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MAN KING HOLDINGS LIMITED

萬景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2193)

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

FINANCIAL PERFORMANCE HIGHLIGHTS

Revenue	HK\$119.9 million
Profit attributable to owners of the Company	HK\$3.8 million
Basic earnings per share	HK0.90 cents
Equity attributable to owners of the Company per share	HK\$0.58

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Man King Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2020 together with the comparative figures for the preceding financial year as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		Unaudited Six months ended 30 September	
	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	119,922	110,487
Cost of services		(107,043)	(97,996)
Gross profit		12,879	12,491
Other income	4	988	1,161
Other losses – net	5	(211)	(632)
Administrative expenses		(12,305)	(11,053)
Finance costs		(52)	(107)
Share of profit of an associate		2,665	1,060
Profit before income tax	6	3,964	2,920
Income tax (expense)/credit	7	(181)	73
Profit and total comprehensive income for the period attributable to owners of the Company		3,783	2,993
Earnings per share attributable to owners of the Company	8		
Basic and diluted (<i>HK cents per share</i>)		0.90	0.71

The above condensed consolidated interim statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

		Unaudited 30 September 2020	Audited 31 March 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		9,953	12,058
Right-of-use assets		1,816	607
Investments in an associate		97,659	105,220
		<u>109,428</u>	<u>117,885</u>
Current assets			
Inventories		4,360	4,477
Contract assets	<i>10</i>	44,509	49,775
Trade receivables	<i>11</i>	26,400	18,872
Other receivables, deposits and prepayments	<i>11</i>	22,453	22,564
Amounts due from joint operations		16,755	19,556
Tax recoverable		672	957
Financial assets at fair value through profit or loss (“FVTPL”)		3,323	3,537
Pledged bank deposits		5,206	5,206
Bank balances and cash		59,531	54,506
		<u>183,209</u>	<u>179,450</u>
Total assets		<u>292,637</u>	<u>297,335</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,198	4,198
Share premium and other reserves		106,573	106,573
Retained earnings		131,508	127,725
Total equity		<u>242,279</u>	<u>238,496</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		802	–

The above condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

		Unaudited	Audited
		30 September	31 March
		2020	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Contract liabilities		3,759	3,356
Trade payables	<i>12</i>	11,793	15,789
Other payables and accruals	<i>12</i>	18,403	20,371
Amounts due to other partners of joint operations		11,969	14,422
Bank borrowings		2,477	3,805
Lease liabilities		1,001	604
Tax payable		154	492
		<u>49,556</u>	<u>58,839</u>
Total liabilities		<u>50,358</u>	<u>58,839</u>
Total equity and liabilities		<u>292,637</u>	<u>297,335</u>

The above condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

Notes:

1. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated interim financial information does not include all the notes of the type normally included in the annual financial statements. Accordingly, the condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial assets at fair value through profit or loss (“FVTPL”), which are measured at fair values.

2. Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2020, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the financial year beginning on or after 1 April 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendment)	Interest Rate Benchmark Reform
HKFRS 3 (Amendment)	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

These new standards and amendments to standards did not have material impact on the Group’s accounting policies and did not require any adjustments.

(b) New and amended standards issued but not yet applied by the Group

The following new standards and amendments to standards have been issued but are not yet effective for the financial period of the Group beginning on 1 April 2020 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendment)	COVID-19 Related Rent Concessions	1 June 2020
HKAS 16 (Amendment)	Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendment)	Onerous Contracts — Costs of Fulfilling a Contract	1 January 2022
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2018 to 2020 Cycle	1 January 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

None of these HKFRSs is expected to have any significant effect on the financial statements of the Group

3. Revenue and segment information

The Company is an investment holding company and the Group is principally engaged in providing civil engineering services in Hong Kong as main contractor (“Civil Engineering Works”).

The chief operating decision-maker has been identified as the Directors of the Company. The Directors review the Group’s internal reporting in order to assess performance and allocate resources. The Directors have determined the operating segment based on these reports.

The Directors consider the Group’s operation from a business perspective and determine that the Group has one reportable operating segment being the Civil Engineering Works.

The Directors assess the performance of the operating segment based on a measure of revenue and gross profit.

During the six months ended 30 September 2020 and 2019, all the Group’s revenue were from contracts with customers and were recognised over time and derived from operations in Hong Kong.

As at 30 September 2020 and 31 March 2020, the Group’s non-current assets are all located in Hong Kong except for the investments in an associate. The Group’s associate is incorporated in Hong Kong and principally domiciled in Pakistan.

4. Other income

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Bank interest income	120	243
Interest income from debt investment	–	105
Dividend income from financial assets at FVTPL	151	216
Management fee income	512	512
Others	205	85
	<u>988</u>	<u>1,161</u>

5. Other losses — net

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Change in fair value of financial assets at FVTPL, net	(296)	(448)
Net exchange gains/(losses)	85	(184)
	<u>(211)</u>	<u>(632)</u>

6. Profit before income tax

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging:		
Directors' remuneration	3,820	3,827
Other staff salaries and allowances (<i>Note</i>)	26,299	30,628
Loss on disposal of property, plant and equipment	313	–
Depreciation of property, plant and equipment	2,645	2,615
Depreciation of right-of-use assets	693	694
Cost of construction materials	8,722	11,994
Subcontracting charges	72,341	52,996

Note:

For the six months ended 30 September 2020, the government grants of HK\$4,136,000 (six months ended 30 September 2019: Nil) from the employment support schemes have been offset in “other staff salaries and allowances”.

7. Income tax (expense)/credit

	Unaudited Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong profits tax	(181)	(34)
Deferred income tax	–	107
Income tax (expense)/credit	<u>(181)</u>	<u>73</u>

Income tax (expense)/credit is recognised based on management's best estimate of the projected annual effective income tax rate which is expected for the full financial year.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2019: 16.5%) on the estimated assessable profit for the period.

8. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 September	
	2020	2019
Profit attributable to equity holders of the Company (HK\$'000)	3,783	2,993
Weighted average number of ordinary shares in issue (in thousands)	419,818	419,818
Basic earnings per share (HK cents)	<u>0.90</u>	<u>0.71</u>

The Company had no dilutive potential shares for the six months ended 30 September 2020 and 2019.

9. Dividend

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

10. Contract assets

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Analysed as current:		
Unbilled revenue of civil engineering works	36,755	41,424
Retention receivables of civil engineering works	7,754	8,351
	<u>44,509</u>	<u>49,775</u>
Retention receivables of civil engineering works		
Due within one year	2,445	3,180
Due after one year	5,309	5,171
	<u>7,754</u>	<u>8,351</u>

11. Trade and other receivables, deposits and prepayments

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Trade receivables	26,400	18,872
Other receivables, deposits and prepayments:		
— Deposits	4,394	4,720
— Other receivables	1,760	745
— Prepaid expenses	16,299	17,099
	<u>22,453</u>	<u>22,564</u>
	<u>48,853</u>	<u>41,436</u>

The Group allows credit period up to 60 days to certain customers. The aging analysis of the Group's trade receivables based on certification date at the end of each reporting period is follows:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
0–30 days	25,949	16,694
31–60 days	451	2,178
	<u>26,400</u>	<u>18,872</u>

12. Trade and other payables and accruals

	Unaudited 30 September 2020 <i>HK\$'000</i>	Audited 31 March 2020 <i>HK\$'000</i>
Trade payables	11,793	15,789
Retention payables	13,322	11,445
Other payables and accruals:		
— Accrued wages and other staff benefits	1,221	4,073
— Accrued operating expenses	180	99
— Other payables	3,680	4,754
	30,196	36,160

The credit period on trade purchases is 30 to 60 days. The aging analysis of the Group's trade payables based on invoice date at the end of each reporting period is as follows:

	Unaudited 30 September 2020 <i>HK\$'000</i>	Audited 31 March 2020 <i>HK\$'000</i>
0–30 days	8,437	7,292
31–60 days	2,705	8,338
61–90 days	377	5
Over 90 days	274	154
	11,793	15,789

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is principally engaged in providing civil engineering services in Hong Kong as main contractor.

The engineering works undertaken by the Group are mainly related to (i) roads and drainage (including associated building works and electrical and mechanical works); (ii) site formation (including associated infrastructure works); and (iii) port works (including barging facilities for marine logistics of construction materials). The Group undertakes engineering projects in both public and private sectors and, being a main contractor, participates in the procurement of materials, machineries and equipment, selection of subcontractors, carrying out on-site supervision, monitoring work progress and overall co-ordination of day-to-day work of the projects.

As at 30 September 2020, the Group had six projects in progress, and several completed projects yet to receive the final contract sum, with a total estimated outstanding contract sum and work order value of approximately HK\$548.4 million. Subsequent to 30 September 2020, we have secured two new contracts from public sector with total contract sums of approximately HK\$467.3 million.

The diversified coal transshipment business of the Group through its 20.3% owned One Belt One Road project in Pakistan continued to bring positive return to the Group. During the six months ended 30 September 2020, the Company received cash dividend from this One Belt One Road project totaling US\$1,319,500 (equivalent to approximately HK\$10,226,000).

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2020 was approximately HK\$119.9 million, representing an increase of approximately 8.5% from approximately HK\$110.5 million in the same period of the last financial year. This increase was mainly due to the combined effect of:

- (i) higher revenue of approximately HK\$35.2 million for six projects in progress during the six months ended 30 September 2020; and
- (ii) lower revenue of approximately HK\$8.7 million and HK\$17.1 million for a project completed during the six months ended 30 September 2020 and projects completed before 2020, respectively.

Gross profit margin

The gross profit margin decreased from approximately 11.3% for the six months ended 30 September 2019 to approximately 10.7% for the six months ended 30 September 2020. The decrease is primarily due to substantial completion of projects on hand with higher profit margin and less additional contract sums agreed at the final stage were recognised for the six months ended 30 September 2020. The expected gross profit margin for new projects is lower than those undertaken in previous years which reflects keen competition in the construction industry.

Other income

Other income was approximately HK\$988,000 and HK\$1,161,000 for the six months ended 30 September in 2020 and 2019, respectively. The decrease was mainly due to the decrease in interest income earned from bank deposits and debt investment.

Other losses — net

Other losses decreased from approximately HK\$632,000 for the six months ended 30 September 2019 to approximately HK\$211,000 for the six months ended 30 September 2020, primarily due to decrease in net change in fair value of financial assets at fair value through profit or loss of approximately HK\$152,000 and the net exchange gain of approximately HK\$85,000 recognised for the six months ended 30 September 2020 while we incurred net exchange loss of approximately HK\$184,000 for the six months ended 30 September 2019.

Administrative expenses

Administrative expenses for the six months ended 30 September 2020 were approximately HK\$12.3 million, representing an increase of 11.3% from approximately HK\$11.1 million in same period of the last financial year. This was mainly attributable to the loss on disposal of property, plant and equipment and the provisions of long service payment.

Finance costs

During the six months ended 30 September 2020, bank loan interest expenses were approximately HK\$41,000 (2019: HK\$83,000) and interest expenses on the lease liabilities were approximately HK\$11,000 (2019: HK\$24,000). Therefore, total finance costs was approximately HK\$52,000 (2019: HK\$107,000).

Share of profit of an associate

Share of profit of an associate relates to the Group's 20.3% interest in an associate for the provision of bareboat charter and coal transshipment services in Pakistan. The Group's share of profit of an associate for the six months ended 30 September 2020 was approximately HK\$2,665,000 (2019: HK\$1,060,000).

Income tax expense

The Group recorded income tax expense of approximately HK\$181,000 for the six months ended 30 September 2020 (2019: tax credit of HK\$73,000) and the effective tax rate was approximately 4.6%.

Profit for the period

For the six months ended 30 September 2020, the Group recorded net profit of approximately HK\$3.8 million, as compared to a net profit of approximately HK\$3.0 million for the corresponding period in the last financial year. The increase was mainly due to increase in share of profit of an associate during the six months ended 30 September 2020.

Liquidity and Financial Resources

As at 30 September 2020, the Group had bank balances and cash of approximately HK\$59.5 million (31 March 2020: HK\$54.5 million), which were mainly denominated in Hong Kong dollars, United States dollars and British Pound. The Group continues to adopt prudent financing and treasury policies by closely monitoring liquidity risk, finance costs and currency risk. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instruments. The Group will continue to monitor its exposure to the currency risks closely.

As at 30 September 2020, the Group had interest bearing borrowings of approximately HK\$2.5 million (31 March 2020: HK\$3.8 million) with a repayable on demand clause. Such borrowing were denominated in Hong Kong dollars, carried at variable interest rate and had no financial instrument for hedging purpose.

The Group had available unutilised bank borrowings facilities of approximately HK\$35.5 million as at 30 September 2020 (31 March 2020: HK\$54.5 million).

Capital Structure and Gearing Ratio

As at 30 September 2020, the Group's total equity was approximately HK\$242.3 million (31 March 2020: HK\$238.5 million) comprising ordinary share capital, share premium and reserves.

The gearing ratio of the Group, defined as a percentage of interest bearing liabilities divided by the total equity, is approximately 1.0% as at 30 September 2020 (31 March 2020: 1.6%).

Pledge of Assets

As at 30 September 2020, bank deposits of the Group in the amount of approximately HK\$5.2 million (31 March 2020: HK\$5.2 million) are pledged to banks for securing the performance bonds issued by the banks to the Group's customers on behalf of the Group as guarantee. Deposits and prepaid expenses of approximately HK\$3.3 million (31 March 2020: HK\$3.3 million) has been placed and pledged to the insurance institutions to secure performance bonds issued by the institutions to the customers of the Group.

Capital Commitments

The Group had no capital commitments as at 30 September 2020 (31 March 2020: Nil).

Performance Bonds and Contingent Liabilities

Certain customers of the construction contracts undertaken by the Group require the group entities to issue guarantees for the performance of contract works in the form of performance bonds and secured either by other deposits or pledged bank deposits. The performance bonds are released when the construction contracts are completed or substantially completed.

As at 30 September 2020, the Group had outstanding performance bonds issued by banks of approximately HK\$5.2 million (31 March 2020: HK\$5.2 million) and issued by the insurance institutions of approximately HK\$3.3 million (31 March 2020: HK\$3.3 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group had an aggregate of 115 full-time employees (31 March 2020: 120 full-time employees). Employee costs excluding directors' emoluments totalled approximately HK\$26.3 million for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$30.6 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the directors with reference to individual performance and current market salary scale.

FUTURE OUTLOOK

The HKSAR Legislative Council has approved funding for Public Works in the amount of approximately HK\$180 billion immediately after our last annual results announcement in mid-June 2020, poising benefits to the Hong Kong construction industry with upcoming infrastructure projects. The Group has secured two new public work contracts since October 2020 and is likely to secure a few more in the coming months, which all together help the Group's local growth and competitiveness to bolster its expanding operation scale in the next few years.

The unprecedented COVID-19 pandemic has posed both the health and economic challenges to the construction industry. Contractors are used to risks and our teams across the Group have actively managed these risks and are generally adaptive to such pandemic environment. The Group's performance in contract execution is to a lesser extent being adversely hit.

The 20.3% owned One Belt One Road project in Pakistan has commenced its second coal transshipment operation season since late September 2020. In response to the global coronavirus outbreak which affect the health and wellbeing of seafarers, our local management, working together with the clients, has implemented a series of comprehensive measures with standard operating procedures and strict quarantine policies focusing on health, safety and wellbeing of all operatives and crew members to ensure all works are carried out safely during these challenging times. The transshipment operations have not been hindered

by this pandemic, and we expect coal transshipment will continue as scheduled. Up to the date of this announcement, over 600,000 tons of coal were transshipped from four ocean going vessels to the jetty.

We will continuously monitor and proactively get involved in the development and operation of this One Belt One Road project aiming for diversification and stable income for the Group in a long term. The Group would recommend cash distribution as appropriate when profit earning is in line with our expectation.

Whilst the Group anticipates that the effects of COVID-19 will continue, the commitment to maximise the shareholder interest remains our top priority. The start of the year has been exceptionally tough but we have all pulled together to make it work.

SIGNIFICANT INVESTMENTS

During the six months ended 30 September 2020, the Company did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 September 2020, there was no material acquisition or disposal of subsidiaries and associated companies by the Company.

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

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

CORPORATE GOVERNANCE

The Company has adopted, applied and complied with the code provisions of Corporate Governance Code ("CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange for the six months ended 30 September 2020 except for provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

According to provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Lo Yuen Cheong is the Chairman and Chief Executive Officer of the Company, responsible for the financial and operational aspects of the Group, and is jointly responsible for the formulation of business development strategies of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer has the benefit of managing the Group's business and overall operation in an efficient manner. The Board considers that the balance of power and authority under the present arrangement will not be impaired in light of the operations of the Board with half of them being independent non-executive Directors. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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 dealing in securities of the Company by the Directors.

Upon specific enquiry with each of the Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended 30 September 2020.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2020.

REVIEW OF INTERIM RESULTS

The audit committee of the Company and the Company’s external auditor have reviewed the accounting policies adopted by the Group and the unaudited consolidated interim financial results for the six months ended 30 September 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company’s website (www.manking.com.hk) and the Stock Exchange’s website (www.hkexnews.hk). The Interim Report 2020/2021 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange, and despatched to the shareholders of the Company in due course.

By order of the Board
Man King Holdings Limited
Lo Yuen Cheong
Chairman and Executive Director

Hong Kong, 30 November 2020

As at the date of this announcement, the Board comprises Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong, as executive Directors; Ms. Chan Wai Ying as non-executive Director; and Mr. Leung Wai Tat Henry, Prof. Lo Man Chi, Ms. Chau Wai Yung as independent non-executive Directors.