



**TONG KEE (HOLDING) LIMITED**

**棠記（控股）有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8305)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

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*This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and the Company’s website at [www.tongkee.com.hk](http://www.tongkee.com.hk).*

## INTERIM RESULT

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 2020, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

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

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	<b>37,928</b>	62,080	<b>83,214</b>	105,780
Direct costs		<b>(32,133)</b>	(50,195)	<b>(74,195)</b>	(87,405)
Gross profit		<b>5,795</b>	11,885	<b>9,019</b>	18,375
Other income		<b>175</b>	240	<b>225</b>	512
Administrative expenses		<b>(7,173)</b>	(6,350)	<b>(14,051)</b>	(12,777)
(Loss)/gain arising from change in fair value of financial assets at fair value through profit or loss		<b>(186)</b>	73	<b>(172)</b>	87
Finance costs		<b>(486)</b>	(402)	<b>(918)</b>	(541)
(Loss)/profit before income tax	5	<b>(1,875)</b>	5,446	<b>(5,897)</b>	5,656
Income tax expense	6	<b>–</b>	(1,360)	<b>–</b>	(1,412)
(Loss)/profit and total comprehensive (expense)/income for the period		<b>(1,875)</b>	4,086	<b>(5,897)</b>	4,244
(Loss)/earnings per share					
— Basic and diluted (HK cents)	8	<b>(0.23)</b>	0.51	<b>(0.74)</b>	0.53

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*AS AT 30 JUNE 2020*

		As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	15,380	13,297
Financial assets at fair value through profit or loss	10	7,506	7,477
		<u>22,886</u>	<u>20,774</u>
<b>Current assets</b>			
Contract assets	12	71,696	77,567
Trade and other receivables	11	68,670	69,225
Amount due from the Controlling Shareholder		447	311
Bank balances and cash		14,328	13,871
		<u>155,141</u>	<u>160,974</u>
<b>Current liabilities</b>			
Contract liabilities	12	2,973	3,278
Trade and other payables	13	56,848	55,058
Lease liabilities	14	1,809	1,503
Bank borrowings	15	33,343	32,279
Income tax payable		3,431	3,137
		<u>98,404</u>	<u>95,255</u>
<b>Net current assets</b>		<u>56,737</u>	<u>65,719</u>
<b>Total assets less current liabilities</b>		<u>79,623</u>	<u>86,493</u>
<b>Non-current liabilities</b>			
Leases liabilities	14	902	1,581
Deferred tax liabilities		312	606
		<u>1,214</u>	<u>2,187</u>
<b>Net assets</b>		<u><u>78,409</u></u>	<u><u>84,306</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	8,000	8,000
Reserves		70,409	76,306
<b>Total equity</b>		<u><u>78,409</u></u>	<u><u>84,306</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

	<b>Share capital</b> <i>HK\$'000</i> <i>(Note 16)</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Capital reserve</b> <i>HK\$'000</i> <i>(Note)</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2020 (audited)	<b>8,000</b>	<b>33,324</b>	<b>1,941</b>	<b>41,041</b>	<b>84,306</b>
Loss and total comprehensive expense for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>(5,897)</u>	<u>(5,897)</u>
At 30 June 2020 (unaudited)	<u><b>8,000</b></u>	<u><b>33,324</b></u>	<u><b>1,941</b></u>	<u><b>35,144</b></u>	<u><b>78,409</b></u>
At 1 January 2019 (audited)	8,000	33,324	1,941	38,783	82,048
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,244</u>	<u>4,244</u>
At 30 June 2019 (unaudited)	<u>8,000</u>	<u>33,324</u>	<u>1,941</u>	<u>43,027</u>	<u>86,292</u>

*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 2020**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<i>Net cash from/(used in) operating activities</i>	<u><b>4,845</b></u>	<u>(23,608)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(3,826)</b>	(3,821)
Acquisition of financial assets at fair value through profit or loss	<b>(201)</b>	–
Proceeds from disposal of property, plant and equipment	<b>–</b>	20
Interest received	<u><b>2</b></u>	<u>1</u>
<i>Net cash used in investing activities</i>	<u><b>(4,025)</b></u>	<u>(3,800)</u>
<b>Financing activities</b>		
Proceeds from bank borrowings	<b>12,000</b>	28,000
Repayment of bank borrowings	<b>(10,936)</b>	(14,482)
Payment of lease liabilities	<b>(373)</b>	(801)
Net changes in amount due from Controlling Shareholder	<b>(136)</b>	72
Interest paid	<u><b>(918)</b></u>	<u>(541)</u>
<i>Net cash (used in)/from financing activities</i>	<u><b>(363)</b></u>	<u>12,248</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>457</b>	(15,160)
Cash and cash equivalents at the beginning of the period	<u><b>13,871</b></u>	<u>28,336</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><u><b>14,328</b></u></u>	<u><u>13,176</u></u>
<b>Analysis of cash and cash equivalent balances</b>		
Bank balances and cash	<u><u><b>14,328</b></u></u>	<u><u>13,176</u></u>

# **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

## **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, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Nos. 7 & 8, 8/F, Shatin Galleria, 18–24 Shan Mei Street, Fotan, New Territories, 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 cathodic 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 2020 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 2019.

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 2019, 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 2020. 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.

### 3. ADOPTION OF NEW OR AMENDED HKFRSs

#### New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following new and amended HKFRSs effective as of 1 January 2020. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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 cathodic protection works in Hong Kong.

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
RMAA works	37,251	46,596	77,232	83,417
New construction works	103	8,934	606	12,412
Cathodic protection works	574	6,550	5,376	9,951
	<u>37,928</u>	<u>62,080</u>	<u>83,214</u>	<u>105,780</u>
Contract revenue				

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 cathodic 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.

**(b) Major customers**

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Customer A	<b>17,796</b>	25,695	<b>33,779</b>	46,072
Customer B	<b>N/A</b>	7,508	<b>N/A</b>	12,923
Customer C	<b>4,596</b>	N/A	<b>8,979</b>	N/A

N/A: Revenue from the customer during the year did not exceed 10% of the Group's revenue.

**(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 2020:

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Remaining performance obligations expected to be satisfied</b>		
Within one year	<b>126,099</b>	99,878
Over one year	<b>9,500</b>	10,900
	<b>135,599</b>	110,778

## 5. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(a) Staff costs (including directors' remuneration):				
Salaries and other allowances	11,352	10,878	22,683	22,153
Retirement benefit scheme contributions	485	445	952	869
	<u>11,837</u>	<u>11,323</u>	<u>23,635</u>	<u>23,022</u>
(b) Other items				
Auditor's remuneration	—	152	—	152
Depreciation of property, plant and equipment				
— assets held under finance lease	—	188	—	467
— right-of-use assets	436	151	725	386
— owned	553	341	1,018	557
Operating lease charges in respect of				
— short term leases and leases with lease term shorter than 12 months	—	123	—	171
Provision for/(Reversal of) expected credit losses ("ECL") allowance	42	37	(8)	62
	<u>42</u>	<u>37</u>	<u>(8)</u>	<u>62</u>

## 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 the six months ended 30 June 2020.

For the six months ended 30 June 2019, the provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2 million are taxed at 16.5%.

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong Profits Tax				
— Current year	<u>—</u>	<u>1,360</u>	<u>—</u>	<u>1,412</u>

## 7. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 and 2019.

## 8. (LOSS)/EARNINGS 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	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>(Loss)/earnings:</b>				
(Loss)/profit for the period attributable to equity holder of the Company	<u>(1,875)</u>	<u>4,086</u>	<u>(5,897)</u>	<u>4,244</u>
<b>Number of shares:</b>				
Weighted average number of ordinary shares (in thousands)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>

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

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately HK\$3,826,000 (six months ended 30 June 2019: HK\$3,821,000) on the acquisition of property, plant and equipment.

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Investments in life insurance policies	<u>7,506</u>	<u>7,477</u>

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.

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. 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
<b>As at 30 June 2020 (unaudited)</b>				
Financial assets at fair value through profit or loss				
— Investments in life insurance policies	<u>—</u>	<u>7,506</u>	<u>—</u>	<u>7,506</u>
<b>As at 31 December 2019 (audited)</b>				
Financial assets at fair value through profit or loss				
— Investments in life insurance policies	<u>—</u>	<u>7,477</u>	<u>—</u>	<u>7,477</u>

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.

## 11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
<b>Trade and retention receivables</b>		
Trade receivables	46,455	46,177
Retention receivables	16,204	16,855
Less: ECL allowance	(1,455)	(1,457)
	<u>61,204</u>	<u>61,575</u>
<b>Deposits, prepayments and other receivables</b>		
Prepayments	1,544	4,413
Deposits paid to suppliers and subcontractors	2,873	203
Security for issuance of performance bonds	1,565	1,770
Other deposits	1,409	1,255
Other receivables	75	9
	<u>7,466</u>	<u>7,650</u>
	<u><b>68,670</b></u>	<u><b>69,225</b></u>

As at 30 June 2020 (unaudited), retention receivables of HK\$2,950,000 (2019: HK\$3,206,000) 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.

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

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Within 30 days	30,753	29,716
31 days to 60 days	7,268	8,635
61 days to 90 days	3,124	2,032
91 days to 365 days	5,260	5,723
Over 365 days	50	71
	<u>46,455</u>	<u>46,177</u>

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

	As at <b>30 June 2020</b> <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
At the beginning of the period/year	1,457	1,466
Reversal of ECL allowance recognised during the period/year	(2)	(9)
	<u>1,455</u>	<u>1,457</u>

## 12. CONTRACT ASSETS/CONTRACT LIABILITIES

	As at <b>30 June 2020</b> <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Contract assets	71,768	77,645
Less: ECL allowance	(72)	(78)
	<u>71,696</u>	77,567
Contract liabilities	(2,973)	(3,278)
	<u>68,723</u>	<u>74,289</u>

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 2020 from performance obligations satisfied in previous periods, mainly due to the changes in estimate of stage of completion and modification of contracts, is HK\$1,605,000 (2019: HK\$632,000).

	As at 30 June 2020 <b>Contract assets</b> <i>HK\$'000</i> (unaudited)	As at 30 June 2020 <b>Contract liabilities</b> <i>HK\$'000</i> (unaudited)	As at 31 December 2019 Contract assets <i>HK\$'000</i> (unaudited)	As at 31 December 2019 Contract liabilities <i>HK\$'000</i> (unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	–	1,460	–	1,649
Transfers from contract assets recognised at the beginning of the period to receivables	<u>40,421</u>	<u>–</u>	<u>49,199</u>	<u>–</u>

### 13. TRADE AND OTHER PAYABLES

	As at <b>30 June</b> <b>2020</b> <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Trade and retention payables		
— Trade payables	44,522	41,630
— Retention payables	6,771	6,735
	<u>51,293</u>	<u>48,365</u>
Accrued expenses and other payable	3,753	4,979
Provision for annual leave and long service payment	1,802	1,714
	<u>5,555</u>	<u>6,693</u>
Total trade and other payables	<u><u>56,848</u></u>	<u><u>55,058</u></u>

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 <b>30 June</b> <b>2020</b> <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
0–30 days	37,729	35,910
31–60 days	6,214	5,105
61–90 days	210	53
91–365 days	369	562
	<u><u>44,522</u></u>	<u><u>41,630</u></u>

## 14. LEASE LIABILITIES

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Total minimum lease payments:		
— Within one year	1,350	1,600
— After one year but within two years	882	978
— After two years but within five years	614	661
	<u>2,846</u>	<u>3,239</u>
Future finance charges on leases liabilities	(135)	(155)
Present value of leases liabilities	<u>2,711</u>	<u>3,084</u>
Present value of minimum lease payments:		
— Within one year	1,809	1,503
— After one year but within two years	618	932
— After two years but within five years	284	649
	<u>2,711</u>	<u>3,084</u>
Less: Portion due within one year included under current liabilities	(1,809)	(1,503)
Portion due after one year included under non-current liabilities	<u>902</u>	<u>1,581</u>

As at 30 June 2020, lease liabilities of HK\$1,979,000 (2019: HK\$2,194,000) are effectively secured by corporate guarantees from Tong Kee Engineering (Civil) Limited (“Tong Kee Civil”), 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 2020, the total cash outflows for the leases were HK\$373,000 (six months ended 30 June 2019: HK\$801,000).

## 15. BANK BORROWINGS

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Bank loans, secured		
— repayable within one year	26,661	22,211
— not repayable within one year from the end of the reporting period but contain a repayable on demand clause	6,682	10,068
Amount shown under current liabilities	<u>33,343</u>	<u>32,279</u>

The bank loans were secured by:

- (a) land and building with a net book amount of HK\$4,453,000 (2019: HK\$4,676,000) as at 30 June 2020;
- (b) legal charge on life insurance policies with a carrying amount of HK\$7,506,000 (2019: HK\$7,477,000) as at 30 June 2020;
- (c) corporate guarantee by the Company.

## 16. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>		
<b>Authorised</b>		
At 1 January 2019 and 31 December 2019 and 1 January 2020 and 30 June 2020	10,000,000,000	100,000
<b>Issued and fully paid</b>		
At 1 January 2019, 31 December 2019 and 1 January 2020 and 30 June 2020	800,000,000	8,000

## 17. RELATED PARTY DISCLOSURES

### 17.1 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	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Mr. Heung Chung Sum	Lease payment	42	42	84	84

### 17.2 Compensation of key management personnel

Related parties	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Salaries and other allowances	1,562	1,505	3,124	3,385
Retirement benefits scheme contributions	35	35	70	71
	1,597	1,540	3,194	3,456

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

## 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 cathodic 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 cathodic protection works, the Group provides installation of cathodic protection systems including sacrificial anodes protection and impressed current systems.

For the six months ended 30 June 2020 (“Relevant Period”), there were 124 projects (30 June 2019: 119 projects) with revenue contribution undertaken by the Group. The revenue of the Group recorded a decrease in current period, and the demands for the Group’s RMAA and new construction works services is in a decreasing trend. During the six months ended 30 June 2020, the Group was awarded 37 new projects, with total contract sum of approximately HK\$89.2 million.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by 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.

The outbreak of the novel coronavirus (COVID-19) and its escalation on a global scale 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. During the period ended 30 June 2020, the Group has suffered temporary suspension of some of the construction works from February to May 2020 as a result of the COVID-19 epidemic, which has led to delays in schedule of on-going projects of the Group and a decrease in the amount of work recognised during the period ended 30 June 2020. Despite most of the works of on-going projects of the Group has since resumed, the Group has to incur extra cost in order to catch up the delayed schedule. The Group will continue to monitor the development of the COVID-19 epidemic and its impact on the operations and results of the Group, if any. 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.

In addition, a series of precautionary and control measures have been implemented across the region. In order to ensure the health and safety of our employees and to facilitate the prevention and control of the COVID-19 outbreak, the Group has, (i) promptly established a crisis management working team for coordination and arrangement of provision of services in our premises with the aim to maintain normal operation; (ii) provided sufficient protective equipment and masks to our employees; and (iii) ensured that all our employees have strictly implemented the control and prevention measures formulated by the Group, including the strict observance of personal and environmental hygiene and regular body temperature checks for all employees and visitors entering into our premises.

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 cathodic protection works contracts.

## **Financial Review**

### *Revenue*

The revenue decreased from approximately HK\$105.8 million for the six months ended 30 June 2019 to approximately HK\$83.2 million for the six months ended 30 June 2020, representing a drop of approximately 21.3%. Such decrease was mainly due to the effect of decrease in RMAA and cathodic protection works projects and new works projects undertaken by the Group as a result of the overall environment in the construction industry in Hong Kong, and also the delay in schedule of on-going projects caused by COVID-19 as mentioned above.

### *Direct Costs*

The cost of sales decreased from approximately HK\$87.4 million for the six months ended 30 June 2019 to approximately HK\$74.2 million for the six months ended 30 June 2020, representing a decrease of approximately 15.1%. Such decrease was mainly attributable to the decrease in the subcontracting charges and construction material costs incurred with the decrease in the number of RMAA and cathodic protection work projects undertaken by the Group during the period.

### *Gross Profit*

Gross profit of the Group decreased by approximately HK\$9.4 million from approximately HK\$18.4 million for the six months ended 30 June 2019 to approximately HK\$9.0 million for the six months ended 30 June 2020. The decrease was mainly driven by the decrease in gross profit margin for the six months ended 30 June 2020 as discussed above. The overall gross profit margin decrease from approximately 17.4% for the six months ended 30 June 2019 to approximately 10.8% for the six months ended 30 June 2020. The decrease in profit margin was principally attributable to the additional sub-contracting charges which is out of the original budgets of our projects for the six months ended 30 June 2020.

### *Administrative Expenses*

Administrative expenses of the Group increased by approximately HK\$1.3 million or 10.0% from approximately HK\$12.8 million for the six months ended 30 June 2019 to approximately HK\$14.1 million for the six months ended 30 June 2020.

Administrative expenses primarily consist of staff costs, depreciation, transportation and motor vehicle expense, professional service fee and other costs incurred for daily operation. The increase was mainly attributable to the increase in staff costs paid to staff due to business expansion.

### *Finance Costs*

Finance costs for the Group increased by approximately HK\$0.4 million or 69.7% from approximately HK\$0.5 million for the six months ended 30 June 2019 to approximately HK\$0.9 million for the six months ended 30 June 2020. It was mainly due to the increase in usage of loan settlement for trade payables during the six months ended 30 June 2020.

### *Income Tax Expense*

Income tax expense for the Group decreased by approximately HK\$1.4 million or 100% from approximately HK\$1.4 million for the six months ended 30 June 2019 to nil for the six months ended 30 June 2020. The decrease was mainly attributable to the decrease in profit before taxation (excluding the change in fair value of financial assets at fair value through profit or loss) from approximately HK\$5.6 million for the six months ended 30 June 2019 to a loss before taxation of approximately HK\$6.0 million for the six months ended 30 June 2020.

### *(Loss)/profit for the Period*

As a result of foregoing, the Group recognised a loss for the period of approximately HK\$5.9 million for the six months ended 30 June 2020 as compared to profit of approximately HK\$4.2 million for the six months ended 30 June 2019. Such decrease was primarily attributable to the net effect of the decrease in gross profit, increase in administrative expenses and finance costs and decrease in income tax expense as discussed above.

### **Liquidity and Financial Resources**

The current ratio decreased mildly from approximately 1.7 times as at 31 December 2019 to 1.6 times as at 30 June 2020.

As at 30 June 2020, the Group had total borrowings of approximately HK\$33.3 million (31 December 2019: approximately HK\$32.3 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%, increased from approximately 38.3% as at 31 December 2019 to approximately 42.5% as at 30 June 2020 due to the expansion of the Group's business which requires more capital via bank borrowing. 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.

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 14 and 15.

### **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 announcement, the Company's issued share capital was HK\$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

### **Commitments**

The Group's operating lease commitments amounted to approximately HK\$10,000 as at 31 December 2019, there is no such commitments as at 30 June 2020. The operating lease commitments of the Group as at 31 December 2019 were primarily related to the short-term leases of its office premises and carpark spaces.

### **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 2020, 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 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

### **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 2020, 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 15.

## Employees and Remuneration Policies

As at 30 June 2020, the Group employed a total of 128 employees (31 December 2019: 137 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$23.6 million for the six months ended 30 June 2020 (2019: approximately HK\$23.0 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. An analysis of the utilisation of the net proceeds from the Listing Date up to the date of this announcement is set out below:

	<b>Planned use of net proceeds as stated in the announcement dated 15 July 2020 HK\$ million</b>	<b>Actual use of net proceeds from Listing Date to the date of this announcement HK\$ million</b>
Reserved capital to satisfy the Group's potential customers' requirement for surety/performance bond	1.2	0.7
Further strengthen the Group's manpower	9.4	6.0
Acquisition of additional machinery and equipment	4.3	2.3
Upgrading the Hong Kong office and workshop	7.7	5.7
General working capital	2.6	2.6

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing Prospectus while the proceeds were applied based on the actual development of the Group's business, the actual situation and the industry.

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

## Disclosure of Interests

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

As at 30 June 2020, the Company was wholly owned by Advanced Pacific Enterprises Limited, of which the ultimate owner is Mr. Heung Chung Sum.

As at the date of this announcement, 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	600,000,000 ordinary shares	75%

#### (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%

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

As at the date of this announcement, 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	600,000,000 ordinary shares	Long	75%

Save as disclosed above, as at the date of this announcement 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 2020.

**Interests of Compliance Adviser**

As notified by the compliance adviser of the Company, Red Sun Capital Limited (“Red Sun”), as at 30 June 2020, save for the compliance adviser agreement dated on 9 November 2017 entered into between the Company and Red Sun, neither Red Sun, its directors, employees and associates had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

**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 2020.

## **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 2020, 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 noncompliance with the required standard of dealings regarding securities transactions by the Directors throughout the period ended 30 June 2020.

## **Dividend**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020.

## **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 2020.

## **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 2020.

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

Hong Kong, 10 August 2020

*As at the date of this announcement, the executive Directors are Mr. Heung Chung Sum and Mr. Chan Wai Hon, Alan, and 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.*