



TONG KEE (HOLDING) LIMITED

棠記（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8305)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG
LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “Directors”) of Tong Kee (Holding) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.tongkee.com.hk.

INTERIM RESULT

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019, together with the unaudited comparative figures for the corresponding period in 2018, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2019

		Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	62,080	63,441	105,780	121,266
Direct costs		(50,195)	(51,890)	(87,405)	(103,306)
Gross profit		11,885	11,551	18,375	17,960
Other income		240	86	512	405
Administrative expenses		(6,350)	(4,199)	(12,777)	(7,903)
Gain/(Loss) arising from change in fair value of financial assets at fair value through profit or loss		73	(1,911)	87	(1,911)
Listing expenses		–	(3,238)	–	(4,451)
Finance costs		(402)	(418)	(541)	(685)
Profit before income tax	5	5,446	1,871	5,656	3,415
Income tax expense	6	(1,360)	(1,242)	(1,412)	(1,644)
Profit and total comprehensive income for the period		<u>4,086</u>	<u>629</u>	<u>4,244</u>	<u>1,771</u>
Earnings per share					
— Basic and diluted (HK cents)	8	<u>0.51</u>	<u>0.10</u>	<u>0.53</u>	<u>0.28</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	10,938	6,995
Financial assets at fair value through profit or loss	10	7,414	7,327
		<u>18,352</u>	<u>14,322</u>
Current assets			
Contract assets	12	79,039	59,519
Trade and other receivables	11	59,982	51,164
Amount due from Controlling Shareholder		259	331
Bank balances and cash		13,176	28,336
		<u>152,456</u>	<u>139,350</u>
Current liabilities			
Contract liabilities	12	1,343	1,649
Trade and other payables	13	52,254	54,772
Lease liabilities/Obligations under finance leases	14	1,651	807
Bank borrowings	15	22,977	9,459
Income tax payables		3,640	2,431
		<u>81,865</u>	<u>69,118</u>
Net current assets		<u>70,591</u>	<u>70,232</u>
Total assets less current liabilities		<u>88,943</u>	<u>84,554</u>
Non-current liabilities			
Lease liabilities/Obligations under finance leases	14	2,136	2,194
Deferred tax liabilities		515	312
		<u>2,651</u>	<u>2,506</u>
Net assets		<u>86,292</u>	<u>82,048</u>
Capital and reserves			
Share capital	16	8,000	8,000
Reserves		78,292	74,048
Total equity		<u>86,292</u>	<u>82,048</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Share capital HK\$'000 (Note 16)	Share premium HK\$'000	Capital reserve HK\$'000 (Note)	Available- for-sale financial asset reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2019	8,000	33,324	1,941	–	38,783	82,048
Profit and total comprehensive income for the period	–	–	–	–	4,244	4,244
At 30 June 2019 (unaudited)	<u>8,000</u>	<u>33,324</u>	<u>1,941</u>	<u>–</u>	<u>43,027</u>	<u>86,292</u>
At 31 December 2017 as originally presented (audited)	–*	–	3,610	(63)	27,215	30,762
Change in accounting policies arising from initial application of HKFRS 9 and HKFRS 15	–	–	–	63	(1,344)	(1,281)
At 1 January 2018	–*	–	3,610	–	25,871	29,481
Profit and total comprehensive income for the period	–	–	–	–	1,771	1,771
At 30 June 2018 (unaudited)	<u>–*</u>	<u>–</u>	<u>3,610</u>	<u>–</u>	<u>27,642</u>	<u>31,252</u>

Note: Capital reserve represents the difference between the Company's share capital and the combined share capital of the subsidiaries of the Company pursuant to a reorganisation for the listing.

* Represented amount of less than HK\$1,000.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<i>Net cash used in operating activities</i>	<u>(23,608)</u>	<u>(11,701)</u>
Investing activities		
Purchase of property, plant and equipment	(3,821)	(95)
Proceeds from disposal of property, plant and equipment	20	–
Acquisition of financial assets at fair value through profit or loss	–	(7,125)
Interest received	1	–
Withdrawal of pledged bank deposit	<u>–</u>	<u>1,002</u>
<i>Net cash used in investing activities</i>	<u>(3,800)</u>	<u>(6,218)</u>
Financing activities		
Proceeds from bank borrowings	28,000	50,670
Repayment of bank borrowings	(14,482)	(30,817)
Payment of lease liabilities/obligations under finance leases	(801)	(725)
Net changes in amount due from/to Controlling Shareholder	72	13,259
Interest paid	<u>(541)</u>	<u>(685)</u>
<i>Net cash generated from financing activities</i>	<u>12,248</u>	<u>31,702</u>
Net (decrease)/increase in cash and cash equivalents	(15,160)	13,783
Cash and cash equivalents at the beginning of the period	<u>28,336</u>	<u>(963)</u>
Cash and cash equivalents at the end of the period	<u><u>13,176</u></u>	<u><u>12,820</u></u>
Analysis of cash and cash equivalent balances		
Bank balances and cash	<u><u>13,176</u></u>	<u><u>12,820</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 April 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The immediate and ultimate holding company is Advanced Pacific Enterprises Limited, a company incorporated in the British Virgin Islands, which is controlled by Mr. Heung Chung Sum (“Controlling Shareholder” or “Mr. Heung”). The address of the registered office and principal place of business of the Company are at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Nos. 7 & 8, 8/F, Shatin Galleria, 18–24 Shan Mei Street, Fotan, New Territories, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are multi-disciplinary contractors which are principally engaged in performing repair, maintenance, alteration and addition (“RMAA”) works, new construction works and cathodic protection works in Hong Kong.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollar (“HK\$”) which is the same as the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands (“HK\$’000”), except where otherwise indicated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial information for the year ended 31 December 2018.

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s audited consolidated financial information for the year ended 31 December 2018, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for accounting periods beginning on or after 1 January 2019. Except for those disclosed in note 3, the effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

The preparation of the unaudited condensed consolidated interim financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgments in the process of applying the Group’s accounting policies.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs adopted as at 1 January 2019

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's condensed consolidated interim financial statements for the annual period beginning on 1 January 2019:

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

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 16 “Leases”

HKFRS 16 “Leases” replaces HKAS 17 “Leases” along with three Interpretations (HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC) Int-15 “Operating Leases-Incentives” and HK(SIC) Int-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under HKAS 17 immediately before the date of initial application.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 3.4%.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	<i>HK\$'000</i>
Total operating lease commitments disclosed at 31 December 2018	1,352
Recognition exemptions:	
— Leases with remaining lease term of less than 12 months	(236)
Operating leases liabilities before discounting	1,116
Discounting using incremental borrowing rate as at 1 January 2019	(31)
Operating lease liabilities	1,085
Obligations under finance lease	3,001
Total lease liabilities recognised under HKFRS 16 at 1 January 2019	4,086
Classified as:	
Current lease liabilities	1,489
Non-current lease liabilities	2,597
	4,086

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	<i>HK\$'000</i>
Increase in right-of-use assets presented in property plant and equipment	1,085
Increase in lease liabilities	1,085

(b) Significant accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2018, except for the effects of applying HKFRS 16.

Leases

The Group as a lessee

Applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the condensed consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns.

Applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents receipts from the provision of performing RMAA works, new construction works and cathodic protection works in Hong Kong.

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
RMAA works	46,596	55,166	83,417	99,834
New construction works	8,934	3,158	12,412	4,461
Cathodic protection works	6,550	5,117	9,951	16,971
Contract revenue	<u>62,080</u>	<u>63,441</u>	<u>105,780</u>	<u>121,266</u>

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Company. The CODM regards the Group’s business of performing RMAA works, new construction works and cathodic protection works in Hong Kong as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

(a) Geographical information

No separate analysis of segment information by geographical segment is presented as the Group’s revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

(b) Major customers

Revenue from customers which individually contributed over 10% of the Group’s revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer A	25,695	30,810	46,072	58,908
Customer B	<u>7,508</u>	<u>13,197</u>	<u>12,923</u>	<u>20,303</u>

(c) Unsatisfied performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2019:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Remaining performance obligations expected to be satisfied during the year ending		
31 December 2019	125,046	73,023
31 December 2020	<u>27,532</u>	<u>854</u>
	<u>152,578</u>	<u>73,877</u>

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(a) Staff costs (including directors' remuneration):				
Salaries and other allowances	10,878	9,204	22,153	17,612
Retirement benefit scheme contributions	445	391	869	746
	<u>11,323</u>	<u>9,595</u>	<u>23,022</u>	<u>18,358</u>
(b) Other items				
Auditor's remuneration	152	227	152	227
Depreciation of property, plant and equipment				
— assets held under finance lease	188	157	467	302
— right-of-use assets	151	—	386	—
— owned	341	172	557	344
Exchange losses, net	—	—	—	10
Loss on disposal of property, plant and equipment	—	—	35	—
Operating lease charges in respect of				
— premises held under operating leases	—	187	—	379
— machinery held under operating leases	—	23	—	49
— short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	123	—	171	—
Provision for/(Reversal of) expected credit losses ("ECL") allowance	<u>37</u>	<u>—</u>	<u>62</u>	<u>(321)</u>

6. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is accordingly not subject to income tax in the Cayman Islands.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two tiered profits tax rates regime will be applicable to Tong Kee Engineering Limited (“TKEL”) for its annual reporting periods beginning on or after 1 January 2018.

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong Profits Tax				
— Current year	<u>1,360</u>	<u>1,242</u>	<u>1,412</u>	<u>1,644</u>

7. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019 and 2018.

8. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to the equity holders of the Company are based on the followings:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings:				
Profit for the period attributable to equity holder of the Company	<u>4,086</u>	<u>629</u>	<u>4,244</u>	<u>1,771</u>
Number of shares:				
Weighted average number of ordinary shares (in thousands)	<u>800,000</u>	<u>640,000</u>	<u>800,000</u>	<u>640,000</u>

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2018 includes the number of ordinary shares of the Company immediately after the Capitalisation Issue (note 16(ii)), as if all these shares had been in issue throughout the six months ended 30 June 2018.

Diluted earnings per share for both periods were the same as basic earning per share as there were no potential ordinary shares outstanding.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately HK\$3,821,000 (six months ended 30 June 2018: HK\$95,000) on the acquisition of property, plant and equipment. In addition, the Group disposed of certain plant and equipment with an aggregate carrying amount of HK\$55,000 (six months ended 30 June 2018: nil) for proceeds of HK\$20,000 (six months ended 30 June 2018: nil), resulting in a loss on disposal of HK\$35,000 (six months ended 30 June 2018: nil).

The Group applies modified retrospective approach to recognise right-of-use assets prescribed in HKFRS 16 as disclosed in note 3. The Group incurred approximately HK\$502,000 on the addition of right-of-use asset. The lease run for an initial period of two years. No contingent rental included. The right-of-use assets of HK\$1,201,000 at 30 June 2019 (1 January 2019: HK\$1,085,000) has been included in property, plant and equipment.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Investments in life insurance policies	<u>7,414</u>	<u>7,327</u>

In August 2012, the Group's subsidiary, TKEL entered into a life insurance policy with an insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is US\$800,000 (equivalent to approximately HK\$6,240,000). The Group was required to pay a one-off premium payment of US\$278,000 (equivalent to approximately HK\$2,162,000). The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal ("Cash Value"), which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 18th policy year. The insurance company will pay the subsidiary an interest on the outstanding Cash Value excluding the surrender charge at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 2% per annum is guaranteed by the insurance company.

In May 2018, the Group's subsidiary, TKEL entered into another life insurance policy with another insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is US\$1,400,000 (equivalent to approximately HK\$10,920,000). The Group was required to pay a one-off premium payment of US\$917,000 (equivalent to approximately HK\$7,153,000). The Group can terminate the policy at any time and receive cash back based on the Cash Value, which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 15th policy year. The insurance company will pay the subsidiary an interest on the outstanding cash value excluding the surrender charge at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 2.3% per annum is guaranteed by the insurance company.

Financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities measured at fair value are grouped into the fair value hierarchy as follows:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2019 (unaudited)				
Financial assets at fair value through profit or loss				
— Investments in life insurance policies	<u>—</u>	<u>7,414</u>	<u>—</u>	<u>7,414</u>
As at 31 December 2018 (audited)				
Financial assets at fair value through profit or loss				
— Investments in life insurance policies	<u>—</u>	<u>7,327</u>	<u>—</u>	<u>7,327</u>

During the reporting period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The fair value of investments in life insurance policies are determined by reference to the Cash Value as provided by the insurance companies.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited)
Trade receivables	38,421	33,785
Retention receivables	13,095	12,811
Less: ECL allowance	<u>(1,509)</u>	<u>(1,466)</u>
	<u>50,007</u>	<u>45,130</u>
Deposits, prepayments and other receivables	8,330	4,136
Security for issuance of performance bonds	<u>1,645</u>	<u>1,898</u>
	<u>59,982</u>	<u>51,164</u>

As at 30 June 2019 (unaudited), retention receivables of HK\$628,000 (2018: HK\$175,000) included under current assets in the condensed consolidated statement of financial position are expected to be recovered after one year.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The Group usually grants credit period ranging from 30 to 60 days to customers other than retention receivables. The terms and conditions in relation to the release of retention vary from contract to contract, which will be subject to the completion of the construction works and expiry of the defect liability period. In general, the retention money will be released upon the expiry of the defect liability period, which is typically one year after completion of construction works.

The ageing analysis of trade receivables based on invoice dates is as follows:

	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited)
Within 30 days	18,173	18,327
31–60 days	6,956	6,865
61–90 days	3,826	2,498
91–365 days	9,173	6,002
Over 365 days	293	93
	<u>38,421</u>	<u>33,785</u>

The movement in the ECL allowance of trade and retention receivables are as follows:

	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited)
At the beginning of the period/year as originally presented	1,466	–
Change in accounting policies arising from initial application of HKFRS 9	<u>–</u>	<u>1,248</u>
At the beginning of the period/year	1,466	1,248
Provision for ECL allowance recognised	<u>43</u>	<u>218</u>
At the end of the period/year	<u>1,509</u>	<u>1,466</u>

12. CONTRACT ASSETS/CONTRACT LIABILITIES

	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited)
Contract assets	79,118	59,579
Less: ECL allowance	<u>(79)</u>	<u>(60)</u>
	79,039	59,519
Contract liabilities	<u>(1,343)</u>	<u>(1,649)</u>
	<u>77,696</u>	<u>57,870</u>

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

The amount of revenue recognised during the six months ended 30 June 2019 from performance obligations satisfied in previous periods, mainly due to the changes in estimate of stage of completion and modification of contracts, is HK\$1,513,000 (2018: HK\$7,086,000).

	As at 30 June 2019		As at 31 December 2018	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	–	1,649	–	3,455
Transfers from contract assets recognised at the beginning of the period to receivables	50,299	–	20,644	–

13. TRADE AND OTHER PAYABLES

	As at 30 June 2019	As at 31 December 2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade and retention payables		
— Trade payables	40,108	41,212
— Retention payables	6,224	7,550
	46,332	48,762
Accrued expenses and other payable	4,072	4,147
Provision for annual leave and long service payment	1,850	1,863
	5,922	6,010
Total trade and other payables	52,254	54,772

The credit period on trade payables ranges from 30 to 60 days.

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

	As at 30 June 2019	As at 31 December 2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0–30 days	39,054	38,892
31–60 days	826	1,542
61–90 days	83	99
91–365 days	145	679
	40,108	41,212

14. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Total minimum lease payments:		
— Within one year	1,775	924
— After one year but within two years	1,155	836
— After two years but within five years	1,079	1,497
	<u>4,009</u>	<u>3,257</u>
Future finance charges on leases liabilities (2018: obligations under finance leases)	<u>(222)</u>	<u>(256)</u>
Present value of leases liabilities (2018: obligations under finance leases)	<u>3,787</u>	<u>3,001</u>
Present value of minimum lease payments:		
— Within one year	1,651	807
— After one year but within two years	1,088	755
— After two years but within five years	1,048	1,439
	<u>3,787</u>	<u>3,001</u>
Less: Portion due within one year included under current liabilities	<u>(1,651)</u>	<u>(807)</u>
Portion due after one year included under non-current liabilities	<u>2,136</u>	<u>2,194</u>

As at 30 June 2019, lease liabilities (2018: obligations under finance leases) of HK\$ 2,578,000 (2018: HK\$3,001,000) are effectively secured by corporate guarantees from Tong Kee Engineering (Civil) Limited (“Tong Kee Civil”), a subsidiary of the Company and the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

During the six months ended 30 June 2019, the total cash outflows for the leases were HK\$801,000.

As at 31 December 2018, the Group has entered into finance leases for motor vehicles. The lease periods ranged from 3 to 6 years.

15. BANK BORROWINGS

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Bank loans, secured		
— repayable within one year	20,150	5,522
— not repayable within one year from the end of the reporting period but contain a repayable on demand clause	2,827	3,937
	<u>22,977</u>	<u>9,459</u>
Amount shown under current liabilities	<u>22,977</u>	<u>9,459</u>

The bank loans were secured by:

- (a) land and building with a net book amount of HK\$1,783,000 (2018: HK\$1,818,000) as at 30 June 2019;
- (b) legal charge on life insurance policies with a carrying amount of HK\$7,414,000 (2018: HK\$7,327,000) as at 30 June 2019;
- (c) corporate guarantee by the Company.

16. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
As at 1 January 2018	38,000,000	380
Increase in authorised share capital (<i>note i</i>)	9,962,000,000	99,620
	<u>10,000,000,000</u>	<u>100,000</u>
At 31 December 2018 and 1 January 2019 and 30 June 2019	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid		
As at 1 January 2018	1,000	—*
Issuance of ordinary shares pursuant to the Capitalisation Issue (<i>note ii</i>)	639,999,000	6,400
Issuance of ordinary shares pursuant to the Share Offer (<i>note iii</i>)	160,000,000	1,600
	<u>800,000,000</u>	<u>8,000</u>
At 31 December 2018 and 1 January 2019 and 30 June 2019	<u>800,000,000</u>	<u>8,000</u>

* Represented amount of less than HK\$1,000

Notes:

- (i) Pursuant to the written resolutions of the sole shareholder passed on 4 June 2018, the authorised share capital of the Company increased from HK\$380,000 to HK\$100,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 each by creation of an additional 9,962,000,000 shares.

- (ii) On 4 June 2018, 639,999,000 new ordinary shares of nominal value of HK\$6,399,990 were issued and credited as fully paid, by way of capitalisation from the share premium account of the Company, pursuant to the Capitalisation Issue as detailed in the Prospectus.
- (iii) On 4 July 2018, 160,000,000 new ordinary shares of par value of HK\$0.01 each share were issued at a price of HK\$0.3 per share and credited as fully paid pursuant to the Share Offer as detailed in the Prospectus. The gross proceeds amounted to HK\$48,000,000 and the listing costs directly attributable to the issue of shares amounted to approximately HK\$6,676,000. Certain listing costs of HK\$1,669,000 were related to the sale shares of the Controlling Shareholder and were charged to the capital reserve account. HK\$6,400,000 was credited to share capital and the remaining net proceeds amounted to approximately HK\$39,724,000 were credited to the Company's share premium account.

17. LEASE COMMITMENTS

At the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited)
Within one year	169	944
In the second to fifth years inclusive	—	408
	169	1,352

As at 30 June 2019, the Group leases properties with a lease period of 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

As at 31 December 2018, the Group leases properties under operating leases and the leases run for an initial period of three years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

18. RELATED PARTY DISCLOSURES

18.1 Transactions

In addition to the transactions detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group entered into the following transactions with related parties during the period:

Related parties	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Mr. Heung Chung Sum	Lease paid for lease term shorter than 12 months as at initial application of HKFRS 16/ Operating lease charge paid	<u>42</u>	<u>42</u>	<u>84</u>	<u>84</u>

18.2 Compensation of key management personnel

Related parties	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Salaries and other allowances	<u>1,505</u>	<u>1,224</u>	<u>3,385</u>	<u>2,448</u>
Retirement benefits scheme contributions	<u>35</u>	<u>43</u>	<u>71</u>	<u>68</u>
	<u><u>1,540</u></u>	<u><u>1,267</u></u>	<u><u>3,456</u></u>	<u><u>2,516</u></u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Company and its subsidiaries (collectively referred to as the “Group”) is an established multi-disciplinary contractor for the provision of renovation and maintenance works, alteration and addition works (“RMAA”), new construction works, and cathodic protection works in Hong Kong. The Group is responsible for the overall management, implementation and supervision of projects. The Group focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried by the employees and the subcontractors.

For RMAA works, the Group provides repair, alteration and addition, maintenance, modification, rehabilitation, steel, civil and demolition works in various venues such as residential building, commercial building, carpark, road, footbridge and theme park in Hong Kong. For new construction works, the Group provides a variety of constructions and related alteration and additions works and facilities such as noise mitigation work, architectural metalwork, bus shelter, dangerous goods store building, innovative and creative structure such as air balloon. For cathodic protection works, the Group provides installation of cathodic protection systems including sacrificial anodes protection and impressed current systems.

For the six months ended 30 June 2019 (“Relevant Period”), there were 119 projects (2018: 118 projects) with revenue contribution undertaken by the Group. Though the revenue of the Group recorded a decrease in current period, the demands for the Group’s RMAA and new construction works services remained at a high level. During the six months ended 30 June 2019, the Group was awarded 43 new projects, with total original contract sum of approximately \$214.6 million.

Looking forward, the Directors consider that the future opportunities and challenges facing 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 labour costs and material 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 RMAA and new construction works industry. With the Group’s experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to strengthen the market position in the industry and expand the market share by securing more RMAA and cathodic protection works contracts by utilising the net proceeds from the Listing of the Shares on GEM of the Stock Exchange on 4 July 2018 (the “Listing Date”).

Financial Review

Revenue

The revenue decreased from approximately HK\$121.3 million for the six months ended 30 June 2018 to approximately HK\$105.8 million for the six months ended 30 June 2019, representing a drop of approximately 12.8%. Such decrease was mainly due to the combined effect of decrease in RMAA and cathodic protection works projects and increase in new works projects undertaken by the Group as a result of the overall environment in the construction industry in Hong Kong.

Direct Cost

The cost of sales decreased from approximately HK\$103.3 million for the six months ended 30 June 2018 to approximately HK\$87.4 million for the six months ended 30 June 2019, representing a decrease of approximately 15.4%. Such decrease was mainly attributable to the decrease in the subcontracting charges and construction material costs incurred with the decrease in the number of RMAA and cathodic protection work projects undertaken by the Group during the period.

Gross Profit

Gross profit of the Group increased by approximately HK\$0.4 million from approximately HK\$18.0 million for the six months ended 30 June 2018 to approximately HK\$18.4 million for the six months ended 30 June 2019. The increase was mainly driven by the increase in gross profit margin for the six months ended 30 June 2019 as discussed above. The overall gross profit margin increased from approximately 14.8% for the six months ended 30 June 2018 to approximately 17.4% for the six months ended 30 June 2019 as the projects undertaken by the Group during the six months ended 30 June 2019 are generally of higher gross profit margin, resulting in the extent of decrease in revenue is less than that of the decrease in subcontracting charges and construction material costs for the six months ended 30 June 2019.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$4.9 million or 62.0% from approximately HK\$7.9 million for the six months ended 30 June 2018 to approximately HK\$12.8 million for the six months ended 30 June 2019.

Administrative expenses primarily consist of staff costs, depreciation, transportation and motor vehicle expense, professional service fee and other costs incurred for daily operation. The increase was mainly attributable to the increase in staff costs paid to staff due to business expansion, and increase in professional service fee due to the listing of the Company.

Listing Expenses

During the six months ended 30 June 2018, the Group recognised non-recurring Listing expenses of approximately HK\$4.5 million, as expenses in connection with its Listing exercise, no such expense was incurred during six months ended 30 June 2019.

Finance Costs

Finance costs for the Group decreased by approximately HK\$0.1 million or 28.6% from approximately HK\$0.7 million for the six months ended 30 June 2018 to approximately HK\$0.5 million for the six months ended 30 June 2019. It was mainly due to the decrease in usage of loan settlement for trade payables during the six months ended 30 June 2019.

Income Tax Expense

Income tax expense for the Group decreased by approximately HK\$0.2 million or 12.5% from approximately HK\$1.6 million for the six months ended 30 June 2018 to approximately HK\$1.4 million for the six months ended 30 June 2019. The decrease was mainly attributable to the decrease in profit before taxation (excluding the Listing expenses and change in fair value of financial assets at fair value through profit or loss) from approximately HK\$9.8 million for the six months ended 30 June 2018 to approximately HK\$5.6 million for the six months ended 30 June 2019.

Profit for the Period

Profit for the period increased by approximately HK\$2.4 million or 133.3% from HK\$1.8 million for the six months ended 30 June 2018 to HK\$4.2 million for the six months ended 30 June 2019. Such increase was primarily attributable to the net effect of the increase in gross profit, administrative expense and decrease in listing expenses and income tax expense as discussed above.

Liquidity and Financial Resources

The current ratio decreased mildly from approximately 2 times as at 31 December 2018 to 1.9 times as at 30 June 2019.

As at 30 June 2019, the Group had total borrowings of approximately HK\$23.0 million (31 December 2018: approximately HK\$9.5 million). The gearing ratio, calculated based on the interest-bearing liabilities and lease liabilities (2018: obligations under finance leases) divided by total equity at the end of the year/period and multiplied by 100%, increased from approximately 15.2% as at 31 December 2018 to approximately 31.0% as at 30 June 2019 due to the expansion of the Group's business which requires more capital via bank borrowing. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

The Group's borrowings and bank balances are denominated in HK\$ and there was no significant exposure to foreign exchange rate fluctuations during the Relevant Period.

For further details regarding the borrowings, please refer to notes 14 and 15.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital Structure

The shares of the Company were listed on the GEM of the Stock Exchange on 4 July 2018. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

As at the date of this announcement, the Company's issued share capital was HK\$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

Commitments

The Group's operating lease commitments amounted to approximately HK\$169,000 as at 30 June 2019 (31 December 2018: HK\$1,352,000). The operating lease commitments of the Group as at 30 June 2019 were primarily related to the short-term leases of its office premises and carpark spaces.

Segmental Information

Segmental information is presented for the Group as disclosed in note 4.

Future Plans for Material Investments and Capital Assets

As at 30 June 2019, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 June 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent Liabilities

The Group did not have any contingent liabilities.

Exposure to Exchange Rate Fluctuation

The Group's revenue generating operations are mainly transacted in HK\$. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

Charge of Group's Assets

As at 30 June 2019, the Group pledged certain amount of land and building and investments in life insurance policies to secure short-term bank borrowings and other general banking facilities granted to the Group. For details, please refer to note 15.

Employees and Remuneration Policies

As at 30 June 2019, the Group employed a total of 128 employees (31 December 2018: 119 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$22.2 million for the six months ended 30 June 2019 (2018: approximately HK\$17.6 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

Use of Proceeds

The net proceeds from the Listing, after deducting Listing related expenses, were approximately HK\$25.2 million. An analysis of the utilisation of the net proceeds from the Listing Date up to 30 June 2019 is set out below:

	Planned use of net proceeds as stated in the Prospectus <i>HK\$ million</i>	Actual use of net proceeds from Listing Date to 30 June 2019 <i>HK\$ million</i>
Reserved capital to satisfy the Group's potential customers' requirement for surety/performance bond	2.0	0.3
Further strengthen the Group's manpower	7.4	1.8
Acquisition of additional machinery and equipment	7.5	0.3
Upgrading the Hong Kong office and workshop	5.7	1.5
General working capital	2.6	2.6

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing Prospectus while the proceeds were applied based on the actual development of the Group's business, the actual situation and the industry.

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

Disclosure of Interests

A. *Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures*

As at 30 June 2019, the Company was wholly owned by Advanced Pacific Enterprises Limited, of which the ultimate owner is Mr. Heung Chung Sum.

As at the date of this announcement, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (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) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Company's Shares

Name of Director	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Heung Chung Sum	Interest in a controlled corporation	600,000,000 ordinary shares	75%

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

Name of Director	Name of associated corporations	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Heung Chung Sum	Advanced Pacific Enterprises Limited	Beneficial owner	2 ordinary shares	100%

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this announcement, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number and class of securities	Long/short position	Approximate percentage of shareholding
Advanced Pacific Enterprises Limited	Beneficial owner	600,000,000 ordinary shares	Long	75%

Save as disclosed above, as at the date of this announcement and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Competing and Conflicts Of Interests

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the period ended 30 June 2019.

Interests of Compliance Adviser

As notified by the compliance adviser of the Company, Red Sun Capital Limited (“Red Sun”), as at 30 June 2019, save for the compliance adviser agreement dated on 9 November 2017 entered into between the Company and Red Sun, neither Red Sun, its directors, employees and associates had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Purchase, Sales or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period ended 30 June 2019.

Corporate Governance Code

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Heung Chung Sum currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

As at 30 June 2019, save as disclosed above, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

Directors' Securities Transactions

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and the Company was not aware of any noncompliance with the required standard of dealings regarding securities transactions by the Directors throughout the period ended 30 June 2019.

Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019.

Share Option Scheme

The Company has conditionally adopted a share option scheme on 4 June 2018 ("the Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share options has been granted during the Relevant Period and there were no share options outstanding as at 30 June 2019.

Audit Committee

The Company established an audit committee (“Audit Committee”) with its written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company’s annual report and interim financial reports before submission to the Board. The Audit Committee consists of three members, namely Mr. Chan Chi Hang, Dr. Ip Wai Hung, Mr. Ko, Wilson Wai Shun, all being independent non-executive Directors of the Company. Mr. Chan Chi Hang currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019, which have been reviewed by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

By order of the Board
Tong Kee (Holding) Limited
Heung Chung Sum
Chairman and Executive Director

Hong Kong, 14 August 2019

As at the date of this announcement, the executive Directors are Mr. Heung Chung Sum and Mr. Chan Wai Hon, Alan, and the non-executive Directors are Ms. Heung Joe Yee, Ms. Heung Joe Tung, and the independent non-executive Directors are Dr. Ip Wai Hung, Mr. Ko, Wilson Wai Shun, and Mr. Chan Chi Hang.