

QUANTONG HOLDINGS LIMITED

全通控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8316)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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.

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

FINANCIAL RESULTS

The board of Directors (the “**Board**”) would like to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2021, together with the comparative unaudited figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2021

		Three months ended 30 September		Six months ended 30 September	
		2021	2020	2021	2020
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	7,675	30,978	12,631	68,838
Cost of services		(10,101)	(40,294)	(17,283)	(79,807)
Gross loss		(2,426)	(9,316)	(4,652)	(10,969)
Other income	4	1,291	2,995	2,949	5,458
Administrative expenses		(3,222)	(2,596)	(6,327)	(4,953)
Finance costs	5	(23)	(302)	(48)	(544)
Loss before income tax	6	(4,380)	(9,219)	(8,078)	(11,008)
Income tax	7	—	—	—	—
Loss and total comprehensive expense for the period attributable to the owners of the Company		(4,380)	(9,219)	(8,078)	(11,008)
Loss per share		HK cents	HK cents	HK cents	HK cents
— Basic and diluted	8	(0.55)	(1.15)	(1.01)	(1.38)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	<u>2,892</u>	<u>5,398</u>
		<u><u>2,892</u></u>	<u><u>5,398</u></u>
Current assets			
Contract assets	11	6,210	7,014
Trade and other receivables	12	10,226	10,509
Cash and cash equivalents		<u>3,322</u>	<u>1,191</u>
		<u><u>19,758</u></u>	<u><u>18,714</u></u>
Current liabilities			
Trade and other payables	13	17,010	22,493
Other borrowings	14	22,931	14,783
Lease liabilities		706	2,819
Provision for taxation		<u>102</u>	<u>102</u>
		<u><u>40,749</u></u>	<u><u>40,197</u></u>
Net current liabilities		<u><u>(20,991)</u></u>	<u><u>(21,483)</u></u>
Total assets less current liabilities		<u><u>(18,099)</u></u>	<u><u>(16,085)</u></u>

		As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current liabilities			
Other borrowings	14	–	4,497
Amount due to a shareholder		18,841	7,655
Loan from a related party		15,050	15,050
Lease liabilities		–	625
Deferred tax liabilities		224	224
		<u>34,115</u>	<u>28,051</u>
NET LIABILITIES		<u>(52,214)</u>	<u>(44,136)</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	8,000	8,000
Reserves		<u>(60,214)</u>	<u>(52,136)</u>
TOTAL DEFICITS		<u>(52,214)</u>	<u>(44,136)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2021*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserves <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2021 (Audited)	8,000	82,525	(51,705)	3,118	(86,074)	(44,136)
Loss and total comprehensive expense for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(8,078)</u>	<u>(8,078)</u>
As at 30 September 2021 (Unaudited)	<u>8,000</u>	<u>82,525</u>	<u>(51,705)</u>	<u>3,118</u>	<u>(94,152)</u>	<u>(52,214)</u>
As at 1 April 2020 (Audited)	8,000	82,525	(51,705)	3,118	(56,624)	(14,686)
Loss and total comprehensive expense for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(11,008)</u>	<u>(11,008)</u>
As at 30 September 2020 (Unaudited)	<u>8,000</u>	<u>82,525</u>	<u>(51,705)</u>	<u>3,118</u>	<u>(67,632)</u>	<u>(25,694)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2021*

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(14,209)	(6,546)
Net cash generated from investing activities	3,000	2,501
Net cash generated from/(used in) financing activities	13,340	(3,696)
Net increase/(decrease) in cash and cash equivalents	2,131	(7,741)
Cash and cash equivalents at beginning of the period	1,191	14,561
Cash and cash equivalents at end of the period	3,322	6,820

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 July 2014, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the head office and principal place of business of the Company is located at Room 502, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong. The Company is an investment holding company and the shares were listed on GEM on 10 August 2015. The Group is principally engaged in the foundation business as a foundation subcontractor in Hong Kong.

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements and should read in conjunction with the consolidated financial statements for the year ended 31 March 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2021 have not been audited by the Company's independent auditors, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Board.

The unaudited condensed consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company. All values are rounded to the nearest thousands except when otherwise indicated.

For the purpose of preparing and presenting the financial information of the condensed consolidated financial statements, the Group has consistently adopted HKFRS issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2021. The Group has not early applied the new and revised HKFRS that have been issued by HKICPA but are yet to be effective.

The preparation of condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2021.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents amount received and receivable from contract works performed and recognized over time using output method, i.e. based on surveys of work completed by the Group to date.

Operating segment

The Group was principally engaged in the provision of foundation business as a foundation subcontractor in Hong Kong. The Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The Group's revenue was principally derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

4. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain/(Loss) on disposal of property, plant and equipment, net	(7)	220	1,651	2,504
Gain on early termination of lease	1,291	–	1,291	–
Government subsidies	–	2,783	–	2,783
Others	7	(8)	7	171
	<u>1,291</u>	<u>2,995</u>	<u>2,949</u>	<u>5,458</u>

5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on lease liabilities	23	53	48	108
Interest on loans from directors	–	80	–	218
Interest on loan from a former director	–	44	–	93
Interest on other borrowings	–	125	–	125
	<u>23</u>	<u>302</u>	<u>48</u>	<u>544</u>

6. LOSS BEFORE INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before income tax is arrived at after charging:				
Employee benefit expense (including Directors' remuneration)	2,306	6,625	5,139	13,998
Depreciation of property, plant and equipment	435	1,317	1,156	2,720

7. INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax for the period:				
Hong Kong profits tax	–	–	–	–
Deferred tax	–	–	–	–
	–	–	–	–

No provision for Hong Kong profits tax has been made for the current and prior periods as the group companies which are subject to Hong Kong profits either incurred tax losses for the six months ended 30 September 2021 or have tax losses brought forward to set off with the assessable profit for the six months ended 30 September 2021.

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the Group is based on the following data:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(8,078)	(11,008)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	800,000	800,000

Diluted loss per share were the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 September 2021 and 2020.

9. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2021 (2020: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group disposed of plant and machinery and motor vehicles with aggregate net book value of approximately HK\$1,349,000 (for the six months ended 30 September 2020: approximately HK\$16,000) and a lease agreement for leasing a warehouse was early terminated, and therefore recognised gain on early termination of lease of approximately HK\$1,291,000.

During the six months ended 30 September 2020, the Group acquired office equipment amounting to approximately HK\$18,000 and the Group entered into a lease agreement for leasing a warehouse, and therefore recognised addition to right-of-use asset of approximately HK\$2,212,000.

11. CONTRACT ASSETS

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Contract assets arising from:		
Construction services		
— Retention receivables from contracts with customers within the scope of HKFRS 15	6,257	7,061
Less: Provision for impairment	(47)	(47)
	<u>6,210</u>	<u>7,014</u>

Construction services

As at 30 September 2021, contract assets included retention receivables held by customer for foundation construction works which amounted to approximately HK\$6,210,000 (31 March 2021: HK\$7,014,000). The Group typically agrees a 1-year retention period for 5% to 10% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work having satisfactorily passed inspection.

The expected timing of recovery or settlement for contract assets as at 30 September 2021 and 31 March 2021 are as follows:

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Within one year	<u>6,210</u>	<u>7,014</u>
Total contract assets	<u>6,210</u>	<u>7,014</u>

The movements in contract assets during the period/year are as follows:

	<i>HK\$'000</i>
At 1 April 2020 (Audited)	6,258
Addition during the year	4,194
Transfer to trade receivables during the year	(3,750)
Reversal of impairment loss	312
As at 31 March 2021 (Audited)	7,014
Addition during the six months ended 30 September 2021	3,010
Transfer to trade receivables during the six months ended 30 September 2021	(3,814)
As at 30 September 2021 (Unaudited)	<u>6,210</u>

An impairment analysis is performed at each reporting date using an individual customer basis to measure expected credit losses (“ECLs”). The provision rates for the measurement of the ECLs of the contract assets are with reference to those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The loss rates of contract assets are with reference to days past due of each individual customer in trade receivables, i.e. under “current not yet due”. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

Movement in provision for impairment of contract assets is as follows:

	<i>HK\$'000</i>
At 1 April 2020 (Audited)	359
Reversal of impairment loss on contract assets	(312)
As at 31 March 2021 (Audited) and 30 September 2021 (Unaudited)	<u>47</u>

Set out below is the information about the credit risk exposure on the Group’s contract assets using an individual customer basis:

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Gross carrying amount	6,257	7,061
Expected credit losses	<u>47</u>	<u>47</u>

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note (a)</i>)	3,640	8,514
Other receivables	7,882	7,078
Prepayments	4,264	330
Deposits	483	630
	<u>16,269</u>	<u>16,552</u>
Less: provision of impairment loss	<u>(6,043)</u>	<u>(6,043)</u>
	<u><u>10,226</u></u>	<u><u>10,509</u></u>

Note:

(a) Trade receivables

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables, for gross (<i>Note</i>)	3,640	8,514
Less: Expected credit loss	<u>(279)</u>	<u>(279)</u>
Trade receivables, net	<u><u>3,361</u></u>	<u><u>8,235</u></u>

Note:

Trade receivables were mainly derived from provision of foundation works and non-interesting bearing. The Group does not hold any collateral or other credit enhancements over these balances.

The following is an analysis of trade receivables by age, net of loss allowance, presented based on the invoice dates:

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Current or less than one month	1,914	7,047
One to three months	373	745
More than three months but less than one year	836	443
More than one year	238	–
	<u>3,361</u>	<u>8,235</u>

The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

13. TRADE AND OTHER PAYABLES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables	14,585	18,104
Accruals	2,425	4,389
	<u>17,010</u>	<u>22,493</u>

The following sets out the ageing analysis of trade payables presented based on the invoice dates:

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Current or less than one month	604	1,779
One to three months	1,433	4,682
More than three months but less than one year	9,765	5,740
More than one year	2,783	5,903
	<u>14,585</u>	<u>18,104</u>

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 45 days.

14. OTHER BORROWINGS

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Current:		
Mr. Zhang Weijie (“ Mr. Zhang ”) (<i>Note (a)</i>)	11,334	11,334
Mr. Wong Chin To (“ Mr. Wong ”) (<i>Note (b)</i>)	7,219	1,268
Mr. Tse Chun Kit (“ Mr. Tse ”) (<i>Note (c)</i>)	4,378	2,181
	<u>22,931</u>	<u>14,783</u>
Non-current:		
Mr. Tse (<i>Note (c)</i>)	–	4,497
	<u>22,931</u>	<u>4,497</u>

Notes:

- (a) Mr. Zhang granted two loans to the Company at principal amount of HK\$3,477,000 and HK\$3,787,000, respectively, on 31 March 2018. The loans are unsecured, with interest rate at 5% per annum and expired on 30 June 2021. As at 30 September 2021, the accumulated loan interest is approximately HK\$1,376,000 and payable with the principal amount on the expiry date. As set out in the announcement of the Company dated 9 July 2020, the Company had been unable to reach Mr. Zhang. Mr. Zhang remains to be uncontactable as of the date of this announcement. Pursuant to the annual general meeting on 21 August 2020, Mr. Zhang retired as executive director of the Company, therefore, the outstanding balance was reclassified as other borrowings from amounts due from directors and loans from directors as at 31 March 2021. The remaining balance of other borrowings represents other cash advances from Mr. Zhang of HK\$2,694,000 and the cash advance are unsecured, interest-free and repayable on demand.

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Loan borrowings	7,264	7,264
Interest payable	1,376	1,376
Cash advances	2,694	2,694
	<u>11,334</u>	<u>11,334</u>

- (b) Mr. Wong granted two new loans to Pak Wing Construction Company Limited (“**Pak Wing Construction**”), a wholly-owned subsidiary of the Company, at principal amount of HK\$1,000,000 and HK\$800,000 on 23 December 2020 and 15 March 2021 respectively, to support the operation of Pak Wing Construction. The loans are unsecured, with interest rate at 5% per annum and repayable on demand. Pak Wing Construction repaid the principal amount and interest payable of approximately HK\$600,000 in January 2021. The accumulated loan interest is approximately HK\$20,000 and payable on demand. Mr. Wong resigned as an executive Director on 10 February 2021 and therefore, the outstanding balance was reclassified as other borrowings from amounts due from directors and loan from directors as at 31 March 2021. The remaining balance of other borrowings represents other cash advances from Mr. Wong of HK\$5,973,000 and the cash advance are unsecured, interest free and repayable on demand.

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Loan borrowings	1,226	1,226
Interest payable	20	20
Cash advances	5,973	22
	<u>7,219</u>	<u>1,268</u>

- (c) The amount due to Mr. Tse, a former director of Pak Wing Construction, comprises the remaining loan balance of approximately HK\$2,168,000, accumulated interest payable of the loan of approximately HK\$1,497,000 and cash advances to Pak Wing Construction at amount of approximately HK\$713,000.

The loan from Mr. Tse is unsecured, with fixed interest rate at 5% per annum, is repayable in September 2022. The corresponding loan interests of approximately HK\$1,497,000 will be settled according to the loan expiry date. The cash advance from Mr. Tse is unsecured, interest free and repayable on demand.

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Loan borrowings	2,168	4,468
Interest payable	1,497	1,497
Cash advances	713	713
	<u>4,378</u>	<u>6,678</u>
Less: Non-current other borrowings	<u>—</u>	<u>(4,497)</u>
Current other borrowing	<u>4,378</u>	<u>2,181</u>

15. SHARE CAPITAL

	Number	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2020, 31 March 2021 (Audited)		
and 30 September 2021 (Unaudited)	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2020, 31 March 2021 (Audited)		
and 30 September 2021 (Unaudited)	<u>800,000,000</u>	<u>8,000</u>

16. RELATED PARTY TRANSACTION

(a) Key management compensation

The key management personnel of the Group are the Directors. Details of the remuneration paid to them during the six months ended 30 September 2021 and 2020 are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and benefits	550	750	1,110	1,529
Pension scheme contributions	—	5	—	9
	<u>550</u>	<u>755</u>	<u>1,110</u>	<u>1,538</u>

(b) Transactions

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following related party transactions, which also constitute connected transactions as defined in Chapter 20 of the GEM Listing Rules, during the six months ended 30 September 2020:

Name of related party	Nature of transaction	Six months ended 30 September	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Mrs. Wong Ching Nam (a)	Staff costs charged	<u>—</u>	<u>300</u>

Note:

- (a) Mrs. Wong Ching Nam (“**Mrs. Wong**”), the spouse of Mr. Wong, was employed and being paid by the Group during the six months ended 30 September 2021 and 2020.

Mr. Wong resigned as an executive director of the Company on 10 February 2021 and Mrs. Wong was no longer a related party of the Group thereafter.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is principally engaged in the foundation works business as a subcontractor in Hong Kong. Its customers principally comprise main contractors and subcontractors. In calculating the contract sum, the Group is normally required to follow the pre-determined schedule of rates according to the specifications of types of works to be done, the necessary construction materials and labour to be used.

The outbreak of the COVID-19 has a drastic effect on the Hong Kong economy and imposed negative impacts on the construction industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines and work stoppages due to measures imposed by the Hong Kong Government. The Group's performance was adversely affected by the number of foundation projects undertaken by the Group. During the six months ended 30 September 2021, the Group recorded gross loss margin of approximately 36.8% as compared to gross loss margin of approximately 15.9% for the six months ended 30 September 2020.

Despite the unfavourable market conditions such as keen competition due to the growing number of market players, continuously increasing construction costs due to labour shortage, increasingly stringent regulatory controls and rising construction material and operation costs, which adversely affected the Group's gross profit margin, the Directors are of the view that the market conditions of the construction industry will start to improve and consider that with the Group's business presence and good reputation in the market, the Group is well-positioned to compete with its competitors against such challenges that are commonly faced by all industry players. The Group will proactively explore new opportunities to create maximum return to the shareholders of the Company.

The Group aims at developing its business in the new energy automobile industry in the Qinhan Automobile and Auto Parts Industrial Park in Xixian New District in Shaanxi Province, the People's Republic of China by means of establishment in the industrial park and forming strategic partnerships with upstream and downstream enterprises in the industrial park for the manufacturing of new energy automobiles.

On 28 September 2021, an indirect wholly-owned subsidiary of the Company, Shaanxi Gaochuang Yuanwei Energy Limited* (陝西高創遠為能源有限公司), entered into a strategic cooperation agreement with Jiangsu Puya Energy Technology Limited* (江蘇普亞能源科技有限公司), a party independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules), to among other things, (i) develop a production line for energy storage products and mobile energy products in an automobile technology industrial park; (ii) provide technological support to the development of products; and (iii) promote the use of new energy battery on motor vehicles and two-wheeled electric bicycles in Xixian New District in Shaanxi Province, the People's Republic of China. The Board is of the view that the new business provides a great opportunity for the Group to diversify its business scope and broaden the Group's income source, leveraging on the trend of "green transportation" and "new infrastructure".

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2021 was approximately HK\$12.6 million, representing a decrease of approximately HK\$56.2 million or 81.7% as compared to the revenue for the six months ended 30 September 2020. The decrease was mainly due to the completion of certain foundation projects during the year ended 31 March 2021 and a decrease in the number of new projects undertaken by the Group.

Cost of Services

The Group's cost of services decreased from approximately HK\$79.8 million for the six months ended 30 September 2020 to approximately HK\$17.3 million for the six months ended 30 September 2021, representing a decrease of approximately HK\$62.5 million or 78.3%. Such decrease was mainly due to a decrease in the number of foundation projects undertaken by the Group.

Gross Loss and Gross Loss Margin

For the six months ended 30 September 2021, the Group recorded a gross loss of approximately HK\$4.7 million (2020: gross loss of approximately HK\$11.0 million) and the gross loss margin was approximately 36.8% (2020: gross loss margin of approximately 15.9%). Such increase in gross loss margin was due to a decrease in revenue while the fixed direct costs remained unchanged.

Administrative Expenses

The administrative expenses increased by approximately HK\$1.3 million or approximately 27.7% from HK\$5.0 million for the six months ended 30 September 2020 to approximately HK\$6.3 million for the six months ended 30 September 2021. The higher administrative expenses was mainly due to an increase in the staff costs and professional fees in head office.

Loss and Total Comprehensive Expense Attributable to Owners of the Company

Net loss and total comprehensive expense for the six months ended 30 September 2021, was approximately HK\$8.1 million (2020: approximately HK\$11.0 million). Such decrease in loss was mainly due to the decrease in gross loss during the period.

Liquidity, Financial Resources and Capital Structure

The Company's shares were successfully listed on GEM on 10 August 2015 (the "Listing"). There has been no change in the capital structure of the Group since the date of the Listing and up to the date of this announcement.

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Current assets	19,758	18,714
Current liabilities	40,749	40,197
Current ratio	0.48	0.47

The current ratio of the Group as at 30 September 2021 was approximately 0.48 times as compared to that of approximately 0.47 times as at 31 March 2021.

As at 30 September 2021, the Group had total cash and cash equivalents of approximately HK\$3.3 million (31 March 2021: approximately HK\$1.2 million).

As at 30 September 2021 and 31 March 2021, the Group had other borrowings, amount due to a shareholder, loans from a related party/then directors and leases liabilities in total of approximately HK\$57.5 million and HK\$45.4 million respectively. The scheduled repayment date of the Group were as follows:

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Within one year	23,637	17,602
Between one and two years	33,891	27,827
Between two and five years	—	—
	57,528	45,429

Gearing Ratio

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debts are calculated as the total of lease liabilities, amount due to shareholder, loans from a related party and other borrowings and less cash and cash equivalents. Capital represents the total of equity and net debts of the Group.

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Total debt	57,528	45,429
Less: Cash and cash equivalents	(3,322)	(1,191)
Net debt	54,206	44,238
Capital	1,992	102
Gearing ratio	27.2	434

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2021 (2020: Nil).

Contingent Liabilities

As at 30 September 2021, the Group did not have any significant contingent liabilities.

Pledge of Assets

As at 30 September 2021, the Group had no assets pledged for bank borrowings or for other purpose.

Capital Commitments

As at 30 September 2021, the Group did not have any significant capital commitment.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 September 2021, the Group did not have any material acquisitions and disposal of subsidiaries and affiliated companies.

Significant Investments Held by the Group

During the six months ended 30 September 2021, there was no significant investment held by the Group.

Future Plan for Material Investments and Capital Assets

The Group does not have any concrete plan for material investments or capital assets as at 30 September 2021.

Foreign Currency Risk

As most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, the Group's exposure to exchange rate risk is limited.

Employees and Remuneration Policy

As at 30 September 2021, the Group employed a total of 28 staff (31 March 2021: 50 staff). The total employee remuneration, including remuneration of the Directors for the six months ended 30 September 2021, amounted to approximately HK\$5.1 million (for the six months ended 30 September 2020: approximately HK\$14.0 million).

The Group entered into separate labour contracts with each of the Group's employees in accordance with the applicable labour laws in Hong Kong. The Group provides its staff with various benefits including discretionary bonus, contributory provident fund and medical insurance. The Group also provides and sponsors various types of training to employees and offers options that may be granted to employees under the share option scheme adopted by the Company (the "**Share Option Scheme**").

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no other important event affecting the Group since 30 September 2021 and up to the date of this announcement.

OTHER INFORMATION

Directors' and chief executives' interest and short positions in shares, underlying shares and debentures

As at 30 September 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the “SFO”)) which are 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 or short positions which they were taken or deemed to have under such provisions), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, are as follows:

Long positions in the ordinary shares of the Company

Name	Capacity/Nature of interest	Number of shares held/interested	Percentage of shareholding
Mr. Xing Yuan (<i>Note</i>)	Interest in a controlled corporation	600,000,000	75%

Note:

Mr. Xing Yuan, an executive Director, beneficially owns the entire issued share capital of QUANTONG GROUP HOLDINGS LIMITED (“Quantong”). Mr. Xing is deemed, or taken to be interested in all the shares of the Company held by Quantong for the purpose of the SFO. Mr. Xing is the sole director of Quantong.

Long positions in the ordinary shares of the associated corporation

Name	Name of associated corporation	Capacity/Nature of Interest	Number of shares held/interested	Percentage of shareholding
Mr. Xing Yuan	Quantong	Beneficial owner	100	100%

Save as disclosed above, as at 30 September 2021, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 30 September 2021, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the ordinary shares of the Company

Name	Capacity/Nature of interest	Number of Shares held/ interested	Percentage of shareholding
Quantong	Beneficial owner	600,000,000	75%
Mr. Fu Yik Lung (<i>Note</i>)	Person having a security interest in shares	600,000,000	75%
	Beneficial owner	200,000	0.025%

Note:

Pursuant to a share charge dated 11 December 2020 executed by Quantong in favour of Mr. Fu Yik Lung, 600,000,000 shares of the Company were pledged by Quantong in favour of Mr. Fu Yik Lung.

Save as disclosed above, as at 30 September 2021, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section “Other Information — Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 6 July 2015. No share option has been granted under the Share Option Scheme since its adoption.

COMPETING INTERESTS

During the six months ended 30 September 2021 and up to the date of this announcement, the Directors, the controlling shareholders of the Company and their respective close associates did not have any interest in a business apart from the business of the Group which competes or may compete, directly or indirectly, with the business of the Group or any other conflicts of interests which any such person has or may have with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standard of dealings under Rules 5.48 to 5.68 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the six months ended 30 September 2021.

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

During the six months ended 30 September 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, an update on the information of a Director is set out below:

Ms. Wong Chi Yan, an independent non-executive Director, has resigned as an independent non-executive director of Bay Area Gold Group Limited, a company listed on main board of the Stock Exchange (Stock Code: 1194) with effect from 20 July 2021.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices. To the best knowledge of the Board, the Company had complied with all applicable code provisions as set out in the Code during the six months ended 30 September 2021 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee was established on 6 July 2015. The chairman of the Audit Committee is Mr. Wong Chun Hung, an independent non-executive Director, and other members included Ms. Wong Chi Yan and Mr. Kung Wai Chiu Marco, independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules with three members comprising independent non-executive Directors only and at least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee had reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2021 with the management and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board
Quantong Holdings Limited
Xing Yuan
Chairman and Executive Director

Hong Kong, 8 November 2021

As at the date of this announcement, the Board comprises (i) Mr. Xing Yuan (Chairman), Mr. Ji Zhendong, Mr. Lai Yanjun and Ms. Xu Zhi as executive Directors; (ii) Mr. Xing Lei as non-executive Director; and (iii) Mr. Wong Chun Hung, Mr. Kung Wai Chiu Marco and Ms. Wong Chi Yan as independent non-executive Directors.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and will be published on the Company's website at www.quantongholdings.com.