

TONG KEE (HOLDING) LIMITED

棠記(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8305



2023

INTERIM
REPORT

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

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

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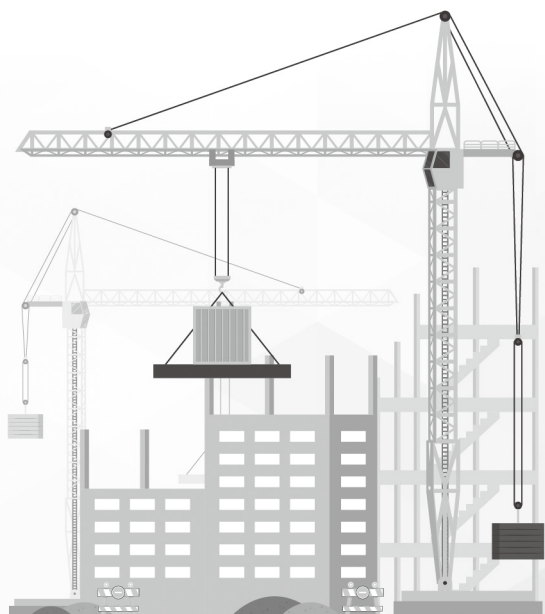
This report, for which the directors (the “Directors”) of Tong Kee (Holding) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

This report will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its publication and be posted on the website of the Company at www.tongkee.com.hk.



CONTENTS

Corporate Information	3
Management Discussion and Analysis	5
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	15
Unaudited Condensed Consolidated Statement of Financial Position	16
Unaudited Condensed Consolidated Statement of Changes in Equity	18
Unaudited Condensed Consolidated Statement of Cash Flows	19
Notes to the Unaudited Condensed Consolidated Financial Statements	20



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Heung Chung Sum (*Chairman*)
Mr. Chan Wai Hon, Alan

Non-executive Directors

Ms. Heung Joe Yee
Ms. Heung Joe Tung

Independent non-executive Directors

Dr. Ip Wai Hung
Mr. Ko, Wilson Wai Shun
Mr. Chan Chi Hang

COMPANY SECRETARY

Mr. Chan Wai Hon, Alan

COMPLIANCE OFFICER

Mr. Heung Chung Sum

AUTHORISED REPRESENTATIVES

Mr. Heung Chung Sum
Mr. Chan Wai Hon, Alan

AUDIT COMMITTEE

Mr. Chan Chi Hang (*Chairman*)
Dr. Ip Wai Hung
Mr. Ko, Wilson Wai Shun

REMUNERATION COMMITTEE

Dr. Ip Wai Hung (*Chairman*)
Mr. Ko, Wilson Wai Shun
Mr. Chan Chi Hang

NOMINATION COMMITTEE

Dr. Ip Wai Hung (*Chairman*)
Mr. Ko, Wilson Wai Shun
Mr. Chan Chi Hang

AUDITOR

D&Partners CPA Limited

REGISTERED OFFICE

P.O. Box 1350
Windward 3
Regatta Office Park
Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2502, 25/F
148 Electric Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
P.O. Box 1350
Windward 3
Regatta Office Park
Grand Cayman, KY1-1108
Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited

WEBSITE ADDRESS

www.tongkee.com.hk

STOCK CODE

8305



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

For RMAA works, the Group provides repair, alteration and addition, maintenance, modification, rehabilitation, steel, civil and demolition works in various venues such as residential building, commercial building, carpark, road, footbridge and theme park in Hong Kong. For new construction works, the Group provides a variety of constructions and related alteration and additions works and facilities such as noise mitigation work, architectural metalwork, bus shelter, dangerous goods store building, innovative and creative structure such as air balloon. For corrosion protection works, the Group provides various of corrosion protection solution including but not limited to installation of cathodic protection systems including sacrificial anodes protection and impressed current systems.

For the six months ended 30 June 2023 (“Relevant Period”), there were 82 projects (30 June 2022: 104 projects) with revenue contribution undertaken by the Group. The demands for the Group’s RMAA and new construction works services is in an increasing trend according to the current market situation. During the six months ended 30 June 2023, the Group was awarded 40 new projects, with total contract sum of approximately HK\$59.2 million.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the macroeconomic environment, the development of the property market and expansion of the infrastructure in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong RMAA and new construction works industry. Also, the Group is actively seeking opportunities to expand its business outside Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

The outbreak of the novel coronavirus (COVID-19) which has continued for a few years has triggered unprecedented disruptions in business operations and to the economy. While it would be difficult to gauge the longer term impact of such events as the situation is dynamically evolving, the Group has been proactive in closely monitoring the market conditions and taking appropriate measures to respond to the challenges. The Group will continue to monitor the development of the COVID-19 epidemic and its impact on the operations and results of the Group. The Group will continue to strengthen its cost control and resources management as well as to actively participate in project tenders, in order to maintain its competitiveness in the market.

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

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately HK\$114.4 million for the six months ended 30 June 2022 to approximately HK\$93.1 million for the six months ended 30 June 2023, representing a decrease of approximately 22.9%. Such decrease was mainly due to the effect of decrease in RMAA and new works projects undertaken by the Group as a result of the overall environment in the construction industry in Hong Kong.

Direct Costs

The cost of sales decreased from approximately HK\$102.1 million for the six months ended 30 June 2022 to approximately HK\$85.2 million for the six months ended 30 June 2023, representing a decrease of approximately 16.5%. Such decrease was mainly attributable to the decrease in the subcontracting charges and construction material costs incurred in line with the revenue decrease during the period.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

Gross profit of the Group decreased by approximately HK\$4.4 million from approximately HK\$12.3 million for the six months ended 30 June 2022 to approximately HK\$7.9 million for the six months ended 30 June 2023. The decrease was mainly driven by the decrease in revenue for the six months ended 30 June 2023 as discussed above. The overall gross profit margin decreased from approximately 10.8% for the six months ended 30 June 2022 to 8.5% for the six months ended 30 June 2023. The decrease in gross profit margin is mainly due to the competitive environment in the industry, the Group has to trim down the margin to secure more jobs.

Administrative Expenses

Administrative expenses of the Group decreased by approximately HK\$2.8 million or 20.2% from approximately HK\$16.6 million for the six months ended 30 June 2022 to approximately HK\$13.8 million for the six months ended 30 June 2023.

Administrative expenses primarily consist of staff costs, depreciation, transportation and motor vehicle expense, and other costs incurred for daily operation. The decrease was mainly attributable to the cost control plan implemented in late of 2022.

Other Income

Other income of HK\$1.8 million in prior period mainly represent the Anti-epidemic Fund from the Hong Kong Government, since there is no such fund in current period therefore other income decreased to HK\$0.6 million accordingly.

Provision for impairment of goodwill

On 19 October 2021, the Group entered into the sale and purchase agreement with an independent third party (the "Vendor"), pursuant to which the Group has agreed to purchase and the Vendor has conditionally agreed to sell the sale share, representing 100% of the issued share capital of Treasure Mark Global Limited. Pursuant to the sale and purchase agreement, the consideration shall be HK\$24.0 million satisfied (i) as to HK\$18.5 million by allotting and issuing to the Vendor an aggregate of 185,000,000 ordinary shares of the Company ("Issued shares"), credited as fully paid, at the issue price of HK\$0.10 per share; and (ii) the remaining balance of HK\$5.5 million by way of cash by the placing arrangement.

The transaction was completed on 30 December 2021. As at completion date, the fair value of the consideration was increased to HK\$56.4 million due the fair value of the issued shares prices was increased. And the goodwill arising on acquisition of the subsidiary was HK\$50.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Management has calculated that the value in use of the CGU is less than the total carrying amount of the CGU and the respective allocated goodwill, accordingly, the Group provide the impairment loss of approximately HK\$10,000,000 for the six months ended 30 June 2023 (impairment loss on goodwill of approximately HK\$10,000,000 for the year ended 31 December 2022) and recognised in the condensed consolidated statement of profit or loss and other comprehensive income during the period end 30 June 2023.

Finance Costs

Finance costs for the Group decreased by approximately HK\$0.5 million or 88.9% from approximately HK\$1.0 million for the six months ended 30 June 2022 to approximately HK\$0.5 million for the six months ended 30 June 2023. Since the Group has reduced the size of bank borrowing during the six months ended 30 June 2023 when comparing with prior period, therefore the finance cost decreased accordingly.

Income Tax Expense

Income tax expense for the Group remained nil for both the six months ended 30 June 2022 and the six months ended 30 June 2023, since the Group has recorded loss before taxation for both periods.

Loss for the Period

As a result of foregoing, the Group recognised a loss for the period of approximately HK\$15.1 million for the six months ended 30 June 2023 which the loss had been increased by approximately HK\$11.5 million as compared to the six months ended 30 June 2022. Such increase was primarily attributable to the net effect of the decrease in gross profit, and decrease in administrative expenses and finance costs, decrease in other income and provision of impairment of goodwill as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio remain stable at approximately 1.4 times as at 31 December 2022 and as at 30 June 2023.

As at 30 June 2023, the Group had total borrowings of approximately HK\$28.0 million (31 December 2022: approximately HK\$30.1 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year/period and multiplied by 100%, maintain stable at approximately 42.0% as at 31 December 2022 and as at 30 June 2023. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

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

For further details regarding the borrowings, please refer to notes 15 and 16.

TREASURY POLICY

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

CAPITAL STRUCTURE

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

As at the date of this report, the Company's issued share capital was HK\$10,500,000 and the number of its issued ordinary shares was 1,050,000,000 of HK\$0.01 each.

COMMITMENTS

The Group has no operating lease commitments as 31 December 2022 and 30 June 2023.

SEGMENTAL INFORMATION

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2023, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2023, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

CHARGE OF GROUP'S ASSETS

As at 30 June 2023, the Group pledged certain amount of land and building and investments in life insurance policies to secure short-term bank borrowings and other general banking facilities granted to the Group. For details, please refer to note 16.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed a total of 89 employees (31 December 2022: 102 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$18.6 million for the six months ended 30 June 2023 (2022: approximately HK\$21.6 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

USE OF PROCEEDS

The net proceeds from the listing, after deducting listing related expenses, were approximately HK\$25.2 million. After the listing, these proceeds were used for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. All of the net proceeds from the listing date fully utilized during the year ended 31 December 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

DISCLOSURE OF INTERESTS

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

As at the date of this report, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Company's Shares

Name of Director	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Heung Chung Sum	Interest in a controlled corporation	535,670,000 ordinary shares	51%

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Name	Capacity	Number and class of securities	Long/short position	Approximate percentage of shareholding
Advanced Pacific Enterprises Limited	Beneficial owner	535,670,000 ordinary shares	Long	51%

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

COMPETING AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the period ended 30 June 2023.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE CODE

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

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

As at 30 June 2023, save as disclosed above, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

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

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023.

SHARE OPTION SCHEME

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

No share options has been granted during the Relevant Period and there were no share options outstanding as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

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

Hong Kong, 11 August 2023

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



INTERIM RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2023, together with the unaudited comparative figures for the corresponding period in 2022, as follows:

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

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023	2022	2023	2022
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	4	54,849	77,132	93,114	114,389
Direct costs		(50,240)	(69,010)	(84,480)	(102,077)
Gross profit		4,609	8,122	8,634	12,312
Other income		601	1,878	601	1,878
Administrative expenses		(8,544)	(8,810)	(13,773)	(16,564)
Impairment of goodwill		(10,000)	–	(10,000)	–
Loss arising from change in fair value of financial assets at fair value through profit or loss		18	(201)	36	(186)
Finance costs		(162)	(572)	(530)	(1,001)
Loss before income tax	5	(13,478)	(417)	(15,032)	(3,561)
Income tax expense	6	–	–	–	–
Loss and total comprehensive expense for the period		(13,478)	(417)	(15,032)	(3,561)
Loss per share – Basic and diluted (HK cents)	8	(1.28)	(0.04)	(1.43)	(0.34)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	7,891	9,806
Goodwill	11	4,000	14,000
Financial assets at fair value through profit or loss	10	8,148	8,112
Deferred tax assets		1,117	1,117
Deposits		–	484
		21,156	33,519
Current assets			
Contract assets	13	66,628	90,560
Trade and other receivables	14	44,218	53,006
Tax recoverable		62	62
Bank balances and cash		4,392	10,869
		126,811	154,557
Current liabilities			
Contract liabilities	13	1,661	5,325
Trade and other payables	14	48,106	65,639
Amount due to the Controlling Shareholder		9,952	11,254
Lease liabilities	15	1,661	1,899
Bank borrowings	16	27,991	30,171
		90,290	114,288
Net current assets		36,521	40,269
Total assets less current liabilities		67,677	73,788

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Non-current liabilities			
Leases liabilities	15	917	1,996
		917	1,996
Net assets			
		56,760	71,792
CAPITAL AND RESERVES			
Share capital	16	10,500	10,500
Reserves		67,260	61,292
Total equity			
		56,760	71,792

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital HK\$'000 (Note 17)	Share premium HK\$'000	Capital reserve HK\$'000 (Note)	(Accumulated loss)/ retained profits HK\$'000	Total HK\$'000
At 1 January 2023 (audited)	10,500	87,874	1,941	(28,523)	71,792
Loss and total comprehensive expense for the period	-	-	-	(15,032)	(15,032)
At 30 June 2023 (unaudited)	10,500	87,874	1,941	(43,555)	56,760
At 1 January 2022 (audited)	10,500	87,874	1,941	(3,886)	96,429
Loss and total comprehensive expense for the period	-	-	-	(3,561)	(3,561)
At 30 June 2022 (unaudited)	10,500	87,874	1,941	(7,447)	92,868

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
<i>Net cash used in operating activities</i>	(1,148)	(1,750)
Investing activities		
Purchase of property, plant and equipment	–	(30)
Acquisition of financial assets at fair value through profit or loss	–	(208)
Proceed from disposal of financial assets at fair value through profit or loss	–	10,681
<i>Net cash from investing activities</i>	–	10,443
Financing activities		
Proceeds from bank borrowings	19,500	16,300
Repayment of bank borrowings	(21,680)	(37,884)
Payment of lease liabilities	(1,317)	(784)
(Repayment to)/advance from the Controlling Shareholder	(1,302)	10,491
Repayment from a joint venture	–	1,016
Interest paid	(530)	(1,001)
<i>Net cash used in financing activities</i>	(5,329)	(11,862)
Net decrease in cash and cash equivalents	(6,477)	(3,169)
Cash and cash equivalents at the beginning of the period	10,869	9,735
Cash and cash equivalents at the end of the period	4,392	6,566
Analysis of cash and cash equivalent balances		
Bank balances and cash	4,392	6,566

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 April 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The immediate and ultimate holding company is Advanced Pacific Enterprises Limited, a company incorporated in the British Virgin Islands, which is controlled by Mr. Heung Chung Sum (“Controlling Shareholder” or “Mr. Heung”). The address of the registered office and principal place of business of the Company are at P.O. Box 1350, Windward 3, Regatta Office Park, Grand Cayman, KY1-1108, Cayman Islands and Room 2502, 25/F, 148 Electric Road, North Point, Hong Kong, respectively.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial information for the year ended 31 December 2021.

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s audited consolidated financial information for the year ended 31 December 2021, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for accounting periods beginning on or after 1 January 2022. Except for those disclosed in note 3, the effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

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

These condensed consolidated interim financial statements are unaudited, but has been reviewed by the Company’s audit committee.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3. ADOPTION OF NEW OR AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2023

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of the following new and amended HKFRSs effective as of 1 January 2023. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Disclosure of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

4. REVENUE AND SEGMENT INFORMATION

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

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
RMAA works	52,143	64,491	85,054	90,731
New construction works	2,172	11,737	6,422	21,462
Corrosion protection works	614	904	1,638	2,196
Contract revenue	54,929	77,132	93,114	114,389

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

(a) Geographical information

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(b) Major customers

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

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Customer A	18,962	17,643	43,622	31,215
Customer B	10,855	11,076	16,392	17,999

(c) Unsatisfied performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2023:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Remaining performance obligations expected to be satisfied		
Within one year	62,895	59,664
Over one year	60,288	145,201
	123,183	204,865

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. LOSS BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
(a) Staff costs (including directors' remuneration):				
Salaries and other allowances	9,128	9,882	17,800	20,863
Retirement benefit scheme contributions	398	355	820	719
	9,526	10,237	18,620	21,582
(b) Other items				
Auditor's remuneration	–	–	–	–
Depreciation of property, plant and equipment				
– right-of-use assets	362	424	724	848
– owned	596	557	1,191	1,120
Operating lease charges in respect of				
– short term leases and leases with lease term shorter than 12 months	–	20	–	20
Provision for expected credit losses ("ECL") allowance	–	–	–	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

6. INCOME TAX EXPENSE

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

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no estimated assessable profits for both periods.

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Hong Kong Profits Tax – Current year	–	–	–	–

7. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 and 2022.

8. LOSS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Loss:				
Loss for the period attributable to equity holder of the Company (HK\$'000)	(13,478)	(417)	(15,032)	(3,561)
Number of shares:				
Weighted average number of ordinary shares (in thousands)	1,050,000	1,050,000	1,050,000	1,050,000

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the interim period 30 June 2023, the Group incurred approximately HK\$30,000 on the acquisition of property, plant and equipment and nil acquisition in current interim period.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Investments in life insurance policies	8,148	8,112

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

In April 2020, the Group's subsidiary, TKEL entered into life insurance policy with an insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is HK\$208,000. The Group was required to pay a one-off premium payment of HK\$208,000. In April 2021, the Group increased the insured sum to HK\$454,000, and the Group was required to pay a one-off additional premium payment of HK\$246,000. In April 2022, the Group's subsidiary, TKEL entered into life insurance policy with an insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is HK\$662,000. The Group can terminate the policy at any time and receive cash back based on the Cash Value, which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 5th policy year. The insurance company will pay the subsidiary an interest on the outstanding cash value excluding the surrender charge at the prevailing interest rate fixed by the insurance company.

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

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2023 (unaudited)				
Financial assets at fair value through profit or loss				
– Investments in life insurance policies	–	8,148	–	8,148
As at 31 December 2022 (audited)				
Financial assets at fair value through profit or loss				
– Investments in life insurance policies	–	8,112	–	8,112

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

11. GOODWILL

	HK\$'000
Cost	
As at 1 January 2022, 31 December 2022 and 30 June 2023	55,802
Accumulated impairment losses	
As at 1 January 2022	31,802
Provision for the year	10,000
As at 31 December 2022	41,802
Provision for the period	10,000
As at 30 June 2023	51,802
Net carrying amount	
As at 30 June 2023	4,000
As at 31 December 2022	14,000

For the purposes of impairment testing on goodwill, management allocated goodwill to the Group's cash-generating unit (CGU) identified. The Group's goodwill arising on acquisition of subsidiaries during year ended 31 December 2021 was allocated to the provision of repair, maintenance, alteration and addition works and new construction works of which the same revenue segment of the Group.

Management has calculated that the value in use of the CGU is less than the total carrying amount of the CGU and the respective allocated goodwill, accordingly, the Group provide the impairment loss of approximately HK\$10,000,000 for the six months ended 30 June 2023 (impairment loss on goodwill of approximately HK\$10,000,000 for the year ended 31 December 2022) and recognised in the condensed consolidated statement of profit or loss and other comprehensive income during the period end 30 June 2023.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade and retention receivables		
Trade receivables	35,215	34,836
Retention receivables	15,985	14,194
Less: ECL allowance	(6,982)	(7,195)
	44,218	41,835
Deposits, prepayments and other receivables		
Prepayments	7,080	7,260
Deposits paid to suppliers and subcontractors	272	318
Security for issuance of performance bonds	2,030	1,921
Other deposits	1,831	1,583
Other receivables	298	633
	11,511	11,715
	55,729	53,550

As at 30 June 2023 (unaudited), retention receivables of HK\$1,673,000 (2022: HK\$1,462,000) included under current assets in the condensed consolidated statement of financial position are expected to be recovered after one year.

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Within 30 days	20,456	19,281
31 days to 60 days	2,973	1,969
61 days to 90 days	6,344	7,194
91 days to 365 days	1,478	2,587
Over 365 days	3,964	3,805
	35,215	34,836

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

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Not yet due	27,941	27,118
Less than 30 days past due	1,890	1,657
31 days to 60 days past due	226	210
61 days to 90 days past due	210	140
91 days to 365 days past due	1,328	2,451
over 365 days past due	3,620	3,260
	35,215	34,836

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

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
At the beginning of the period/year	7,195	2,388
Provision of ECL allowance recognised during the period/year	(213)	4,807
At the end of the period/year	6,982	7,195

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. CONTRACT ASSETS/CONTRACT LIABILITIES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Contract assets	60,151	91,647
Less: ECL allowance	(872)	(1,087)
	59,279	90,560
Contract liabilities	(2,580)	(5,325)
	56,699	85,235

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

The amount of revenue recognised during the six months ended 30 June 2023 from performance obligations satisfied in previous periods, mainly due to the changes in estimate of stage of completion and modification of contracts, is HK\$2,692,000 (2022: HK\$760,000).

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	2,745	3,145
Transfers from contract assets recognised at the beginning of the period to receivables	36,720	56,193

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

14. TRADE AND OTHER PAYABLES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade and retention payables		
– Trade payables	31,146	46,287
– Retention payables	8,268	9,519
	39,414	55,806
Accrued expenses and other payable	7,026	8,260
Provision for annual leave and long service payment	1,666	1,573
	8,692	9,833
Total trade and other payables	48,106	65,639

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

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

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
0–30 days	13,066	22,051
31–60 days	2,269	4,933
61–90 days	2,104	2,249
91–365 days	12,157	15,774
Over 365 days	1,550	1,280
	31,146	46,287

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. LEASE LIABILITIES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Total minimum lease payments:		
– Within one year	1,776	2,123
– After one year but within two years	712	1,790
– After two years but within five years	280	293
	2,768	4,206
Future finance charges on leases liabilities	(191)	(311)
Present value of leases liabilities	2,577	3,895
Present value of minimum lease payments:		
– Within one year	1,660	1,899
– After one year but within two years	645	1,714
– After two years but within five years	272	282
	2,577	3,895
Less: Portion due within one year included under current liabilities	(1,660)	(1,899)
Portion due after one year included under non-current liabilities	917	1,996

As at 30 June 2023, lease liabilities of HK\$640,000 (2022: HK\$808,000) are effectively secured by corporate guarantees from a subsidiary of the Company and the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

During the six months ended 30 June 2023, the total cash outflows for the leases were HK\$850,000 (six months ended 30 June 2022: HK\$784,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

16. BANK BORROWINGS

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Bank loans, secured		
– repayable within one year	22,063	23,758
– not repayable within one year from the end of the reporting period but contain a repayable on demand clause	5,928	6,413
Amount shown under current liabilities	27,991	30,171

The bank loans were secured by:

- (a) land and building with a net book amount of HK\$6,268,000 (2022: HK\$6,637,000) as at 30 June 2023;
- (b) legal charge on life insurance policies with a carrying amount of HK\$8,164,000 (2022: HK\$7,750,000) as at 30 June 2023;
- (c) corporate guarantee by the Company as at 30 June 2023 and 31 December 2022;
- (d) guarantee provided by the HKMC Insurance Limited under the Small and Medium Guarantee Scheme as at 30 June 2023 and 31 December 2022; and
- (e) personal guarantee as provided by the Controlling Shareholder as at 30 June 2023 and 31 December 2022.

17. SHARE CAPITAL

	No. of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	10,000,000,000	100,000
Issued and fully paid:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	1,050,000,000	10,500

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18. RELATED PARTY DISCLOSURES

18.1 Transactions

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

Related parties	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2023	2022	2023	2022
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Mr. Heung Chung Sum	Lease payment	-	42	-	84

18.2 Compensation of key management personnel

Related parties	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Salaries and other allowances	1,268	1,304	2,330	2,442
Retirement benefits scheme contributions	26	27	52	54
	1,294	1,331	2,382	2,496

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

19. SUBSEQUENT EVENT

On 5 July 2023, it came to the attention of the Board of the Company that a petition (the "Petition") to wind up Projexasia Limited ("Projexasia"), being an indirect wholly-owned subsidiary of the Company, has been presented by L-Lok Design Studio (the "Petitioner"), being a sub-contractor of Projexasia, to the High Court of the Hong Kong Special Administrative Region. The Board is in the course of seeking legal advice in relation to the Petition. The Company will keep its shareholders and potential investors informed of any further significant development on the Petition and will make further announcement(s) as and when appropriate in accordance with the GEM Listing Rules. Details has been included in the announcement dated 8 August 2023.

On 4 August 2023, special resolution to the change of the English name and Chinese name of the Company from "Tong Kee (Holding) Limited 棠記(控股)有限公司" to "Allurefem Holding Limited 滄人壹方控股有限公司" has been approved on the extraordinary general meeting held on 4 August 2023. Details of the proposed change of Company name has been included in the circular issued on 18 July 2023 and poll results announcement dated 4 August 2023.