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# SUN KONG HOLDINGS LIMITED
# 申港控股有限公司

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

**(Stock Code: 8631)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

## CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the "**Directors**") of Sun Kong Holdings 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 and its subsidiaries (collectively referred to as the "**Group**"). 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.*

# HIGHLIGHTS

- The Group recorded a revenue of approximately HK$351.1 million for the year ended 31 March 2020, representing a decrease of approximately HK$123.1 million or 26.0% as compared to the year ended 31 March 2019.

- The Group recorded a profit attributable to the owners of the Company of approximately HK$1.7 million for the year ended 31 March 2020, representing an increase of approximately HK$1.9 million, as compared to the Group's loss attributable to the owners of the Company of approximately HK$0.2 million for the year ended 31 March 2019. The change from net loss to net profit for the year ended 31 March 2020 was mainly due to the absence of the one-off listing expenses incurred during the year ended 31 March 2019.

- The Board does not recommend the payment of any dividend for the year ended 31 March 2020.

## ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2020 together with the comparative audited figures for the year ended 31 March 2019, as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2020*

| | *Notes* | **2020**<br>***HK$'000*** | 2019<br>*HK$'000* |
|---|---|---|---|
| **Revenue** | *3* | **351,113** | 474,236 |
| Cost of sales | | **(338,464)** | (454,425) |
| **Gross profit** | | **12,649** | 19,811 |
| Other income | *5* | **522** | 230 |
| Administrative and other operating expenses | | **(9,791)** | (8,896) |
| Impairment loss on trade receivables | | **(1,263)** | – |
| Finance costs | *6* | **(135)** | (181) |
| Expenses for the initial listing | | **–** | (9,538) |
| **Profit before tax** | *6* | **1,982** | 1,426 |
| Income tax expenses | *7* | **(283)** | (1,605) |
| **Profit (Loss) and total comprehensive income (loss) for the year** | | **1,699** | (179) |
| **Earnings (Loss) per share** | | ***HK cents*** | *HK cents* |
| Basic | *8* | **0.42** | (0.06) |
| Diluted | *8* | **0.42** | (0.06) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2020*

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **6,443** | 2,991 |
| Deposit paid for acquisition of property, plant and equipment | | **2,270** | 2,040 |
| Right-of-use assets | | **665** | – |
| | | **9,378** | 5,031 |
| **Current assets** | | | |
| Trade receivables | *10* | **55,071** | 37,624 |
| Other receivables | | **1,243** | 1,031 |
| Tax recoverable | | **1,527** | 517 |
| Bank balances and cash | | **626** | 25,559 |
| | | **58,467** | 64,731 |
| **Current liabilities** | | | |
| Trade payables | *11* | **1,844** | 7,018 |
| Other payables | | **1,893** | 1,366 |
| Lease liabilities | | **414** | – |
| | | **4,151** | 8,384 |
| **Net current assets** | | **54,316** | 56,347 |
| **Total assets less current liabilities** | | **63,694** | 61,378 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **719** | 416 |
| Lease liabilities | | **314** | – |
| | | **1,033** | 416 |
| **NET ASSETS** | | **62,661** | 60,962 |
| **Capital and reserves** | | | |
| Share capital | *12* | **4,000** | 4,000 |
| Reserves | | **58,661** | 56,962 |
| **TOTAL EQUITY** | | **62,661** | 60,962 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2020*

| | | Reserve | | | | |
|---|---|---|---|---|---|---|
| | **Share capital** *HK$'000* *(Note 12)* | **Share premium** *HK$'000* *(Note i)* | **Capital reserve** *HK$'000* *(Note ii)* | **Accumulated profits** *HK$'000* | **Total** *HK$'000* | **Total** *HK$'000* |
| **At 1 April 2018** | – | – | 10 | 12,321 | 12,331 | 12,331 |
| Loss and total comprehensive loss for the year | – | – | – | (179) | (179) | (179) |
| **Transactions with owners:** | | | | | | |
| Capitalisation issue of shares *(Note 12(c))* | 3,000 | (3,000) | – | – | (3,000) | – |
| Issue of shares by share offer *(Note 12(d))* | 1,000 | 59,000 | – | – | 59,000 | 60,000 |
| Transaction costs attributable to issue of shares *(Note 12(d))* | – | (11,190) | – | – | (11,190) | (11,190) |
| Total transactions with owners for the year | 4,000 | 44,810 | – | – | 44,810 | 48,810 |
| **At 31 March 2019** | **4,000** | **44,810** | **10** | **12,142** | **56,962** | **60,962** |
| **At 1 April 2019** | **4,000** | **44,810** | **10** | **12,142** | **56,962** | **60,962** |
| Profit and total comprehensive income for the year | **–** | **–** | **–** | **1,699** | **1,699** | **1,699** |
| **At 31 March 2020** | **4,000** | **44,810** | **10** | **13,841** | **58,661** | **62,661** |

*Notes:*

(i) Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

(ii) Capital reserve represents the amount of the issued and paid-up share capital of the entities now comprising the Group before completion of the Reorganisation (as defined in note 2 to the consolidated financial statement) less consideration paid to acquire the relevant interests (if any) upon completion of the Reorganisation.

## 1. GENERAL INFORMATION

Sun Kong Holdings Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 31 October 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 January 2019. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is situated at 20/F., Glassview Commercial Building, No. 65 Castle Peak Road Yuen Long, Yuen Long, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in sales of diesel oil, steam coal and related products in Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollar ("**HK$**"), which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the GEM of the Stock Exchange (the "**Reorganisation**"), the group entities were under the control of Mr. Law Ming Yik, the chairman of the Board and an executive Director. Details of the Reorganisation are set out in the section headed "History and Development, Reorganisation and Group Structure" in the prospectus of the Company dated 21 December 2018 (the "**Prospectus**"). Through the Reorganisation, the Company became the holding company of the companies now comprising the Group. Accordingly, for the purpose of the preparation of the Consolidated Financial Statements, the Company has been considered as the holding company of the companies now comprising the Group throughout the periods presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Law Ming Yik prior to and after the Reorganisation. The Consolidated Financial Statements have been prepared on the historical cost basis. The preparation of the Consolidated Financial Statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

**Adoption of new/revised HKFRSs**

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year.

| | |
|---|---|
| Annual Improvements to HKFRSs | 2015–2017 Cycle |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKAS 19 | Employee Benefits |
| Amendments to HKAS 28 | Investments in Associates and Joint Ventures |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| HKFRS 16 | Leases |

Apart from the impact on adoption of HKFRS 16 as set out below, the adoption of those new and revised HKFRSs has no material impact on the Group's results and financial position for the current or prior years and does not result in any significant change in accounting policies of the Group.

*HKFRS 16 "Leases"*

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(c) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

The financial impact at the DIA and for the current year is as follows:

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 4.8%.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 March 2019 and lease liabilities recognised at the DIA is as follows:

| | At 1 April 2019 *HK$'000* |
|---|---|
| Operating lease commitment at 31 March 2019 as disclosed in the Group's consolidated financial statements | 240 |
| Discounted using incremental borrowing rate at 1 April 2019 | 236 |
| Extension options reasonably certain to be exercised | 828 |
| Total lease liabilities recognised under HKFRS 16 at 1 April 2019 | 1,064 |

## 3. REVENUE

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| <u>Revenue from contracts with customers within HKFRS 15</u> | | |
| **Recognised at a point in time** | | |
| Sales of diesel oil | **348,326** | 473,609 |
| Sales of diesel exhaust fluid | **586** | 562 |
| Sales of steam coal | **2,033** | – |
| | **350,945** | 474,171 |
| **Recognised over time** | | |
| Ancillary transportation service | **168** | 65 |
| | **351,113** | 474,236 |

All the revenue from contracts with customers within HKFRS 15 arises in Hong Kong.

## 4. INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers individually contributing 10% or more of the total revenue of the Group during the years ended 31 March 2019 and 2020 are as follows:

| | ***HK$'000*** |
|---|---|
| **Year ended 31 March 2020** | |
| Customer A | **111,082** |
| Customer B | **89,042** |
| Customer C | **38,235** |
| | **238,359** |
| **Year ended 31 March 2019** | |
| Customer D | 119,926 |
| Customer C | 113,053 |
| Customer B | 111,636 |
| Customer A | 68,979 |
| | 413,594 |

## 5. OTHER INCOME

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **48** | 177 |
| Government grants *(Note)* | **474** | – |
| Sundry income | **–** | 53 |
| | **522** | 230 |

*Note:* Government grants were the government's incentive subsidies in relation to replacement of motor vehicles with lower environmental engines under the ex-gratia payment scheme in Hong Kong during the year.

## 6. PROFIT BEFORE TAX

This is stated after charging:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Finance costs** | | |
| Finance charges on interest-bearing borrowings | **–** | 88 |
| Finance charges on obligations under finance leases | **–** | 72 |
| Interest on bank overdrafts | **91** | 21 |
| Interest on lease liabilities | **44** | – |
| | **135** | 181 |
| **Staff costs (including directors' emoluments)** | | |
| Salaries and other benefits | **6,305** | 6,272 |
| Contributions to defined contribution schemes | **274** | 249 |
| | **6,579** | 6,521 |
| **Other items** | | |
| Auditor's remuneration | **480** | 480 |
| Cost of inventories *(Note)* | **333,635** | 449,885 |
| Depreciation of property, plant and equipment: | | |
| Cost of sales | **1,614** | 1,004 |
| Administrative and other operating expenses | **362** | 818 |
| Depreciation of right-of-use assets: | | |
| Administrative and other operating expenses | **399** | – |

*Note:* Cost of sales included approximately HK$4,829,000 for the year ended 31 March 2020 (2019: HK$4,540,000), which relating to the aggregate amount of certain staff costs, depreciation, license fee, repair and maintenance and transportation expenses.

## 7. TAXATION

For the years ended 31 March 2019 and 2020, the Group's entities established in the Cayman Islands and the British Virgin Islands ("**BVI**") are exempted from income tax.

For the years ended 31 March 2020, Hong Kong Profits Tax has not been provided as the Group had no assessable profits for the year.

For the years ended 31 March 2019, the assessable profits of a Hong Kong incorporated subsidiary of the Group (as elected by the management of the Group) are subject to the two-tiered profits tax rates regime that the first HK$2,000,000 of assessable profits will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profits tax rates, profits of the remaining subsidiaries of the Group will continue to be taxed at a flat rate of 16.5%.

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current tax** | | |
| Hong Kong Profits Tax | | |
| Current year | **–** | 1,652 |
| Over provision in prior year | **(20)** | (30) |
| | **(20)** | 1,622 |
| **Deferred tax** | | |
| Origination or reversal of temporary difference | **303** | (17) |
| Income tax expenses | **283** | 1,605 |

## 8. EARNINGS (LOSS) PER SHARE

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

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings (Loss)** | | |
| Profit (Loss) for the purpose of calculating basic earnings (loss) per share | **1,699** | (179) |
| **Number of shares** | | |
| Weighted average number of ordinary shares, for the purpose of calculating basic and diluted earnings (loss) per share | **400,000,000** | 322,739,725 |

For 2019, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganisation and capitalisation issue as disclosed in notes 12(b) and 12(c) to the consolidated financial statements had been completed on 1 April 2018.

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as there were no potential dilutive ordinary shares outstanding during years ended 31 March 2019 and 2020.

## 9. DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 March 2019 and 2020.

## 10. TRADE RECEIVABLES

| | 2020 | 2019 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Trade receivables** | | |
| From third parties | **56,334** | 37,624 |
| Less: Loss allowance | **(1,263)** | – |
| | **55,071** | 37,624 |

All the trade receivables are expected to be recovered within one year.

The credit period granted to customers was ranging from 0 to 120 days. The ageing of gross trade receivables by invoice date is as follows:

| | 2020 | 2019 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 30 days | **13,444** | 23,165 |
| 31 to 60 days | **6,282** | 4,849 |
| 61 to 90 days | **9,417** | 7,636 |
| Over 90 days | **27,191** | 1,974 |
| | **56,334** | 37,624 |

The Group's customer base consists of a wide range of clients and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating expected credit loss ("**ECL**") for trade receivables and recognises a loss allowance, if any, based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the year.

**Trade receivables from sales of diesel oil**

At the end of the reporting period, the Group recognised an impairment loss of approximately HK$1,263,000 (2019: Nil) on the trade receivables from sales of diesel oil. The movement in the loss allowance for trade receivables from sales of diesel oil during the year is summarised below:

| | **2020** |
|---|---|
| | ***HK$'000*** |
| At the beginning of the reporting period | **–** |
| Increase in allowance on the trade receivables from sales of diesel oil | **1,263** |
| At the end of the reporting period | **1,263** |

| **As at 31 March 2020** | **Expected loss rate** | **Gross carrying amount** | **Loss allowance** | **Credit-impaired** |
|---|---|---|---|---|
| | | ***HK$'000*** | ***HK$'000*** | |
| Not past due | **0.5%** | **34,106** | **170** | **No** |
| Within 30 days overdue | **1.5%** | **10,482** | **157** | **No** |
| 31 – 60 days overdue | **3%** | **2,723** | **82** | **No** |
| 61 – 90 days overdue | **6%** | **2,157** | **129** | **No** |
| More than 90 days overdue | **15%** | **4,833** | **725** | **No** |
| | | **54,301** | **1,263** | |

| As at 31 March 2019 | Expected loss rate | Gross carrying amount | Loss allowance | Credit-impaired |
|---|---|---|---|---|
| | | *HK$'000* | *HK$'000* | |
| Not past due | – | 24,397 | – | No |
| Within 30 days overdue | 1% | 4,126 | – | No |
| 31 – 60 days overdue | 2.5% | 7,225 | – | No |
| 61 – 90 days overdue | 5% | 1,396 | – | No |
| More than 90 days overdue | 10% | 480 | – | No |
| | | 37,624 | – | |

**Trade receivables from sales of steam coal**

The management assesses that the life-time ECL for the trade receivables from sales of steam coal amounted to HK$2,033,000 (2019: Nil) to be insignificant, so no loss allowance was recognised during the year.

The Group does not hold any collateral over trade receivables as at 31 March 2020 and 2019.

## 11. TRADE PAYABLES

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Trade payables** | | |
| To third parties | **1,844** | 7,018 |

At the end of the reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **1,838** | 6,997 |
| 31 to 60 days | **6** | 18 |
| 61 to 90 days | **–** | 3 |
| | **1,844** | 7,018 |

## 12. SHARE CAPITAL

| | *Notes* | **No. of shares** | ***HK$'000*** |
|---|---|---|---|
| **Authorised:** | | | |
| *Ordinary shares of HK$0.01 each* | | | |
| At 1 April 2018 | | **38,000,000** | **380** |
| Increase in authorised share capital | *(a)* | **2,962,000,000** | **29,620** |
| At 31 March 2019 | | **3,000,000,000** | **30,000** |
| At 31 March 2020 | | **3,000,000,000** | **30,000** |
| **Issued and fully paid:** | | | |
| *Ordinary shares of HK$0.01 each* | | | |
| At 1 April 2018 | | **1** | **–** |
| Issue of shares pursuant to Reorganisation | *(b)* | **99** | **–** |
| Capitalisation issue of shares | *(c)* | **299,999,900** | **3,000** |
| Issue of shares by share offer | *(d)* | **100,000,000** | **1,000** |
| At 31 March 2019 | | **400,000,000** | **4,000** |
| At 31 March 2020 | | **400,000,000** | **4,000** |

*Notes:*

(a) Pursuant to the resolution of the Company's shareholder passed on 11 December 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$30,000,000 by the creation of an additional 2,962,000,000 shares of HK$0.01 each which rank pari passu in all aspect with the existing shares.

(b) On 29 November 2018, as part of the Reorganisation, the Company allotted and issued 99 shares of HK$0.01 each to the shareholder and the shares issued carry the same rights as all shares in issue and the initial nil-paid share was credited as fully paid.

(c) On 8 January 2019, the Company issued a total of 299,999,900 ordinary shares of HK$0.01 each to the shareholder representing the Ultimate Controlling Party, Mr Law Ming Yik, credited as fully paid at par by way of capitalisation of the sum of HK$2,999,999 standing to the credit of the share premium account of the Company and the shares issued carry the same rights as all shares in issue.

(d) On 8 January 2019, the Company issued a total of 100,000,000 ordinary shares of HK$0.01 each pursuant to the Company's listing on GEM of the Stock Exchange by way of share offer at HK$0.60 per share and the shares issued carry the same rights as all shares in issue. The expenses attributable to issue of shares pursuant to the share offer of approximately HK$11,190,000 were recognised in the share premium account of the Company.

## SCOPE OF WORK OF MESSRS. MAZARS CPA LIMITED

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of comprehensive income, and related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Company's auditors, Mazars CPA Limited ("**Mazars**"), to the amounts set out in the Company's audited consolidated financial statements for the year ended 31 March 2020. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in the sale of diesel oil and related products in Hong Kong. The services of the Group include sourcing and transportation of diesel oil and related products in Hong Kong. Most of the Group's customers are logistic companies and construction companies which require diesel oil to operate their logistic fleets. In addition to the sale services as described above, the Group also provides ancillary transportation service to one of the four major international oil suppliers in Hong Kong (the "**Oil Major**") whereby it helps the Oil Major transport the diesel to its customers. The Group had eight diesel tank wagons of various capacity as at 31 March 2020. The Group started to trade of steam coal in September 2019.

The Group has recorded a revenue of approximately HK$351.1 million for the year ended 31 March 2020, representing a decrease of approximately HK$123.1 million or 26.0%, as compared to the Group's revenue of approximately HK$474.2 million for the year ended 31 March 2019. The decrease was mainly due to decrease in the sale of diesel oil as a result of (1) the ongoing trade war between China and the United States, (2) the political and social turmoil in Hong Kong which resulted in the blockage of roads and highways and difficulties in transportation and (3) the COVID-19 outbreak which has caused severe disruption to manufacturing and logistic activities between Hong Kong and the Mainland China.

The Group recorded a profit attributable to the owners of the Company of approximately HK$1.7 million for the year ended 31 March 2020 representing an increase of approximately HK$1.9 million as compared with the year ended 31 March 2019.

## FUTURE PROSPECTS

Global economic growth has markedly slowed down in 2019. The ongoing trade disputes and unresolved negotiations between China and the United States, political and social turmoil in Hong Kong and, more recently, the COVID-19 outbreak have all weighed on the economy and restrained logistics activities.

The Board believes the transportation and logistics industry will be continuously affected by the adverse change in economic conditions. As a result, the demand of diesel oil from logistic sector to supply its logistic fleets would be affected. On the other hand, the construction progress is temporarily affected by the COVID-19 outbreak. Given the widespread nature of the COVID-19 the timing and extent of a recovery of the construction sector remains uncertain.

Taking into consideration of the challenging market outlook, the Group will reinforce cost control and continue to deploy more resources on enhancing its service capabilities, expanding its network presence and diversifying its customer base. The Group will also proactively seek potential business development that will broaden its sources of income and enhance value to the shareholders.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately HK$123.1 million or approximately 26.0% from approximately HK$474.2 million for the year ended 31 March 2019 to approximately HK$351.1 million for the year ended 31 March 2020.

Revenue from the sales of diesel oil and diesel exhaust fluid accounted for approximately HK$348.3 million and HK$0.6 million respectively, representing approximately 99.2% and 0.2% respectively, of the Group's total revenue for the year ended 31 March 2020. For the year ended 31 March 2019, the revenue from the sales of diesel oil and diesel exhaust fluid accounted for approximately HK$473.6 million and HK$0.6 million respectively, representing approximately 99.9% and 0.1% respectively, of the Group's total revenue. Sales of diesel oil remained the largest contributor to the Group's revenue.

The Group recorded an ancillary transportation service income of approximately HK$0.1 million and HK$0.2 million for the year ended 31 March 2019 and 2020 respectively. The service was to help the Oil Major to transport the diesel oil to its customers and such service commenced from September 2018.

Since September 2019, the Group had started to trade in steam coal. Revenue from sales of steam coal was approximately HK$2.0 million for the year ended 31 March 2020.

**Sales quantity**

The sales quantity of diesel oil decreased by approximately 18.8% from 99.8 million litres for the year ended 31 March 2019 to 81.0 million litres for the year ended 31 March 2020, which showed less diesel oil was required from the logistics customers during the year ended 31 March 2020 (the "**Reporting Period**") due to the COVID-19 outbreak and impact of trade war between China and the United States, as well as the political and social turmoil in Hong Kong that resulted in the blockage of roads and highways, and difficulties in transportation. The sales quantity of diesel exhaust fluid increased by approximately 11.0% from 115 thousand litres for the year ended 31 March 2019 to 127.7 thousand litres for the year ended 31 March 2020.

**Selling price**

The average selling price of the Group's diesel oil decreased by approximately 9.5% from HK$4.75 per litre for the year ended 31 March 2019 to HK$4.30 per litre for the year ended 31 March 2020 whereas the average selling price of the Group's diesel exhaust fluid decreased by approximately 6.5% from HK$4.91 per litre for the year ended 31 March 2019 to HK$4.59 per litre for the year ended 31 March 2020. The decrease of the average selling price of the Group's diesel oil was in line with the decreasing trend in the prevailing market prices.

**Cost of sales**

Cost of sales primarily consists of costs of diesel oil, diesel exhaust fluid and steam coal, direct labour costs and depreciation. The purchase cost for diesel oil and diesel exhaust fluid depends on the domestic purchase price offered by the Group's oil suppliers, with reference to the price indices such as Europe Brent spot crude price.

For the year ended 31 March 2020, the Group's cost of sales was approximately HK$338.5 million, representing a decrease of 25.5% from HK$454.4 million for the year ended 31 March 2019. Such decrease was in line with the overall drop in revenue and average unit selling price.

The largest component of the cost of sales was diesel oil cost, which amounted to approximately HK$449.1 million and HK$330.6 million, representing approximately 98.8% and 97.7% of the cost of sales for the years ended 31 March 2019 and 2020, respectively. The average unit purchase cost of diesel oil decreased by 9.3% from approximately HK$4.50 per litre for the ended 31 March 2019 to approximately HK$4.08 per litre for the year ended 31 March 2020. The decrease in average unit purchase cost of diesel oil was in line with the market trend for the year ended 31 March 2020.

For the years ended 31 March 2019 and 2020, the diesel exhaust fluid costs were approximately HK$0.4 million and HK$0.4 million respectively, representing approximately 0.1% and 0.1% of the cost of sales, respectively.

The direct labour costs comprise wages and benefits, including wages, bonuses, retirement benefit costs and other allowances and benefits payable to the diesel tank wagons drivers and logistics assistants involved in the transportation of the products from the oil depot to the customers. The direct labour costs amounted to approximately HK$2.6 million and HK$2.2 million for the years ended 31 December 2019 and 2020, respectively. The Group had ten full-time drivers responsible for the logistics support for the Group's diesel tank wagons as at 31 March 2020.

Depreciation represented depreciation charges for the Group's equipments which consist mainly of diesel tank wagons. The depreciation amounted to approximately HK$1.0 million and HK$1.6 million for the years ended 31 March 2019 and 2020, respectively.

**Gross profit and gross profit margin**

The gross profit represented the Group's revenue less cost of sales. The Group recorded a decrease in gross profit by approximately HK$7.2 million or approximately 36.2% from approximately HK$19.8 million for the year ended 31 March 2019 to approximately HK$12.6 million for the year ended 31 March 2020. The Group's gross profit margin decreased from 4.2% for the year ended 31 March 2019 to 3.6% for the year ended 31 March 2020. The decrease in gross profit is primarily due to decrease in sale of diesel oil since the second half of 2019. The demand of diesel oil demand was adversely affected by the COVID-19 outbreak and political and social turmoil in Hong Kong. Since sale drops but the operating costs, e.g. staff costs, depreciation as well as other cost of sales remain fixed, the Company's gross profit dropped as a result. The Group will closely monitor the market demand and take necessary actions to cut costs and arrest declining revenues and margins.

**Administrative and other operating expenses**

Administrative and other operating expenses mainly include administrative staff costs, professional service fees, entertainment, rent and rate and others. The Group's administrative and other operating expenses increased by approximately HK$0.9 million or 10.1% from approximately HK$8.9 million for the year ended 31 March 2019 to approximately HK$9.8 million for the year ended 31 March 2020. The increase is primarily due to post listing professional service fees and increase in staff costs and director' emoluments for the year ended 31 March 2020.

**Income tax expenses**

As all of the Group's profit are derived from Hong Kong and subject to Hong Kong income tax. The Group's income tax decreased by approximately HK$1.3 million or 82.4% for the year ended 31 March 2020.

**Profit for the year**

As a result of the foregoing, the Group's net profit increased by approximately HK$1.9 million from a loss of approximately HK$0.2 million for the year ended 31 March 2019 to a profit of approximately HK$1.7 million for the year ended 31 March 2020 and the Group's net profit margin for the years ended 31 March 2019 and 2020 are a negative of 0.04% and 0.48% respectively.

## LIQUIDITY AND CAPITAL RESOURCES

**Financial Resources and Liquidity**

The Group finances its operations through cash generated from operating activities and banking facilities. The Group recorded net current assets of approximately HK$54.3 million as at 31 March 2020.

As at 31 March 2020, the Group's current assets amounted to approximately HK$58.5 million and the Group's current liabilities amounted to approximately HK$4.2 million. Current ratio was approximately 14.0 as at 31 March 2020. Current ratio is calculated by current assets over current liabilities at the end of the year.

As at 31 March 2020, the Group has no interest-bearing borrowing and bank overdraft. The maximum limit of the banking facilities available to the Group amounted to approximately HK$5.0 million of bank facilities and none of the banking facilities were utilized.

## GEARING RATIO

The gearing ratio, being the ratio of bank loan to total equity, of the Group as at 31 March 2020 was nil (2019: nil) due to the absence of bank borrowings for the reporting period.

## FOREIGN CURRENCY EXPOSURE RISK

The Group operates mainly in Hong Kong and is not exposed to any foreign exchange risks throughout the year ended 31 March 2020.

## CAPITAL STRUCTURE

For the year ended 31 March 2020, the capital structure of the Group consisted of equity attributable to the owners of the Company of approximately HK$62.7 million. The share capital of the Group only comprises ordinary shares. The Shares were listed on the GEM of the Stock Exchange on 8 January 2019 (the "**Listing Date**"). There has been no change in the capital structure of the Group since then.

## TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2020. 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.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

During the year ended 31 March 2020, the Group did not have any significant investments, material acquisitions nor disposals of subsidiaries, associates or joint ventures.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2020, the Group had HK$1.8 million of capital commitments in respect of the acquisition of property, and equipment that have not been provided in the Group's consolidated financial statements.

## CAPITAL EXPENDITURE

During the reporting period, the payment for capital expenditure of the Group increased by approximately HK$2.8 million or 96.6% as compared with last year to approximately HK$5.7 million (2019: approximately HK$2.9 million), which was mainly related to the payment for the purchase of diesel tank wagons.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section "Future Plans and Use of Proceeds" in the Prospectus, the Group does not have any future plans for material investments or capital assets as at 31 March 2020.

## EVENTS AFTER THE REPORTING PERIOD

In view of the outbreak of Coronavirus Disease 2019 ("**COVID-19**") in January 2020 in the PRC and rapidly spread all over the world in the first half of 2020, most of the countries have taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group will closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19.

As at the date of authorisation of these consolidated financial statements, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19. The management considers that there is no significant adverse impact to the financial position and operation of the Group.

## DIVIDENDS

The Board did not recommend a payment of any dividend for the years ended 31 March 2019 and 2020.

## USE OF PROCEEDS

The Shares were listed on GEM on 8 January 2019 by way of Share Offer. The Directors intend to apply the net proceeds from the Share Offer (the "**Net Proceeds**") in accordance with the proposed implementation plan as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Net Proceeds after deducting underwriting commission and other Listing expenses, amounted to approximately HK$34.8 million. Set out below is the actual use of the Net Proceeds up to 31 March 2020:

| | **Planned use of total Net Proceeds** | **Approximate percentage of total Net Proceeds** | **Actual use of Net Proceeds up to 31 March 2020** | **Unused total Net Proceeds up to 31 March 2020** |
|---|---|---|---|---|
| | *HK$ million* | | *HK$ million* | *HK$ million* |
| Purchase of diesel tank wagons *(Note 1)* | 15 | 43.1 | 8.2 | 6.8 |
| Expand manpower *(Note 2)* | 12.5 | 35.9 | 1.4 | 11.1 |
| Upgrade information technology systems *(Note 3)* | 5.0 | 14.4 | – | 5.0 |
| Working capital | 2.3 | 6.6 | 2.3 | – |
| | 34.8 | 100.0 | 11.9 | 22.9 |

*Note:*

1 Two new diesel tank wagons for replacement of existing diesel tank wagon were delivered and available for use in October 2019. Another two new diesel tank wagons were delivered and available for use in April 2020.

2 The Group has been actively recruiting and selecting suitable candidates through various means including placing job advertisements with the labor department of the Government of the Hong Kong Special Administrative Region and on the newspaper.

3 The Group is still in negotiation with the potential suppliers on the requirements and specification of the new office administrative information technology system.

The Group will apply the Net Proceeds in the manners consistent with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The implantation plans for business strategies and use of Net 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 the Prospectus. The Group implemented its business strategies and applied the Net Proceeds based on the actual development of the Group's business and industry, as well as market conditions.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group engaged a total of 24 employees (31 March 2019: 24 employees) including the Directors. For the year ended 31 March 2020, total staff costs amounted to approximately HK$6.6 million (year ended 31 March 2019: approximately HK$6.5 million). Remuneration (including employees' benefits) is maintained within the market level and reviewed on a periodic basis. Employees' salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group's business performance.

## ENVIRONMENT POLICIES AND PERFORMANCE

The principal activity of the Group is governed by Hong Kong environmental laws and regulations including the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) and the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) in Hong Kong. These laws and regulations cover a broad range of environmental matters, including air pollution, noise and gas emissions, leakage of oil products or other hazardous substances. The Group recognises the importance of environmental protection and has implemented various environmental protection measures in order to minimise the operation impact on the environment and natural resources.

# OTHER INFORMATION

## Purchase, Sale or Redemption of the Company's Listed Securities

As at 31 March 2020, there was no purchase, sale or redemption of any Company's listed securities.

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

As at 31 March 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

***Long position in the shares***

| Name of Director | Capacity/ Nature of Interest | Number of Shares | Percentage of issued share capital of the Company |
|---|---|---|---|
| Mr. Law Ming Yik | Interest in a controlled corporation *(Note 1)* | 300,000,000 Shares(L) *(Note 2)* | 75% |

*Notes:*

(1) The entire issued share capital of Fully Fort Limited ("**Fully Fort**") is legally and beneficially owned as to 100% by Mr. Law Ming Yik. Fully Fort, in turn, directly holds 300,000,000 Shares of the Company. Accordingly, Mr. Law Ming Yik is deemed to be interested in the 300,000,000 Shares of the Company which Fully Fort is interested in.

(2) The letter "L" denotes the person's long position in the relevant Shares.

## Interests of the Compliance Adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Giraffe Capital Limited ("**Giraffe Capital**') to be the compliance adviser. As advised by Giraffe Capital, neither Giraffe Capital nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

### Directors' Securities Transactions

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions as at 31 March 2020.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 31 March 2020, the Company has maintained a sufficient public float as required under the GEM Listing Rules.

### Audit Committee

The Company has established an audit committee (the "**Audit Committee**") on 11 December 2018 in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely Mr. Ho Cheung Kong, Mr. Wong Ka Chun Matthew and Mr. Fenn David. Mr. Ho Cheung Kong is the chairman of the audit committee and he holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The Audit Committee has reviewed this announcement and the audited consolidated results of the Group for the year ended 31 March 2020 and the effectiveness of internal control system.

### Share Option Scheme

The Company has conditionally adopted the share option scheme in which certain eligible participants including, among others, the Directors and employees of the Group may be granted options to subscribe for Shares on 11 December 2018 (the "**Adoption Date**"). The share option scheme became unconditional upon the Listing Date. Under the terms of the Scheme, the Board may, at its discretion, grant options to eligible participants to subscribe for Shares. No share option was granted since the Adoption Date up to 31 March 2020, and there was no share option outstanding as at 31 March 2020. As at 31 March 2020, the Company had 40,000,000 shares available for issue under the Share Option Scheme, representing 10% of the existing issued share capital of the Company as at 31 March 2020.

**Corporate Governance**

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. Since the Listing Date and up to 31 March 2020, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**Code Provisions**") contained in Appendix 15 of the GEM Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates the shareholders on its latest business developments and financial performance through its quarterly, interim and annual reports and communicates with the shareholders through annual general meetings and extraordinary general meetings. In compliance with the requirements of the GEM Listing Rules, the Company will issue regular reports, announcements, circulars and notice of general meetings. Always updated with latest information, the corporate website of the Company (www.skhl.com.hk) has provided an effective communication platform to the public and the shareholders.

## OUTLOOK

Taking into consideration of the challenging market outlook, the Group will reinforce cost control and continue to deploy more resources on enhancing its service capabilities, expanding its network presence and diversifying its customer base. The Group will also proactively seek potential business development that will broaden its sources of income and enhance value to the shareholders.

## APPRECIATION

The Board would like to extend its sincere thanks to the Group's shareholders, business partners and customers for their utmost support to the Group. The Group would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the year.

On behalf of the Board
**Sun Kong Holdings Limited**
**Mr. Law Ming Yik**
*Chairman and executive Director*

Hong Kong, 24 June 2020

*As at the date of this announcement, the executive Directors are Mr. LAW Ming Yik (chairman) and Mr. LI Isaiah; and the independent non-executive Directors are Mr. FENN David, Mr. WONG Ka Chun, Matthew and Mr. HO Cheung Kong.*

*This announcement will remain on GEM's website at www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.skhl.com.hk.*