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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

CHARACTERISTICS OF 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 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.

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 (together 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, 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\$125.5 million for the six months ended 30 September 2020, representing a decrease of approximately HK\$78.5 million or 38.5% as compared to the Group's revenue of approximately HK\$204.0 million for the six months ended 30 September 2019.
- The Group's gross profit margin decreased from approximately 4.6% for the six months ended 30 September 2019 to approximately 1.7% for the six months ended 30 September 2020.
- The Group recorded a loss attributable to the owners of the Company of approximately HK\$1.2 million for the six months ended 30 September 2020, representing a decrease of approximately HK\$5.6 million or 127.3%, as compared to the Group's profit attributable to the owners of the Company of approximately HK\$4.4 million for the six months ended 30 September 2019.
- The Board does not recommend the payment of any dividend for the six months ended 30 September 2020.

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Group for the three months and six months ended 30 September 2020 (the “**Reporting Period**”), together with the respective unaudited comparative figures for the corresponding periods in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2020

		Three months ended		Six months ended	
		30 September		30 September	
		2020	2019	2020	2019
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	50,004	108,915	125,476	204,021
Cost of sales		(49,920)	(104,610)	(123,405)	(194,581)
Gross profit		84	4,305	2,071	9,440
Other income	4	563	19	1,246	285
Administrative expenses and other operating expenses		(2,847)	(2,327)	(4,829)	(4,644)
Finance costs	5	(53)	(32)	(101)	(60)
(Loss) Profit before tax	5	(2,253)	1,965	(1,613)	5,021
Income tax credit (expenses)	6	394	(511)	402	(670)
(Loss) Profit and total comprehensive (loss) income for the period		(1,859)	1,454	(1,211)	4,351
		<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>
(Loss) Earnings per share					
Basic and diluted	8	(0.46)	0.36	(0.30)	1.09

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	9	9,096	6,443
Right-of-use assets	10	466	665
Deposit paid for acquisition of property, plant and equipment		50	2,270
		<u>9,612</u>	<u>9,378</u>
Current assets			
Trade receivables	11	52,743	55,071
Other receivables	12	2,536	1,243
Tax recoverable		1,651	1,527
Bank balances and cash		1,165	626
		<u>58,095</u>	<u>58,467</u>
Current liabilities			
Trade payables	13	2,687	1,844
Other payables	14	1,963	1,893
Bank overdrafts		756	–
Lease liabilities	10	454	414
		<u>5,860</u>	<u>4,151</u>
Net current assets		<u>52,235</u>	<u>54,316</u>
Total assets less current liabilities		<u>61,847</u>	<u>63,694</u>
Non-current liabilities			
Deferred tax liabilities		317	719
Lease liabilities	10	80	314
		<u>397</u>	<u>1,033</u>
NET ASSETS		<u>61,450</u>	<u>62,661</u>
Capital and reserves			
Share capital	15	4,000	4,000
Reserves		57,450	58,661
TOTAL EQUITY		<u>61,450</u>	<u>62,661</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital <i>HK\$'000</i> <i>(Note 15)</i>	Reserves			Total <i>HK\$'000</i>	Total <i>HK\$'000</i>
		Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>		
At 1 April 2019 (Audited)	4,000	44,810	10	12,142	56,962	60,962
Profit and total comprehensive income for the period	—	—	—	4,351	4,351	4,351
At 30 September 2019 (Unaudited)	4,000	44,810	10	16,493	61,313	65,313
At 1 April 2020 (Audited)	4,000	44,810	10	13,841	58,661	62,661
Loss and total comprehensive loss for the period	—	—	—	(1,211)	(1,211)	(1,211)
At 30 September 2020 (Unaudited)	4,000	44,810	10	12,630	57,450	61,450

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash from (used in) operations	2,079	(16,313)
Interest received	–	36
Interest paid	(86)	(35)
Income tax paid	(124)	(723)
Net cash from (used in) operating activities	1,869	(17,035)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,877)	(2,290)
Deposit paid for acquisition of property, plant and equipment	–	(3,118)
Net cash used in investing activities	(1,877)	(5,408)
FINANCING ACTIVITY		
Repayment of lease liabilities	(209)	(180)
Net cash used in financing activity	(209)	(180)
Net decrease in cash and cash equivalents	(217)	(22,623)
Cash and cash equivalents at the beginning of the Reporting Period	626	25,559
Cash and cash equivalents at the end of the Reporting Period	409	2,936
Represented by:		
Bank balances and cash	1,165	4,383
Bank overdrafts	(756)	(1,447)
Total cash and cash equivalents	409	2,936

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 30 September 2020

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Group is principally engaged in the business of the sale of diesel oil and related products in Hong Kong.

The condensed consolidated financial statements of the Group for the three months and six months ended 30 September 2020 (the “**Condensed Consolidated Financial Statements**”) are unaudited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”). The Condensed Consolidated Financial Statements were approved and authorised for issue by the Directors on 11 November 2020.

The Condensed Consolidated Financial Statements are presented in Hong Kong Dollar (“**HK\$**”), which is also the functional currency of the Company and its principal subsidiaries and all values are rounded to the nearest thousands (HK\$'000), except when otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The Condensed Consolidated Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standards (“**HKASs**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the audited annual financial information for the year ended 31 March 2020 which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and stated in the annual report of the Company for the year ended 31 March 2020.

The Condensed Consolidated Financial Statements have been prepared on the historical cost basis. The preparation of the Condensed Consolidated Financial Statements in conformity with HKFRSs requires management to make judgments, 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 judgments about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The accounting policies adopted in preparing the Condensed Consolidated Financial Statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2020, except for the adoption of the new/revised HKFRSs which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 April 2020 as described below.

Adoption of new/revised HKFRSs

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

The adoption of those new/revised HKFRSs has no material impact on the Group's results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

3. REVENUE AND SEGMENT INFORMATION

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers within HKFRS 15				
Recognised at point in time				
Sales of diesel oil	49,792	108,690	125,095	203,568
Sales of diesel exhaust fluid	107	164	201	357
	49,899	108,854	125,296	203,925
Recognised over time				
Ancillary transportation service	105	61	180	96
	50,004	108,915	125,476	204,021

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

The executive Directors have determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group manages its business as a whole which is the sale of diesel oil and related products in Hong Kong. The sale services include sourcing diesel oil and diesel exhaust fluid through oil trading companies, dispatching the fleet of diesel tank wagons of the Group to collect diesel oil from oil depots designated by the suppliers of the Group, and eventually delivering diesel oil to destinations designated by the customers of the Group. The executive Directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing the performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. All of the Group's revenue from external customers during the Reporting Period is derived from Hong Kong and all of the Group's assets and liabilities are located in Hong Kong.

4. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	–	19	–	36
Government grants (<i>Note</i>)	<u>563</u>	<u>–</u>	<u>1,246</u>	<u>249</u>
	<u>563</u>	<u>19</u>	<u>1,246</u>	<u>285</u>

Note: Government grants represented the Employment Support Scheme (“ESS”) under the “Anti-epidemic Fund” and the government's incentive subsidies in relation to replacement of motor vehicles with less environmentally friendly engine under the ex-gratia payment scheme in Hong Kong during the periods.

5. (LOSS) PROFIT BEFORE TAX

This is stated after charging:

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance costs				
Interest on bank overdrafts	46	21	86	35
Interest on lease liabilities	7	11	15	25
	<u>53</u>	<u>32</u>	<u>101</u>	<u>60</u>
Staff costs				
Directors' emoluments	324	324	648	648
Other staff cost:				
Salaries and other benefits	1,272	1,160	2,400	2,440
Retirement benefits scheme contributions	71	66	139	141
	<u>1,667</u>	<u>1,550</u>	<u>3,187</u>	<u>3,229</u>
Other items				
Auditor's remuneration	120	120	240	240
Cost of inventories (<i>Note</i>)	48,291	103,456	120,314	192,183
Depreciation of property, plant and equipment				
Cost of sales	625	405	1,295	743
Administrative and other operating expenses	75	202	149	392
Depreciation of right-of-use assets:				
Administrative and other operating expenses	<u>100</u>	<u>–</u>	<u>199</u>	<u>–</u>

Note: Cost of inventories excluded approximately HK\$1,628,000 for the three months ended 30 September 2020 (three months ended 30 September 2019: approximately HK\$1,154,000), and approximately HK\$3,090,000 for the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$2,398,000), which relating to the aggregate amount of certain staff costs, depreciation, license fee, repair and maintenance and transportation expenses.

6. TAXATION

For the three months and six months ended 30 September 2020, Hong Kong Profits Tax has not been provided as the Group had no assessable profits for the periods.

For the three months and six months ended 30 September 2019, the assessable profits of a Hong Kong incorporated subsidiary of the Group is entitled 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%.

The Group's entities established in the Cayman Islands and the British Virgin Islands are exempted from income tax.

	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
Hong Kong Profits Tax	<u>—</u>	<u>137</u>	<u>—</u>	<u>296</u>
Deferred tax				
Origination and reversal of temporary difference	<u>(394)</u>	<u>374</u>	<u>(402)</u>	<u>374</u>
Total income tax (credit) expenses	<u>(394)</u>	<u>511</u>	<u>(402)</u>	<u>670</u>

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

8. (LOSS) EARNINGS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) Earnings				
(Loss) Profit for the period attributable to equity shareholders of the Company, for the purpose of basic and diluted (loss) earnings per Share	<u>(1,859)</u>	<u>1,454</u>	<u>(1,211)</u>	<u>4,351</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per Share	<u>400,000,000</u>	<u>400,000,000</u>	<u>400,000,000</u>	<u>400,000,000</u>

No diluted (loss) earnings per Share for both periods were presented as there were no potential ordinary Shares in issue during both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired items of property, plant and equipment of approximately HK\$4,097,000 (six months ended 30 September 2019: HK\$4,330,000).

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The movements of right-of-use assets and lease liabilities within HKFRS16 during the periods are set out below.

	<i>Notes</i>	Right-of-use assets HK\$'000	Lease liabilities HK\$'000
At 1 April 2020		665	(728)
Depreciation		(199)	–
Imputed interest expenses		–	(15)
Lease payments		<u>–</u>	<u>209</u>
At 30 September 2020		<u>466</u>	<u>(534)</u>
Current		–	454
Non-current		<u>466</u>	<u>80</u>
		<u>466</u>	<u>534</u>

11. TRADE RECEIVABLES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables		
From third parties	54,436	56,334
Less: Loss allowance	<u>(1,693)</u>	<u>(1,263)</u>
	<u>52,743</u>	<u>55,071</u>

At the end of each reporting period, the ageing analysis of the trade receivables by invoice date is as follows:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Within 30 days	12,140	13,444
31 to 60 days	7,781	6,282
61 to 90 days	6,528	9,417
Over 90 days	27,987	27,191
Less: Loss allowance	<u>(1,693)</u>	<u>(1,263)</u>
	<u>52,743</u>	<u>55,071</u>

At the end of each reporting period, the ageing analysis of the trade receivables by due date is as follows:

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Not yet due	<u>29,527</u>	<u>34,106</u>
Past due:		
Within 30 days	5,033	10,482
31 to 60 days	7,544	2,723
61 to 90 days	6,731	2,157
Over 90 days	5,601	6,866
Less: Loss allowance	<u>(1,693)</u>	<u>(1,263)</u>
	<u>23,216</u>	<u>20,965</u>
	<u>52,743</u>	<u>55,071</u>

The credit terms granted to customers vary and are generally the result of negotiations between individual customers and the Group. The average credit period granted ranges from 0 to 120 days.

At the end of the Reporting Period, the Group had a concentration of credit risk as 33% (31 March 2020: 39%) and 56% (31 March 2020: 79%) of the total trade receivables were made up by the Group's largest outstanding balance and the five largest outstanding balances respectively.

The Group does not hold any collateral over trade receivables as at 30 September 2020 and 31 March 2020.

12. OTHER RECEIVABLES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Deposits	799	799
Prepayments	1,710	421
Other receivable	<u>27</u>	<u>23</u>
	<u>2,536</u>	<u>1,243</u>

All the other receivable are expected to be recovered within one year, except for the deposits of HK\$671,000 (31 March 2020: HK\$671,000).

13. TRADE PAYABLES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables		
To third parties (<i>Note</i>)	<u>2,687</u>	<u>1,844</u>

Note: The trade payables are non-interest bearing and the Group is normally granted with credit terms ranging from 1 to 30 days.

The ageing analysis of trade payables, at the end of the Reporting Period based on the invoice date, is as follows:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Within 30 days	2,687	1,838
31 to 60 days	—	6
	<u>2,687</u>	<u>1,844</u>

14. OTHER PAYABLES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Accruals	1,944	1,800
Deposits received	16	21
Due to a director	3	72
	<u>1,963</u>	<u>1,893</u>

15. SHARE CAPITAL

	No. of shares	<i>HK\$'000</i>
Ordinary Shares of HK\$0.01 (31 March 2020: HK\$0.01) each		
Authorised:		
At 31 March 2020 (audited) and 30 September 2020 (unaudited)	<u>3,000,000,000</u>	<u>30,000</u>
Issued and fully paid:		
At 31 March 2020 (audited) and 30 September 2020 (unaudited)	<u>400,000,000</u>	<u>4,000</u>

16. FAIR VALUE MEASUREMENTS

All financial assets and financial liabilities are carried at amounts not materially different from their fair values as at 30 September 2020 and 31 March 2020.

17. CAPITAL COMMITMENTS

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Capital expenditure contracted but not provided for in the Consolidated Financial Statement in respect of acquisition of property, plant and equipment	<u>708</u>	<u>1,817</u>

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 in transporting diesel oil to its customers. The Group had nine diesel tank wagons of various capacity as at 30 September 2020.

Due to the novel coronavirus (“**COVID-19**”) pandemic, there is a deceleration in global economic growth expectations which dampened investors' confidence in general. Crude oil prices have fallen significantly since the beginning of 2020, largely driven by the economic contraction caused by COVID-19. Business activities have been further disrupted as a result of anti-epidemic measures taken by The Government of the Hong Kong Special Administrative Region (“**HKSAR Government**”) and the People's Republic of China (“**mainland China**”).

In the third quarter of 2020, reinforced customs clearance arrangements between mainland China and Hong Kong have been implemented such that cross-border trucks drivers from Hong Kong must present a negative COVID-19 test result and a viral nucleic acid test report within 7 days of travel, or possess relevant mainland China health codes, before entering any mainland land port in mainland China. As a result, cross-border transportation service was seriously affected and market demand for diesel oil from the logistics sector was reduced.

In order to reduce the risk of infection and spread of COVID-19 among construction site workers, and to prevent outbreak of COVID-19 on construction sites, various anti-epidemic measures have been imposed and implemented by the HKSAR Government which led to the suspension of construction projects. As a result, the market demand for diesel oil for machineries in construction sites is uncertain.

For the six months ended 30 September 2020, the Group recorded a net loss of approximately HK\$1.2 million, representing a decrease of approximately HK\$5.6 million from a net profit of approximately HK\$4.4 million for the six months ended 30 September 2019. Although the Group offered competitive price to maintain sales volume amidst an incredibly difficult business environment, decline in gross profit margin and continuous increase in operating costs contribute to the net loss for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

The uncertainty as to when the COVID-19 pandemic can be fully contained has made the Group's operating environment extremely challenging. The Group will continue to closely monitor the development of the COVID-19 pandemic, pay close attention to its cash flow management, integrate existing resources and actively adjust business plans to ensure stability of its operations amid such difficult times while being fully prepared for business recovery immediately upon the COVID-19 pandemic being contained.

Furthermore, the Group will continue to carefully review the current situation of the COVID-19 pandemic to reduce the risks relating to business operations and continue to adopt suitable precautionary measure(s) to ensure the safety of all the staff members and working partners as necessary.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$78.5 million or approximately 38.5% from approximately HK\$204.0 million for the six months ended 30 September 2019 to approximately HK\$125.5 million for the six months ended 30 September 2020.

Revenue from the sales of diesel oil and diesel exhaust fluid accounted for approximately HK\$125.1 million and HK\$0.2 million respectively, representing approximately 99.7% and 0.2% respectively, of the Group's total revenue for the six months ended 30 September 2020. For the six months ended 30 September 2019, the revenue from the sales of diesel oil and diesel exhaust fluid accounted for approximately HK\$203.6 million and HK\$0.4 million respectively, representing approximately 99.8% and 0.2% respectively, of the Group's total revenue. Sale of diesel oil remained the largest contributor to the Group's revenue.

The Group recorded an ancillary transportation service income of HK\$0.2 million and HK\$0.1 million for the six months ended 30 September 2020 and 30 September 2019 respectively. This service was attributable to service provided to one of the four Oil Major in transporting the diesel oil to its customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales quantity

The sales quantity of diesel oil increased by approximately 7.7% from 45.7 million litres for the six months ended 30 September 2019 to 49.2 million litres for the six months ended 30 September 2020, which showed more diesel oil was required from new customers. The sales quantity of diesel exhaust fluid decreased by approximately 47.2% from 80.9 thousand litres for the six months ended 30 September 2019 to 42.7 thousand litres for the six months ended 30 September 2020.

Selling price

The average selling price of the Group's diesel oil decreased by approximately 42.9% from HK\$4.45 per litre for the six months ended 30 September 2019 to HK\$2.54 per litre for the six months ended 30 September 2020 whereas the average selling price of the Group's diesel exhaust fluid increased by approximately 7.0% from HK\$4.41 per litre for the six months ended 30 September 2019 to HK\$4.72 per litre for the six months ended 30 September 2020. The decrease in 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 diesel oil costs, diesel exhaust fluid costs, 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 suppliers. The purchase cost for diesel oil is also determined with reference to the price indices such as Europe Brent spot crude price.

For the six months ended 30 September 2020, the Group's cost of sales was approximately HK\$123.4 million, representing a decrease of 36.6% from HK\$194.6 million for the six months ended 30 September 2019. Such decrease was mainly due to the decrease in average purchase cost of diesel oil.

The largest component of the cost of sales was diesel oil cost, which amounted to approximately HK\$191.7million and HK\$120.0 million, representing approximately 98.5% and 97.2% of the cost of sales for the six months ended 30 September 2019 and 30 September 2020, respectively. The average unit purchase cost of diesel oil decreased by 41.8% from approximately HK\$4.19 per litre for the six months ended 30 September 2019 to approximately HK\$2.44 per litre for the six months ended 30 September 2020. The decrease in unit purchase cost of diesel oil was in line with the market trend for the six months ended 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2020 and the corresponding period in 2019, the diesel exhaust fluid costs were approximately HK\$0.1 million and HK\$0.2 million respectively, representing approximately 0.1% and 0.1% of the cost of sales for the said periods, respectively.

The direct labour costs comprise wages and benefits, including, 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\$1.2 million and HK\$1.1 million for the six months ended 30 September 2020 and 30 September 2019, respectively. The Group had ten full-time drivers responsible for the logistics support for the Group's diesel tank wagons as at 30 September 2020.

Depreciation represented depreciation charges for the Group's equipment which comprised mainly of diesel tank wagons. The depreciation amounted to approximately HK\$0.7 million and HK\$1.3 million for the six months ended 30 September 2019 and 30 September 2020, respectively. The increase mainly represent the depreciation of the newly added diesel tank wagons.

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\$7.3 million or approximately 77.7% from approximately HK\$9.4 million for the six months ended 30 September 2019 to approximately HK\$2.1 million for the six months ended 30 September 2020. The Group's gross profit margin decreased from 4.6% for the six months ended 30 September 2019 to 1.7% for the six months ended 30 September 2020 because the Group offered a competitive price to maintain sales level amidst an incredibly difficult business environment.

Administrative and other operating expenses

Administrative and other operating expenses mainly include administrative staff costs, professional service fees, rent and rate and others. The Group's administrative and other operating expenses increased by approximately HK\$0.2 million or 4.3% from approximately HK\$4.6 million for the six months ended 30 September 2019 to approximately HK\$4.8 million for the six months ended 30 September 2020. The increase is primarily due to the increase in allowance for doubtful debts for the six months ended 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

All of the Group's profit are derived from Hong Kong and is subject to Hong Kong income tax. The Group's income tax decreased by approximately HK\$1.0 million or 160.0% from approximately HK\$0.7 million for the six months ended 30 September 2019 to a negative income tax of approximately HK\$0.4 million for the six months ended 30 September 2020.

Capital commitments and contingent liabilities

As at 30 September 2020, the Group had HK\$0.7 million of capital commitments in respect of the acquisition of property, plant and equipment that have not been provided in the Group's Condensed Consolidated Financial Statements.

Events after the Reporting Period

As at 30 September 2020, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19 pandemic. The management of the Group considers that there is no significant event subsequent to 30 September 2020 which would materially affect the financial performance and operation of the Group. Thus, the Board is not aware of any significant events requiring disclosure that have occurred.

Capital expenditure

During the Reporting Period, the payment for capital expenditure of the Group decreased by approximately HK\$3.5 million or 64.8% as compared with the corresponding period last year to approximately HK\$1.9 million (2019: approximately HK\$5.4 million), which was mainly related to the payment for the purchase price of the new diesel tank wagons.

Other income

Other income was mainly attributed by the first and second tranches of the ESS from the first and second round of the "Anti-epidemic Fund". The ESS was initiated by the HKSAR Government to provide financial support for employers in order to retain employees who might otherwise be made redundant.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the period

The Group recorded a net loss of approximately HK\$1.2 million for the six months ended 30 September 2020, representing a decrease of approximately HK\$5.6 million from a net profit of approximately HK\$4.4 million for the six months ended 30 September 2019 due to a decline in gross profit amidst an adverse business environment caused by COVID-19 pandemic and continuous increase in operating costs.

DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended 30 September 2020.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources and Liquidity

As at 30 September 2020, the Group recorded net current assets of approximately HK\$52.2 million. The Group had cash and bank balances of approximately HK\$1.2 million. The Group's financial resources were funded mainly by its shareholders' funds. As at 30 September 2020, the Group's current assets amounted to approximately HK\$58.1 million and the Group's current liabilities amounted to approximately HK\$5.9 million. Current ratio was approximately 9.9 as at 30 September 2020. Current ratio is calculated based on total current assets at the end of the Reporting Period divided by total current liabilities at the end of the Reporting Period. Gearing ratio was approximately 1.2% as at 30 September 2020 which was calculated based on the total borrowing at the end of the Reporting Period divided by total equity at the end of the Reporting Period. As at 30 September 2020, the maximum limit of the banking facilities available to the Group was approximately HK\$5.0 million and HK\$0.8 million of the banking facilities was utilised.

CAPITAL STRUCTURE

For the six months ended 30 September 2020, the capital structure of the Group consisted of equity attributable to the owners of the Company of approximately HK\$61.5 million. The share capital of the Group only consists of ordinary shares. The shares of the Company (the “**Shares**”) were listed on 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE RISKS

The Group operates mainly in Hong Kong and is not exposed to any foreign exchange risks throughout the Reporting Period.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting 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.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

The Group did not have any significant investments, material acquisitions nor disposals of subsidiaries during the six months ended 30 September 2020.

CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND CHARGES ON ASSETS

As at 30 September 2020, save as disclosed elsewhere in Note 17 to the unaudited Condensed Consolidated Financial Statements and the paragraph headed below in "Use of proceeds", the Group did not have any other material capital commitments or any material contingent liabilities. The Group did not have any charges on assets.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS COMPARISON OF IMPLEMENTATION PLANS OF BUSINESS STRATEGIES WITH ACTUAL IMPLEMENTATION PROGRESS

The following is a comparison of the Group's implementation plans of its business strategies as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 21 December 2018 ("**Prospectus**") as revised by the UOP Announcement and Supplemental Announcement (as defined below) with the Group's actual implementation progress up to 30 September 2020:

Business strategy	Implementation plan from 8 January 2019 to 30 September 2020	Actual implementation progress up to 30 September 2020
Expansion and enhancement of the Group's fleet of diesel tank wagons	– Replace two existing diesel tank wagons – Purchase two new diesel tank wagons – Order one new diesel tank wagon	– Two new diesel tank wagons have been ordered and to replace existing diesel tank wagons and were available for use in October 2019 – Two new diesel tank wagons have been delivered and available for use in April 2020 – One new diesel tank wagon has been ordered in May 2020 and is expected to be delivered by March 2021
Upgrading the Group's information technology systems	– Engage external professionals to upgrade and develop the Group's information technology systems	– The Group is still in negotiation with the potential suppliers on the requirements and specification of the new office administrative information technology system
Expanding the Group's manpower	– Recruit four drivers and two logistics assistants to strengthen our workforce required for our fleet of diesel tank wagons – Recruit one safety supervisor to enhance our occupational safety management – Recruit two accounting staff to support the Group on a wide spectrum of accounting and company secretarial matters – Recruit one administrative staff to support the expansion of the Group	– As at 30 September 2020, four drivers and two logistics assistants were hired to strengthen our workforce required for our fleet of diesel tank wagons – One senior accountant was hired in January 2019 to support the Group on a wide spectrum of accounting and company secretarial matters – One administrative staff was hired in May 2019 to support the expansion of the Group
Working capital	– General working capital purposes	– The Group had already fully utilised the amount of Net Proceeds allocated for general working capital of the Group, details of which were set out in the section headed "Use of Proceeds" in this announcement

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The Shares were listed on GEM on 8 January 2019 by way of placing and public offer (collectively the “**Share Offer**”). The Directors intend to apply the net proceeds (the “**Net Proceeds**”) from the Share Offer 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. Details of the change in use of Net Proceeds are set out in the Company’s announcements dated 3 July 2020 (the “**UOP Announcement**”) and 18 August 2020 (the “**Supplemental Announcement**”). Set out below is the actual use of the Net Proceeds up to 30 September 2020:

	Intended allocation of Net Proceeds as set forth in the Prospectus <i>HK\$ million</i>	The change in use of Net Proceeds as set forth in the UOP Announcement <i>HK\$ million</i>	Revised allocation of the Net Proceeds as set forth in the UOP Announcement and the Supplemental Announcement <i>HK\$ million</i>	Actual use of Net Proceeds up to 30 September 2020 <i>HK\$ million</i>	Unused total Net Proceeds up to 30 September 2020 <i>HK\$ million</i>	Expected timeline for fully utilising the unutilised amount as at 30 September 2020 <i>(Note 1)</i>
Purchase of diesel tank wagons <i>(Note 3)</i>	15.0	–	15.0	10.1	4.9	By 31 March 2021
Expand manpower	12.5	(10.8)	1.7	1.7	–	N/A
Upgrade information technology systems	5.0	–	5.0	–	5.0	By 31 March 2021 <i>(Note 2)</i>
Working capital	2.3	10.8	13.1	13.1	–	N/A
Total	<u>34.8</u>		<u>34.8</u>	<u>24.9</u>	<u>9.9</u>	

Note:

1. The expected timeline for utilising the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.
2. As disclosed above, the Group planned to utilise approximately HK\$5.0 million of the Net Proceeds for upgrading the information technology systems of the Group and such proposal was still in negotiation with the potential suppliers on the requirements and specification of the new office administrative information technology systems as at 31 March 2020, the original expected timeline as set out in the Prospectus. Nonetheless, the Company will continue to adopt a prudent approach for such purpose and will continue to apply the Net Proceeds in accordance with the proceeds allocation set out in the Prospectus and it is expected to be fully utilised by 31 March 2021 as set out in the above table. Save as disclosed above, the Directors are not aware of any material change to the implementation plans in relation to the Net Proceeds as stated in the Prospectus.
3. One new diesel tank wagon has been ordered in May 2020 and is expected to be delivery by March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above and change use of proceeds in the UOP Announcement and the Supplemental Announcement, the Group will apply the Net Proceeds in the manner consistent with the proposed plan set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The implementation plans for business strategies and use of Net Proceeds as stated in the Prospectus as revised by the UOP Announcement and Supplemental Announcement 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 30 September 2020, the Group engaged a total of 26 employees (23 employees as at 30 September 2019) including the Directors. For the six months ended 30 September 2020, total staff costs amounted to approximately HK\$3.2 million (six months ended 30 September 2019: approximately HK\$3.2 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 environmental laws and regulations in Hong Kong such as those in relation to air pollution control as set out in the section headed “Regulatory Overview” in the Prospectus.

The Group recognises the importance of environmental protection and has implemented various environmental protection measures, such as reducing air pollutant emissions and preventing leakage of oil products or other hazardous substance, in order to minimise the operation impact on the environment and natural resources.

The Group will continue to monitor the business operations in order to ensure that it does not have any significant adverse effect on the environment and that the Group’s environment protection measures are adequate to ensure compliance with all applicable laws or regulations in Hong Kong.

As at the date of this announcement, no prosecution, penalty or punishment has been imposed upon the Group for the violation of any applicable environmental laws or regulations.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INFORMATION

Purchase, Sale 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 six months ended 30 September 2020.

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

As at 30 September 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and 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 (<i>Note 1</i>)	251,110,000 Shares(L) (<i>Note 2</i>)	62.78%

Notes:

- (1) The Company is owned as to 62.78% by Fully Fort Group Limited ("**Fully Fort**") which is wholly owned by Mr. Law Ming Yik ("**Mr. Law**"), the chairman of the Board and the executive Director. Under the SFO, Mr. Law is deemed to be interested in Shares held by Fully Fort.
- (2) The letter "L" denotes the person's long position in the relevant Shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 30 September 2020, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.

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

As at 30 September 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in Shares or underlying Shares which (i) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Company.

Name of Shareholder(s)	Capacity/nature of interest	Number of Shares held	Percentage of shareholding
Fully Fort Group Limited	Beneficial owner (<i>Note</i>)	251,110,000	62.78%

Note: Fully Fort is the beneficial owner of 251,110,000 Shares, representing 62.78% of the Company's issued share capital. Fully Fort is wholly owned by Mr. Law.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Share Option Scheme

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted on 11 December 2018, which became effective on the commencement of dealings of the Shares on the Stock Exchange on the Listing Date. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and general information – Share option scheme" in Appendix IV to the Prospectus.

During the Reporting Period and up to the date of this announcement, there were no options granted, exercised, lapsed or cancelled under the Share Option Scheme and there were no outstanding share options as at 30 September 2020.

Competing Interests

The Directors confirm that none of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the Reporting Period and up to the date of this announcement.

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. Giraffe Capital has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Audit Committee

The Company has established 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 unaudited Condensed Consolidated Financial Statements had been reviewed by the Audit Committee, which was of the opinion that the unaudited Condensed Consolidated Financial Statements have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

Nomination Committee

The Company established a nomination committee (the “**Nomination Committee**”) on 11 December 2018 which comprises Mr. Law, an executive Director, and two independent non-executive Directors, namely Mr. Wong Ka Chun Matthew and Mr. Fenn David. Mr. Law is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The full terms of reference setting out details of the authority, duties and responsibilities of the Nomination Committee is available on both the GEM’s website and the Company’s website.

Pursuant to the terms of reference of the Nomination Committee, meetings shall be held at least once a year and additional meetings should be held if the committee shall so request.

The Nomination Committee has reviewed the structure, size and composition of the Board as well as discussing matters regarding the retirement and re-election of Directors.

MANAGEMENT DISCUSSION AND ANALYSIS

Remuneration Committee

The Company established a remuneration committee (the “**Remuneration Committee**”) on 11 December 2018 in compliance with Appendix 15 of the GEM Listing Rules, which comprises Mr. Law, an executive Director, and two independent non-executive Directors, namely Mr. Fenn David and Mr. Ho Cheung Kong. Mr. Fenn David is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review and approve the management’s remuneration proposals, and ensure none of the Directors determine their own remuneration.

The full terms of reference setting out details of duties of the Remuneration Committee is available on both the GEM’s website and the Company’s website.

The Remuneration Committee recommends the Directors’ remuneration with reference to the benchmarking of the market. The Company also looks into individual Director’s competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

Pursuant to the terms of reference of the Remuneration Committee, meeting shall be held at least once a year and additional meetings should be held if the committee shall so request.

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 the date of this announcement.

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. The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF INTERIM FINANCIAL INFORMATION

The interim financial report for the six months ended 30 September 2020 is unaudited, but has been reviewed by Mazars CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to Shareholders of the Company. The interim results have also been reviewed and approved by the Audit Committee, comprising all the three independent non-executive Directors namely, Mr. Ho Cheung Kong (chairman of the Audit Committee), Mr. Wong Ka Chun Matthew and Mr. Fenn David.

SUFFICIENCY OF PUBLIC FLOAT

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

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

Hong Kong, 11 November 2020

As at the date of this announcement, the executive Directors of the Company are Mr. LAW Ming Yik (chairman) and Mr. LI Isaiah (chief executive officer); and the independent non-executive Directors of the Company 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 publication and on the Company's website at www.skhl.com.hk.