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Creative Enterprise Holdings Limited
創毅控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3992)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of Creative Enterprise Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020, together with the comparative figures for the corresponding period of 2019. The interim results and condensed consolidated interim financial information have not been audited but have been reviewed by the Company’s audit committee and independent auditor.

As a result of the continued increase in property management services contracts obtained throughout the period of the six months ended 30 September 2020, the Group recorded an unaudited revenue of approximately HK\$432.0 million for the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$377.4 million), representing an increase of approximately 14.5% over the six months ended 30 September 2019.

The unaudited profit of the Group for the six months ended 30 September 2020 was approximately HK\$40.6 million (six months ended 30 September 2019: approximately HK\$17.1 million), representing an increase of approximately 137.4%.

The basic and diluted earnings per share for the six months ended 30 September 2020 was HK\$8.11 cents (six months ended 30 September 2019: basic and diluted earnings per share of HK\$3.42 cents).

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

		Six months ended	
		30 September	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	2	432,019	377,364
Other income and gains, net	3	16,074	130
Employee benefits expenses	4	(362,360)	(304,740)
Subcontracting costs		(16,803)	(34,107)
Other operating expenses	5	(23,431)	(17,838)
Operating profit		45,499	20,809
Finance income		31	76
Finance costs		(137)	(320)
Finance costs, net	6	(106)	(244)
Profit before income tax		45,393	20,565
Income tax expense	7	(4,832)	(3,483)
Profit for the period		40,561	17,082
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of employee benefit obligations		401	—
Other comprehensive income for the period, net of tax		401	—
Total comprehensive income for the period		40,962	17,082
Earnings per share			
Basic and diluted earnings per share (expressed in HK cents)	8	8.11	3.42

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		23,563	20,754
Right-of-use assets		831	1,102
Investment in insurance contracts		27,630	27,119
Trade and other receivables	9	2,589	3,604
Deferred tax assets		<u>247</u>	<u>192</u>
		<u>54,860</u>	<u>52,771</u>
Current assets			
Trade and other receivables	9	216,243	205,166
Pledged bank deposits		45,242	45,212
Cash and bank balances		<u>121,176</u>	<u>89,664</u>
		<u>382,661</u>	<u>340,042</u>
Total assets		<u><u>437,521</u></u>	<u><u>392,813</u></u>
EQUITY			
Share capital		5,000	5,000
Share premium		111,783	111,783
Reserves		<u>206,710</u>	<u>165,748</u>
Total equity		<u>323,493</u>	<u>282,531</u>

		As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		287	543
Long service payment liabilities		19,781	20,066
Deferred tax liabilities		<u>18</u>	<u>21</u>
		<u>20,086</u>	<u>20,630</u>
Current liabilities			
Trade and other payables	<i>10</i>	72,730	66,829
Borrowings		14,768	21,269
Lease liabilities		506	506
Tax payable		5,680	790
Amounts due to related parties		<u>258</u>	<u>258</u>
		<u>93,942</u>	<u>89,652</u>
Total liabilities		<u>114,028</u>	<u>110,282</u>
Total equity and liabilities		<u>437,521</u>	<u>392,813</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information (the “Interim Financial Information”) for the six months ended 30 September 2020 has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The accounting policies adopted are consistent with those set out in the Group’s annual report for the year ended 31 March 2020. Other amendments to standards and new interpretation that are effective for the first time for this interim period did not have any material impact to the Group’s accounting policies.

2 REVENUE

Revenue represents income from (i) property management service; (ii) provision of security services and cleaning services and (iii) provision of staff secondment services. An analysis of the Group’s revenue is as follows:

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Property management services income	327,622	295,631
Income from the provision of security services	55,956	74,927
Income from the provision of cleaning services	34,263	6,806
Secondment service income	14,178	—
	<u>432,019</u>	<u>377,364</u>

The executive directors have been identified as the chief operating decision-makers (“CODM”) of the Group who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of operating profit.

The Group is engaged in the provision of property management and related services in Hong Kong. Since the CODM considers all business is included in a single operating segment and the operation of provision of property management and related services is attributable to all of the Group’s revenue, and all of the results and assets, no operating segment analysis is presented accordingly (2019: same).

The Group’s revenue is derived from customers in Hong Kong. All the assets of the Group were also located in Hong Kong. Accordingly, no analysis by geographical information is provided.

All of the Group’s revenue are recognised over time.

The Group has a right for consideration from customers in an amount that corresponds directly with the value to the customer of the entity's performance completed to date for all its service contracts, the entity recognised revenue in the amount to which the entity has a right to invoice or based on the stage of completion. In accordance with HKFRS 15, the transaction price allocated to these unperformed contracts related to service contracts or those contracts with remaining contract period less than one year are exempted for disclosure. As a result, the Group has made no disclosure on the transaction price allocated to these unperformed contracts.

3 OTHER INCOME AND GAINS, NET

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Subsidy income from Anti-Epidemic Fund (<i>Note</i>)	15,589	—
Reversal of allowance for impairment of trade and other receivables	—	94
Others	485	36
	16,074	130

Note: For the six months ended 30 September 2020, the Group recognized a subsidy of HK\$23,630,000 under the 1st tranche and 2nd tranche of Employment Support Scheme (“ESS”) introduced by the Government of Hong Kong Special Administrative Region (“HKSAR Government”), of which an amount of HK\$9,265,000 is expected to reimburse certain incorporated owners of private estates. The 1st tranche and 2nd tranche of ESS subsidy were granted by HKSAR Government in August 2020 and subsequently after period end in November 2020 respectively.

4 EMPLOYEE BENEFITS EXPENSES

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Wages, salaries and other allowances (including directors' emoluments)	346,451	290,573
Pension costs — defined contribution plan	14,159	11,925
Accrual for unutilised annual leave	1,215	1,811
Provision for long service payment	535	431
	362,360	304,740

5 OTHER OPERATING EXPENSES

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Allowance for impairment of trade and other receivables	45	—
Auditor's remuneration	200	200
Bank charges	550	671
Cleaning materials costs, including protective gears and sanitizing products	6,472	3,559
Depreciation of property, plant and equipment	999	847
Depreciation of right-of-use assets	271	83
Donation	—	28
Entertainment expenses	1,140	763
Insurance fee	4,459	3,959
Legal and professional fee	3,489	2,084
Motor vehicle expenses	687	623
Office supplies	388	344
Printing and stationary expenses	821	828
Rental expenses relating to short-term leases	167	204
Repair and maintenance	773	1,138
Uniform expenses	629	470
Utilities expenses	648	1,145
Others (<i>Note</i>)	1,693	892
	<u>23,431</u>	<u>17,838</u>
Total	<u>23,431</u>	<u>17,838</u>

Note: Mainly include advertising expenses, communication expenses, consumable and other general office expenses, which individually is not material to the Group.

6 FINANCE COSTS, NET

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	<u>31</u>	<u>76</u>
Interests on borrowings	(119)	(312)
Interests on lease liabilities	<u>(18)</u>	<u>(8)</u>
	<u>(137)</u>	<u>(320)</u>
	<u>(106)</u>	<u>(244)</u>

7 INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax	4,890	3,500
Deferred income tax	(58)	(17)
	<u>4,832</u>	<u>3,483</u>

8 EARNINGS PER SHARE — BASIC AND DILUTED

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
Profit for the period (<i>HK\$'000</i>)	40,561	17,082
Weighted average number of ordinary shares in issue (<i>thousands</i>)	500,000	500,000
Basic and diluted earnings per share (<i>HK\$ cents</i>)	<u>8.11</u>	<u>3.42</u>

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding throughout the six months ended 30 September 2020 (2019: Nil).

9 TRADE AND OTHER RECEIVABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Non-current:		
Retention money receivables	2,589	2,702
Deposit for property, plant and equipment	<u>—</u>	<u>902</u>
	<u>2,589</u>	<u>3,604</u>
Current:		
Trade receivables and contract assets	200,098	189,505
Less: allowance for impairment	<u>(1,424)</u>	<u>(1,378)</u>
Trade receivables and contract assets — net	<u>198,674</u>	<u>188,127</u>
Reimbursement receivables	5,280	5,867
Less: allowance for impairment	<u>(406)</u>	<u>(406)</u>
Reimbursement receivables — net	4,874	5,461
Utilities and other deposits	680	1,028
Prepayments	3,829	3,779
Other receivables	<u>8,186</u>	<u>6,771</u>
Total prepayments, deposits and other receivables	<u>17,569</u>	<u>17,039</u>
	<u>216,243</u>	<u>205,166</u>
Total trade and other receivables	<u>218,832</u>	<u>208,770</u>

The following is an aging analysis of trade receivables and contract assets, presented based on the invoice date at the end of the reporting period:

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Contract assets	<u>15,757</u>	<u>17,452</u>
Trade receivables:		
Less than 1 month	69,227	68,524
1 month and less than 3 months	86,846	84,789
3 months and less than 6 months	18,314	8,504
Over 6 months	<u>9,954</u>	<u>10,236</u>
	<u><u>184,341</u></u>	<u><u>172,053</u></u>
Total trade receivables and contract assets	<u><u>200,098</u></u>	<u><u>189,505</u></u>

10 TRADE AND OTHER PAYABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Trade payables	<u>6,440</u>	<u>6,800</u>
Provision for unutilised annual leave	13,503	12,288
Accrued wages, salaries and pensions	38,567	42,328
Other accrued expenses and deposits received	585	2,787
Other payable	<u>13,635</u>	<u>2,626</u>
Total other payables	<u><u>66,290</u></u>	<u><u>60,029</u></u>
	<u><u>72,730</u></u>	<u><u>66,829</u></u>

The ageing analysis of trade payables based on invoice date was as follows:

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
0 to 90 days	5,708	5,650
91 to 180 days	<u>732</u>	<u>1,150</u>
	<u>6,440</u>	<u>6,800</u>

11 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 September 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing property management services and other related services in Hong Kong for both public and private properties. The Company's property management services include estate general management, tenancy management, rent and management fees collection services, security, cleaning, minor repair and maintenance, project management services, legal and administrative support services.

BUSINESS PROSPECTS

As at 30 September 2020, the Housing Authority (the "HKHA") remains as the Group's largest customer, and the Group's existing property management portfolio comprised 15 public housing contracts, 9 public stand-alone security contracts, 3 public stand-alone cleaning contracts, 2 secondment contracts, 65 private property contracts, 5 private stand-alone cleaning contracts, 1 Urban Renewal Authority (the "URA") stand-alone security contracts and 2 quarantine cleansing contracts from the Department of Health.

The Group foresees that the property management services market in Hong Kong, being labour-intensive and vulnerable to macro-economic conditions, is continuous growing and full of challenges. In order to enhance the growth of our property management business, increase our market share and to achieve our goal, the Company will continue to (i) tender for additional property management services contracts, stand-alone security services contracts and stand-alone cleaning services contracts from the HKHA; (ii) expand our service for Home Ownership Scheme estates, non-residential properties and private housing estates; and (iii) grow our business through acquisition of property management company(ies) which provide property management services in the private sector in Hong Kong.

To pursue our goal for maximizing our services in the present property management market, the Group strived to expand our client base and business categories. During the period from February 2020 to the date of this announcement, the Group was successful in acquiring the cleansing services contracts at quarantine centres from the Department of Health, and the major one was at Chun Yeung Estate, with the first contract started on 13 February 2020 and the latest ended on 12 October 2020. Within the six months ended on 30 September 2020, we have also provided short cleansing services for other quarantine centres: Jao Tsung-I Academy Heritage Lodge, Chai Wan Lei Yue Mun Park and Holiday Village and JPC Permanent Activity Centre and Integrated Youth Training Camp, as well as Penny's Bay to meet the anti-epidemic need. Our latest contract at Penny's Bay started in July 2020 and is still on-going at the date of this announcement.

The Group takes pride in receiving commendation from the Department of Health in view of our outstanding performance in rendering the cleansing services at the sites. Not only did our effort bring about the additional profit to the Group, but more importantly, it has reinforced our image as a reputable company with quality service. The positive image would be highly beneficial in our attempt to explore further business opportunities.

MAJOR SERVICES CONTRACTS ACQUIRED/RENEWED

In the six months ended 30 September 2020, the Group has successfully acquired 1 new HKHA property management contract, 1 new public stand-alone security services contract, 1 new secondment contract, and 17 new cleansing contracts (short-term monthly contracts) at quarantine centres.

FINANCIAL REVIEW

	Six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)	Six months ended 30 September 2019 <i>HK\$'000</i> (Unaudited)	Change <i>HK\$'000</i>	%
Revenue	432,019	377,364	54,655	14.5
Other income and gains, net	16,074	130	15,944	Over 500
Employee benefits expenses	(362,360)	(304,740)	(57,620)	18.9
Subcontracting costs	(16,803)	(34,107)	17,304	(50.7)
Other operating expenses	<u>(23,431)</u>	<u>(17,838)</u>	<u>(5,593)</u>	<u>31.4</u>
Operating profit	45,499	20,809	24,690	118.7
Finance costs, net	<u>(106)</u>	<u>(244)</u>	<u>138</u>	<u>(56.6)</u>
Profit before income tax	45,393	20,565	24,828	120.7
Income tax expense	<u>(4,832)</u>	<u>(3,483)</u>	<u>(1,349)</u>	<u>38.7</u>
Profit for the period	<u><u>40,561</u></u>	<u><u>17,082</u></u>	<u><u>23,479</u></u>	<u><u>137.4</u></u>

During the six months ended 30 September 2020, the Group recorded the growth in the core businesses. Revenue increased by approximately 14.5% from approximately HK\$377.4 million for the six months ended 30 September 2019 to approximately HK\$432.0 million for the six months ended 30 September 2020. The unaudited profit of the Group for the six months ended 30 September 2020 increased by 137.4% from approximately HK\$17.1 million for the six months ended 30 September 2019 to approximately HK\$40.6 million for the six months ended 30 September 2020. Such increase was primarily attributable to the combined effect of (i) receipt of time-limited wage subsidy under the first tranche of HKSAR Government's Employment Support Scheme, which the Company has applied as a move to retain employees and maintain stability of the workforce; (ii) procurement of a number of cleansing services contracts at the quarantine facilities awarded by the Hong Kong Department of Health, to provide additional anti-epidemic cleaning services, which the Directors have accepted the task as a corporate social responsibility to serve the community in the fight against coronavirus; and (iii) organic growth of business by successfully acquiring three new property management contracts and two new secondment contracts from HKHA. The above impact was partially offset by the increase in employee benefit expenses resulting from the increase in number of staff employed and salary adjustment.

Revenue

	Six months ended 30 September 2020 HK\$'000 (Unaudited)	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Change HK\$'000
Property management services income	327,622	295,631	31,991
Security services income	55,956	74,927	(18,971)
Cleaning services income	34,263	6,806	27,457
Secondment services income	14,178	—	14,178
	<u>432,019</u>	<u>377,364</u>	<u>54,655</u>

Property management services

The Group continues to increase its portfolio through securing new contracts and renewing existing contracts. For the property management services, revenue increased by approximately 10.8% from approximately HK\$295.6 million for the six months ended 30 September 2019 to approximately HK\$327.6 million for the six months ended 30 September 2020. Such increase was primarily due to (i) the increase in revenue of approximately HK\$25.3 million attributable to acquisition of three new management contracts from HKHA, of which two commenced in the second and last quarter of FY2019, and one in the first quarter of FY2020; and (ii) the upward price adjustment on our services to some public properties under the adjustment mechanism.

Security services

Revenue generated from security services decreased by approximately 25.3% from approximately HK\$74.9 million for the six months ended 30 September 2019 to approximately HK\$56.0 million for the six months ended 30 September 2020. Such decrease was primarily due to the expiry of four HKHA stand-alone security services contracts in February 2020 and March 2020.

Cleaning services

Revenue generated from cleaning services contracts amounted to approximately HK\$34.3 million for the six months ended 30 September 2020. The increase was primarily attributable to acquisition of 17 cleaning services contracts for quarantine centres obtained from the Department of Health throughout the period.

Secondment services

Revenue generated from secondment services contracts amounted to approximately HK\$14.2 million for the six months ended 30 September 2020. The increase was primarily attributable to two new secondment contracts commenced in the last quarter of FY2019 and first quarter of FY2020, respectively.

Other income and gains, net

Other income and gains, net increased by approximately over 500% from approximately HK\$0.1 million for the six months ended 30 September 2019 to approximately HK\$16.1 million for the six months ended 30 September 2020. Such increase was primarily attributable to the time-limited wage subsidy under the first and second tranche of HKSAR Government's Employment Support Scheme, which the Company has applied as a move to retain employees and maintain stability of the workforce.

Employee benefits expenses

Employee benefits expenses continue to represent one of the major expenses of the Group. Such expenses increased by approximately 18.9% from approximately HK\$304.7 million for the six months ended 30 September 2019 to approximately HK\$362.4 million for the six months ended 30 September 2020. Such increase was primarily due to (i) the increase in number of staff employed for the period ended 30 September 2020 to accommodate new contracts awarded and the business growth of the Group; and (ii) the general increase in the average salary of the staff.

Subcontracting costs

Subcontracting costs decreased by approximately 50.7% from approximately HK\$34.1 million for the six months ended 30 September 2019 to approximately HK\$16.8 million for the six months ended 30 September 2020. Such decrease was primarily due to the cessation of three subcontracting contracts for rendering cleansing services and security services from October 2019 which resulted in a drop of subcontracting costs by HK\$17.3 million during the six months period ended 30 September 2020.

Other operating expenses

Other operating expenses amounted to approximately 4.7% and 5.4% of our total revenue for the six months ended 30 September 2019 and 30 September 2020, respectively. Other operating expenses mainly included cleaning materials costs, insurance expenses, legal and professional fee, entertainment and estate maintenance expenses. There are no significant change in the cost control policy of the Group and the other operating expenses remained relatively stable.

Operating profit and operating profit margin

Since the Company has opportunity to enhance the growth of its business by acquiring cleansing services contracts for quarantine centres during this period of epidemic outbreak, adjusted operating profit (excluding one-off government subsidy of HK\$15.6 million) has largely increased by approximately 43.8% from approximately HK\$20.8 million for the six months ended 30 September 2019 to approximately HK\$29.9 million for the six months ended 30 September 2020. The Group successfully maintained a substantial growth of adjusted operating profit margin of approximately 5.5% for the six months ended 30 September 2019 and approximately 6.9% for the six months ended 30 September 2020.

Finance costs, net

Finance costs, net was approximately HK\$0.1 million for the six months ended 30 September 2020 and remained stable as compared with that of approximately HK\$0.2 million for the six months ended 30 September 2019.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 September 2020, there has been no change in the capital structure of the Group. The capital of the Company only comprises of ordinary shares.

As at 30 September 2020, the Company's issued share capital was HK\$5,000,000 and the number of issued ordinary shares was 500,000,000 of HK\$0.01 each.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from Shareholders. Cash and cash equivalents were cash and bank balances deducted by bank overdrafts balances. As at 30 September 2020, the Group had cash and cash equivalents of approximately HK\$120.0 million (31 March 2020: approximately HK\$84.4 million), which were comprised of cash and bank balances of approximately HK\$121.2 million (31 March 2020: approximately HK\$89.7 million) and bank overdrafts of approximately HK\$1.2 million (31 March 2020: approximately HK\$5.3 million).

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 4.6% and 7.5% as at 30 September 2020 and 31 March 2020 respectively. During the period of six months ended 30 September 2020, we have decreased our bank borrowings by approximately HK\$6.5 million. The gearing remained low due to our low level of bank borrowings as well as the increase in our equity contributed by our profitable operations.

The following table sets forth a summary of our cash flows for the periods indicated:

	Six months ended 30 September 2020 HK\$'000 (Unaudited)	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Net cash flows generated from operating activities	41,342	9,223
Net cash flows used in investing activities	(2,936)	(2,748)
Net cash flows used in financing activities	(2,788)	(7,668)
Net increase/(decrease) in cash and cash equivalents	35,618	(1,193)
Cash and cash equivalents at beginning of period	84,369	97,450
Cash and cash equivalents at end of the period	<u>119,987</u>	<u>96,257</u>

FOREIGN CURRENCY RISK

The Group has no significant exposure to foreign currency risk because the Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were mainly denominated in HK dollars. During the six months ended 30 September 2020, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies. The Group has not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

CHARGES ON ASSETS

As at 30 September 2020 certain insurance policies, property, plant and equipment, bank deposits of the Group with net book value of approximately HK\$73.4 million (31 March 2020: HK\$73.3 million) were pledged to banks to secure credit facilities granted.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there was no significant investment held, no material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the six months ended 30 September 2020. There are no future plans for material investments or capital assets by the Group.

CONTINGENT LIABILITIES

As at 30 September 2020, the Company did not have any significant contingent liabilities.

SIGNIFICANT LITIGATION

On 23 November 2017, Creative Property Services Consultants Limited (“**Creative Property**”), an indirectly owned subsidiary of the Company, as plaintiff commenced a legal action in the High Court of Hong Kong against the incorporated owners of a private housing estate in Hong Kong (the “**Defendant**”) for a sum of approximately HK\$6 million in relation to the outstanding fees for management services provided by the Company during the period from 1 May 2016 to 30 November 2017. In the action, the Defendant counterclaimed for damages and an order to surrender and hand over all documents and properties of the Defendant, also an account for “all property and any sums” received by Creative Property on its behalf. Expert directions were granted on 15 May 2020 and studied by court on 15 October 2020. There is no judgement/settlement during the period since 1 April 2020. Counsel Advice has been obtained and the case is ready for a 5-day trial before a bilingual judge alone in the fixture list and documents for set down for Trial will be filed and served on or before 25 November 2020.

After consulting our legal counsel, our Directors are of the view that it is quite unlikely that there is any unfavourable outcome to Creative Property. Our Director have the strong case in claiming for the outstanding service fees in a total sum of approximately HK\$6 million against the Defendant. Furthermore, based on the provisions in the professional liability insurance taken out by Creative Property and the insurer’s confirmation letter, our Directors are of the view that the counterclaim will be covered by the said professional liability insurance.

Save as disclosed above, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group employed a total workforce of approximately 4,729 staff members. Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

OTHER MAJOR EVENTS

Outbreak of novel coronavirus

As Coronavirus Disease 2019 (the “**Covid-19**”) persists, the Group continued to strengthen epidemic control in the estate vicinity by deploying extra manpower; providing additional daily essential protective gears and sanitizing products for over 4,000 employees and providing disinfection/cleansing products required for the additional cleansing tasks. As Covid-19 is expected to persist for a considerably long duration, the Group has reserved an annual budget for carrying out these tasks. In a move to fund the additional cleansing manpower and material costs, to retain employees and to maintain stability of the workforce, the Group applied for the time-limited wage subsidy under the first and second tranche of HKSAR Government's Employment Support Scheme (“**ESS**”).

For the six months ended 30 September 2020, the Group has procured 17 cleansing services contracts at the quarantine centres from the Hong Kong Department of Health at Chun Yeung Estate, Jao Tsung-I Academy Heritage Lodge, Chai Wan Lei Yue Mun Park and Holiday Village and JPC Permanent Activity Centre and Integrated Youth Training Camp, as well as Penny's Bay. The Group takes pride in accepting the task as a corporate social responsibility to serve the community in the fight against the coronavirus.

CORPORATE GOVERNANCE CODE

The Company endeavors to adopt prevailing best corporate governance practices. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company had complied with all the code provisions set out in the CG Code for the six months ended 30 September 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS CONDUCTED BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions conducted by Directors. Having made specific enquiry with each Director, all Directors have confirmed their compliance with the Model Code for the six months ended 30 September 2020.

INTERIM DIVIDEND

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this announcement, at no time during the six months ended 30 September 2020 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

RENEWAL OF COMPLIANCE ADVISER AGREEMENT

Zhongtai International Capital Limited has been appointed as the compliance adviser to the Company for a further term commencing from 21 September 2020 and ending on the date on which the Company publishes its financial results for the financial year ending 31 March 2021.

CHANGES TO INFORMATION IN RESPECT OF THE DIRECTORS

During the six months ended 30 September 2020, there was no change to the information required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Listing Rules where applicable.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this announcement, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

AUDIT COMMITTEE

The unaudited condensed interim results of the Group for the six months ended 30 September 2020 have been reviewed by the audit committee of the Company (the "**Audit Committee**"), which consists of three independent non-executive Directors, namely Mr. Wong Chung Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong Si Yuen, with Mr. Wong Chung Kin Quentin as the chairman of the Audit Committee, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules.

REVIEW OF INTERIM RESULTS

The independent auditor of the Company, namely, PricewaterhouseCoopers has carried out a review of the interim condensed consolidated financial information of the Group in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited condensed interim results for the six months ended 30 September 2020) of the Group. The Audit Committee considered that the interim results of the Group are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 3 to the unaudited interim results in this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2020 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkexnews.hk) and the Company (www.cpsc.hk). The interim report of the Company will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Creative Enterprise Holdings Limited
Poon Kin Leung
Chairman

Hong Kong, 18 November 2020

As at the date of this announcement, the executive Directors are Mr. Poon Kin Leung, Mr. Lee Siu Wah Albert, Mr. Lam Siu Hung Christopher, Mr. Wong King Cheung, Mr. Lai Wai Man and Mr. Wu Ka Chai. The independent non-executive Directors are Mr. Wong Chung Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong Si Yuen.