Holdings Limited which is controlled by Mr. Chu, in the consideration to which, the Company, at the direction of Mr. Chu, allotted and issued 100 fully paid shares to Platinum Lotus. As a result, ICGL (Hong Kong) became a wholly-owned subsidiary of the Company.
- d. The share premium account of the Company was credited as a result of the Listing, the Company capitalised an amount of HK\$14,999,998 standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of 1,499,999,800 shares for allotment and issue to the shareholders of the Company on 15 April 2020.
- e. On 15 April 2020, the Company allotted and issued 50,000,000 and 450,000,000 new shares of par value of HK\$0.01 each at the Offer Price of HK\$0.25 each, credited as fully paid, pursuant to the Hong Kong Public Offering and International Offering as defined in the prospectus of the Company dated 30 March 2020, respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. PERFORMANCE GUARANTEES

As at 30 September 2020, surety bonds of an aggregate balance of HK\$15.0 million (31 March 2020: HK\$5.1 million) were given by a bank in favour of the Group's customers as security for the performance and observance of the Group's obligations under the construction contracts entered into between the Group and the customers. If the Group fails to provide satisfactory performance to the customers to whom the performance guarantees have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were granted under letters of guarantees of the Group and were secured by pledged bank deposits of HK\$15.0 million (31 March 2020: HK\$5.1 million). The management of the Group does not consider it is probable that a claim will be made against the Group in respect of the above performance guarantees.

16. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere in the unaudited condensed consolidated financial statements, the Group had also entered into the following related party transactions during the reporting period:

- (a) Mr. Chu provided unlimited personal guarantees to banks in respect of the banking facilities granted to the Group as at 31 March 2020. Ms. Dai Wing Yi Marjor (the spouse of Mr. Chu) provided personal guarantees of HK\$10,000,000 to banks in respect of the banking facilities granted to the Group as at 31 March 2020.

Mr. Chu and Ms. Dai Wing Yi Marjor also pledged the properties owned by them to secure the banking facilities granted to the Group as at 31 March 2020.

Mr. Chu also pledged fixed deposits of HK\$8,000,000 owned by him as at 31 March 2020, to secure the banking facilities granted to the Group.

The personal guarantees and pledge of assets have been replaced by the pledge of bank deposits of the Group and the corporate guarantee provided by the Company upon the Listing.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel

The remuneration of key management personnel, including executive directors of the Company and other key executives of the Group, during the period is as follows:

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	4,287	2,816
Retirement benefit scheme contributions	57	54
	4,344	2,870

The remuneration of key management personnel is determined by the management of the Group having regard to the performance of individuals and market trends.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a subcontractor engaged in the provision of design, supply, and installation services for façade works and building metal finishing works in Hong Kong.

As at 30 September 2020, the Group had 28 projects in progress with a total original contract sum of approximately HK\$786.2 million and a total project backlog of approximately HK\$364.2 million. Total revenue of approximately HK\$99.0 million was recognised for the six months ended 30 September 2020.

During the six months ended 30 September 2020, we were awarded seven new projects with a total contract sum of approximately HK\$143.2 million, out of which five projects belong to façade works projects and two projects belong to building metal finishing works projects.

Subsequent to 30 September 2020 and up to the date of this report, the Group had been awarded one additional façade works project with a contract sum of approximately HK\$228.3 million.

Outlook and prospects

In the first half of 2020 until recently, the outbreak of the COVID-19 pandemic and its widespread escalation has triggered unprecedented impacts on the global economy. Major economies have suffered from short-term stagnancy, turmoil in the financial market intensified, monetary easing measures worldwide continued, and global economic growth slowed down rapidly. As a result of the persistent impact of the COVID-19 pandemic during the reporting period, the progress of some of the Group's ongoing projects was slowed down, leading to a decrease in the amount of recognised revenue during the reporting period.

Furthermore, after the outbreak of the COVID-19 pandemic, property developers adopted more stringent control on the costs of projects, which have a negative impact on the profit margin of the newly awarded projects.

In order to contain the COVID-19 pandemic, the Group has implemented a series of precautionary and control measures to assure the health and safety of our employees, and smooth business operations without interruption. While the situation is dynamically evolving, the Group will continue to proactively monitor the development of the COVID-19 pandemic and evaluate the impact on our operations and financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Outlook and prospects (Continued)

Looking forward, the Directors consider that the future opportunities and challenges encountered by the Group will continue to be affected by the development of the property market and expansion of the infrastructure in Hong Kong as well as factors affecting the material costs and labour costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong new construction works industry.

With the Group's experienced management team and reputation in the market, the Directors are of the view that the current priority should be to strengthen its position in the market and well-established business relationships with its customers, as well as to focus on completing the existing projects with effective control on costs so as to secure the profit margin of the projects and, hence, to achieve sustainable business growth to bring long-term benefits to our shareholders.

FINANCIAL REVIEW

Revenue

The table below sets forth an analysis of our revenue by the types of services for the six months ended 30 September 2020 and 2019:

	Six months ended 30 September 2020		2019	
	HK\$'000	%	HK\$'000	%
Façade works	79,991	80.8	97,088	76.9
Building metal finishing works	18,982	19.2	29,129	23.1
Total	98,973	100.0	126,217	100.0

The Group's revenue decreased by approximately HK\$27.2 million or approximately 21.6% from approximately HK\$126.2 million for the six months ended 30 September 2019 to approximately HK\$99.0 million for the six months ended 30 September 2020. The decrease in revenue recognised was primarily due to the completion of three sizable façade projects for the six months ended 30 September 2019, and the slowdown in the progress of some of the Group's ongoing projects due to the persistent adverse impact of the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Revenue (Continued)

The table below sets forth an analysis of our revenue by sectors for the six months ended 30 September 2020 and 2019:

	Six months ended 30 September 2020		2019	
	HK\$'000	%	HK\$'000	%
Residential properties	37,650	38.0	74,015	58.7
Commercial properties	33,928	34.3	20,624	16.3
Public facilities	27,395	27.7	31,578	25.0
Total	98,973	100.0	126,217	100.0

Gross profit and gross profit margin

The table below sets forth an analysis of the amount of gross profit and the gross profit margin by types of services for the six months ended 30 September 2020 and 2019:

	Six months ended 30 September 2020		2019	
	HK\$'000	Gross profit margin (%)	HK\$'000	Gross profit margin (%)
Façade works	17,654	22.1	27,790	28.6
Building metal finishing works	5,327	28.1	8,371	28.7
Total	22,981	23.2	36,161	28.7

The Group's gross profit decreased by approximately HK\$13.2 million from approximately HK\$36.2 million for the six months ended 30 September 2019 to approximately HK\$23.0 million for the six months ended 30 September 2020. The gross profit margin decreased from approximately 28.7% for the six months ended 30 September 2019 to approximately 23.2% for the six months ended 30 September 2020, mainly because of larger portion of revenue contributed by projects with relatively lower gross profit margin during the period, as well as additional costs incurred towards the completion stage of one of the Group's sizable projects.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Gross profit and gross profit margin (Continued)

The table below sets forth an analysis of the amount of gross profit and the gross profit margin by sectors for the six months ended 30 September 2020 and 2019:

	Six months ended 30 September 2020		Six months ended 30 September 2019	
	HK\$'000	Gross profit margin (%)	HK\$'000	Gross profit margin (%)
Residential properties	6,422	17.1	20,192	27.3
Commercial properties	9,055	26.7	6,867	33.3
Public facilities	7,504	27.4	9,102	28.7
Total	22,981	23.2	36,161	28.7

Operating and administrative expenses

The Group's operating and administrative expenses increased from approximately HK\$7.0 million for the six months ended 30 September 2019 to approximately HK\$12.4 million for the six months ended 30 September 2020, representing an increase of HK\$5.4 million or 77.1%. Such increase was mainly attributable to the increase in staff costs of approximately HK\$1.8 million, and legal and compliance costs and professional fees incurred after the listing of the Company's shares on the Main Board together with the relocation costs of the principal place of business in Hong Kong of the Company of approximately HK\$3.1 million.

Profit and total comprehensive income for the period

As a result of the foregoing, the Group's net profit decreased by approximately HK\$10.6 million from approximately HK\$18.1 million for the six months ended 30 September 2019 to approximately HK\$7.5 million for the six months ended 30 September 2020. Excluding the one-off Listing expenses, the profit attributable to the owners of the Company would have been approximately HK\$8.9 million and approximately HK\$24.0 million for the six months ended 30 September 2020 and 2019, respectively, representing a decrease of approximately 62.9% as compared to the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2020, the Group had net current assets of approximately HK\$149.9 million (31 March 2020: approximately HK\$58.3 million). The current ratio of the Group was approximately 4.1 times as at 30 September 2020 (31 March 2020: approximately 2.0 times).

The Group finances its operations primarily through a combination of cash flows generated from operations, bank borrowings and the Share Offer.

As at 30 September 2020, the Group had bank balances and cash of approximately HK\$59.9 million (31 March 2020: approximately HK\$14.0 million).

Bank borrowings

As at 30 September 2020, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$60.0 million, out of which an aggregate amount of approximately HK\$35.7 million was utilised for bank borrowings and performance guarantees. The utilised banking facilities were secured by the corporate guarantee provided by the Company, the Group's bank deposits and trade receivables.

The gearing ratio of the Group, calculated based on the Group's total bank borrowings divided by total equity and multiplied by 100%, was approximately 13.1% as at 30 September 2020 (31 March 2020: approximately 55.5%).

The Group has adopted a prudent approach in financial resources management. In the management of the liquidity, the Group continues to monitor and maintain adequate cash and cash equivalents as well as banking facilities to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Capital structure

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital and reserves. The Shares were listed on the Main Board of the Stock Exchange since the Listing Date. There has been no change in the capital structure of the Group since then.

Pledge of assets

As at 30 September 2020, the Group's trade receivables of approximately HK\$2.8 million were pledged to secure bank borrowings granted to the Group (31 March 2020: Nil).

As at 30 September 2020, bank deposits of approximately HK\$15.0 million have been pledged to secure surety bonds of an aggregate balance of approximately HK\$15.0 million (31 March 2020: HK\$5.1 million) given by a bank.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (CONTINUED)

Foreign exchange exposures

The Group operates mainly in Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to certain procurement of raw material with Renminbi. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the group entities' functional currency. The Group however considers that the currency risk of those monetary liabilities is not significant and did not engage in any derivatives agreements and did not commit to any financial instrument to hedge its foreign exchange exposure during the six months ended 30 September 2020 (31 March 2020: Nil). The management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital expenditure

Our principal capital expenditures relate primarily to investments in property and equipment excluding right-of-use assets. During the six months ended 30 September 2020, the Group incurred capital expenditure of approximately HK\$6.1 million (31 March 2020: approximately HK\$0.2 million).

Capital commitments and contingent liabilities

The Group provides guarantees in respect of the surety bonds in favour of the customers of certain construction projects, which amounted to approximately HK\$15.0 million as at 30 September 2020 (31 March 2020: HK\$5.1 million). Save as disclosed herein, there is no other capital commitment and contingent liabilities that the Group is aware of.

Significant investments, acquisition and disposals

Apart from the reorganisation in relation to the Listing, there were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group during the reporting period.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus and in this report, the Group did not have other plans for material investments or capital assets as at 30 September 2020.

OTHER INFORMATION

USE OF NET PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Share Offer as referred to the Company's announcement of "Offer Price and Allotment Results" on 14 April 2020 was approximately HK\$78.2 million after deducting underwriting commission and all related expenses. As disclosed in the announcement of the Company dated 30 October 2020 in relation to the change in use of proceeds, to allow the Group to meet its financial needs more efficiently and flexibly, the Board resolved to change the use of the unutilised net proceeds. Set out below is the reallocation of the unutilised net proceeds:

Use of Net Proceeds	Planned use of Net Proceeds as disclosed in the Prospectus HK\$ million	Utilised Net Proceeds as at 30 September 2020 HK\$ million	Utilised Net Proceeds up to 30 October 2020 HK\$ million	Reallocation of the Unutilised Net Proceeds HK\$ million	Unutilised Net Proceeds after reallocation ("Reallocated Net Proceeds") ¹ HK\$ million
Funding the Upfront Costs to be incurred after the Listing Date for the Awarded UOP Projects	45.2	21.0	25.1	11.4	31.5 ²
Being used as collateral for the Performance Bonds to be issued for the Awarded UOP Projects	8.8	8.8	8.8	-	-
Strengthening our teams of professional staff in Hong Kong	11.7	1.6	2.0	-	9.7 ²
Establishing in-house system design team in the PRC	11.4	-	-	(11.4)	-
Purchase of the rights to use BIM solution and enterprise resources software	1.1	0.8	0.8	-	0.3
Total	78.2	32.2	36.7	-	41.5

Notes:

- As at 30 September 2020, the unutilised amount of net proceeds was placed in licensed banks in Hong Kong and the Board expects that it will be utilised in the same manner as disclosed in the Company's announcement dated 30 October 2020.
- The Company expects to fully utilise the Reallocated Net Proceeds on or before 31 March 2022. The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the future market conditions made by the Group. It is subject to change based on the current and future development of the market conditions.

OTHER INFORMATION

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2020, the Group had 55 (30 September 2019: 46) full time employees, including Directors. The increase in the number of employees was mainly attributable to the increase in the number of project staff. The Group has implemented a tight cost control and adjusted the number of project staff based on the progress and expected workload of our construction works and the expected completion dates of work projects. The number of administrative staff was relatively stable as at 30 September 2019 and 2020.

The remuneration package offered to employees includes salary and other employee benefits such as bonus. In general, the Group determines the salaries of its employees based on their individual performance, qualifications, experiences and position held. The Group conducts annual salary and promotion review in order to attract and retain employees. In addition, the Group provides and organises various types of training to its employees to elevate overall efficiency, employee loyalty and morale. Total staff costs for the six months ended 30 September 2020 were approximately HK\$15.5 million (2019: approximately HK\$11.8 million).

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place after 30 September 2020 and up to the date of this report.

OTHER INFORMATION

DISCLOSURE OF DIRECTORS' INTEREST IN SECURITIES

Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 September 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to the model code for securities transactions by Directors of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares held/interested	Percentage of shareholding
Mr. Chu Kwok Fun (Note)	Interest in controlled corporation	1,500,000,000 (Long position)	75.0%

Note: These Shares are registered in the name of Platinum Lotus, which is legally, beneficially and wholly-owned by Mr. Chu. Under the SFO, Mr. Chu is deemed to be interested in all the Shares held by Platinum Lotus.

Save as disclosed above, as at 30 September 2020, none of the Directors and the chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to the model code for securities transactions by Directors to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

DISCLOSURE OF DIRECTORS' INTEREST IN SECURITIES (CONTINUED)

Interests and short positions of the substantial shareholders and other persons in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 September 2020, so far as it is known to the Directors, the following entities (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares which (i) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules or, (iii) who will be, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings.

Name of Director	Capacity/Nature of Interest	Number of Shares held/interested	Percentage of shareholding
Platinum Lotus	Beneficial owner (Note 1)	1,500,000,000 (Long position)	75.0%
Ms. Dai Wing Yi Marjor (Note 2)	Interest of spouse	1,500,000,000 (Long position)	75.0%

Notes:

1. The shares are held by Platinum Lotus, the equity interest of which is owned as to 100% by Mr. Chu Kwok Fun. Mr. Chu Kwok Fun is deemed to be interested in all the shares held by Platinum Lotus for the purpose of Part XV of SFO.
2. Ms. Dai Wing Yi Marjor is the spouse of Mr. Chu and is deemed to be interested in all the Shares which Mr. Chu is deemed to be interested in by virtue of the SFO.

Save as disclosed above, as at 30 September 2020, the Directors have not been notified by any entity who had interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 5 March 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarized in the Prospectus. The main purpose of the Share Option Scheme is to motivate employees to optimize 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 of the Group and to promote success of the business of the Group.

During the reporting period, no share options were granted, cancelled, exercised or lapsed.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATIONS

During the reporting period, the Group did not have any material acquisitions and disposals of subsidiaries and associations.

INTERIM DIVIDEND

For the six months ended 30 September 2020, the Board of Directors has resolved not to declare any interim dividend (the six months ended 30 September 2019: Nil).

CORPORATE GOVERNANCE

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). As the Shares were not listed on the Main Board of the Stock Exchange until 15 April 2020, 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 30 September 2020 except for the following deviation (Code Provision A.2.1):

OTHER INFORMATION

CORPORATE GOVERNANCE (CONTINUED)

Chairman and Chief Executive Officer

Mr. Chu Kwok Fun is the Chairman and the Chief Executive Officer of the Company. Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Chu has held the key leadership position of our Group and has been deeply involved in the overall management, strategic planning and development of our business operation since its establishment, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Chu enables more effective and efficient overall business planning, decision making and implementation thereof by the Group.

Mr. Chu also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contribution in the Board's affairs and promoting a culture of openness and debate.

The Board is of the view that although Mr. Chu is both Chairman and the Chief Executive Officer, the balance of power and authority under the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code throughout the period from the Listing Date to the date of this report.

OTHER INFORMATION

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

The Shares have been listed on the Main Board of the Stock Exchange on the Listing Date. No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries for the six months ended 30 September 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business for the six months ended 30 September 2020, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors: Mr. Ma Tsz Chun, Ms. Leung Yin Fai and Ms. Yuen Wai Yee. Mr. Ma was appointed to serve as the chairman of the Audit Committee.

The Company's unaudited condensed consolidated financial statements for the six months ended 30 September 2020 have been reviewed and approved by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2020 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

By Order of the Board
CHU Kwok Fun
Chairman and Chief Executive Officer

Hong Kong, 27 November 2020