



TONG KEE (HOLDING) LIMITED

棠記（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8305)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

**CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG
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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 for at least seven days from the date of its publication and the Company’s website at www.tongkee.com.hk.

ANNUAL RESULT

The board of Directors (the “Board”) of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020, together with the comparative figures for the corresponding period in 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	3	173,482	220,256
Direct costs		<u>(150,717)</u>	<u>(189,994)</u>
Gross profit		22,765	30,262
Other income	4	6,623	540
Administrative expenses		(30,334)	(26,462)
(Loss)/Gain arising from change in fair value of financial assets at fair value through profit or loss		(129)	150
Finance costs	5	<u>(1,746)</u>	<u>(1,302)</u>
(Loss)/Profit before income tax	6	(2,821)	3,188
Income tax credit/(expense)	7	<u>530</u>	<u>(930)</u>
(Loss)/Profit and total comprehensive (expense)/income for the year		<u><u>(2,291)</u></u>	<u><u>2,258</u></u>
(Loss)/Earnings per share attributable to equity holders of the Company			
Basic and diluted (HK cents)	8	<u><u>(0.29)</u></u>	<u><u>0.28</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		16,332	13,297
Financial assets at fair value through profit or loss		7,549	7,477
		<u>23,881</u>	<u>20,774</u>
Current assets			
Contract assets	11	81,003	77,567
Trade and other receivables	10	51,830	69,225
Amount due from the Controlling Shareholder		425	311
Tax recoverable		589	–
Bank balances and cash		23,640	13,871
		<u>157,487</u>	<u>160,974</u>
Current liabilities			
Contract liabilities	11	3,239	3,278
Trade and other payables	12	56,196	55,058
Lease liabilities	13	1,924	1,503
Bank borrowings	14	36,381	32,279
Income tax payable		–	3,137
		<u>97,740</u>	<u>95,255</u>
Net current assets		<u>59,747</u>	<u>65,719</u>
Total assets less current liabilities		<u>83,628</u>	<u>86,493</u>
Non-current liabilities			
Leases liabilities	13	1,517	1,581
Deferred tax liabilities		96	606
		<u>1,613</u>	<u>2,187</u>
Net assets		<u>82,015</u>	<u>84,306</u>
CAPITAL AND RESERVES			
Share capital	15	8,000	8,000
Reserves		74,015	76,306
Total equity		<u>82,015</u>	<u>84,306</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Tong Kee (Holding) Limited (the “Company”) was incorporated in the Cayman Islands on 10 April 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

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

The directors consider the Company’s immediate and ultimate holding company to be Advanced Pacific Enterprises Limited (“Advanced Pacific”), a company incorporated in the British Virgin Islands (“BVI”). Advanced Pacific is controlled by Mr. Heung Chung Sum (“Mr. Heung” or the “Controlling Shareholder”).

* Previously known as cathodic protection works

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosures requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation adopted in these financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2019, except for the Group has adopted the amended Hong Kong Financial Reporting Standards (“HKFRS”), which are effective for the annual period beginning on 1 January 2020. As disclosed in note 2.2, the adoption of the amended HKFRSs does not have material impact on the Group’s financial performance and financial position for the current and prior periods.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial assets which are stated at fair values.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HKD”), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand (HK\$’000), except where otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a 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 amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2.3 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ²
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective date not yet determined

⁵ Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 June 2020

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING

3.1 Revenue

The Group's principal activities are disclosed in note 1 to the consolidated financial statements. Revenue represents the consideration received and receivable from these activities.

The Group's revenue recognised during the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Types of service		
RMAA works projects	169,245	179,048
New construction works projects	23	23,311
Corrosion protection works projects*	4,214	17,897
	173,482	220,256

* Previously known as cathodic protection works projects

Remaining 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 the reporting date:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Remaining performance obligations expected to be satisfied:		
Within one year	109,264	99,878
Over one year	8,245	10,900
	117,509	110,778

3.2 Segment information

The Group has determined the operating segments based on the information reported to the chief operating decision maker. During the year, the chief operating decision maker regards the Group's business of performing RMAA works, new construction works and corrosion protection works* in Hong Kong as a single operating segment and assesses the operating performance and allocates the resources of the Group as a whole. Accordingly, no segment information is presented.

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.

* Previously known as cathodic protection works

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

3.2 Segment information (Continued)

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the Group's total revenue, is set out below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	61,951	70,584
Customer B	N/A	23,762
Customer C	N/A	23,483
Customer D	33,784	N/A

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

4. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	1	4
Government grant (<i>note</i>)	6,146	–
Sundry income	342	536
Gain on disposal of property, plant and equipment	134	–
	6,623	540

Note: During the year ended 31 December 2020, the Group recognised subsidies of approximately HK\$6,146,000 in relation to Employment Support Scheme under Anti-epidemic Fund provided by the Hong Kong government as part of the relief measures on COVID-19 pandemic.

5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest charges on bank borrowings	1,616	1,146
Finance charges on lease liabilities	130	156
	1,746	1,302

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(a) Staff cost (including directors' remuneration)		
Salaries, wages and other benefits	44,329	45,589
Contributions to defined contribution plans	1,746	1,808
	<u>46,075</u>	<u>47,397</u>
(b) Other items		
Auditor's remuneration — audit services	552	852
Depreciation of property, plant and equipment		
— right-of-use assets	2,154	1,798
— owned assets	2,457	1,370
(Gain)/Loss on disposal of property, plant and equipment	(134)	35
Lease charges in respect of:		
— short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16 as at 1 January 2019	67	398
Provision for/(Reversal of) ECL allowance on:		
— contract assets	2,223	18
— trade receivables	(46)	(336)
— retention receivables	593	327
	<u>593</u>	<u>327</u>

7. INCOME TAX CREDIT/(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.

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, 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%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
— Current year	—	639
— Over provision in respect of prior years	(20)	(3)
	<u>(20)</u>	<u>636</u>
Deferred Tax	<u>(510)</u>	<u>294</u>
Income tax (credit)/expense	<u>(530)</u>	<u>930</u>

8. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/basic earnings per share attributable to equity holders of the Company is based on the following:

	2020	2019
Earnings		
(Loss)/Profit for the year attributable to equity holders of the Company (HK\$'000)	<u>(2,291)</u>	<u>2,258</u>
Weighted average number of ordinary shares (in thousands)	800,000	800,000
(Loss)/Earnings per share (HK cents)	<u>(0.29)</u>	<u>0.28</u>

The calculation of (loss)/basic earnings per share for the year is based on the loss of HK\$2,291,000 (2019: profit of HK\$2,258,000) for the year attributable to equity holders of the Company, and the weighted average number of 800,000,000 (2019: 800,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2020 and 2019 was the same as basic earnings per share as there were no dilutive potential ordinary shares in issue during the years.

9. DIVIDENDS

The Board did not recommend the payment of dividend for the year ended 31 December 2020 (2019: nil).

10. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and retention receivables		
Trade receivables	28,198	46,177
Retention receivables	18,446	16,855
Less: ECL allowance	<u>(2,004)</u>	<u>(1,457)</u>
	<u>44,640</u>	<u>61,575</u>
Deposits, prepayments and other receivables		
Prepayments	4,528	4,413
Deposits paid to suppliers and subcontractors	275	203
Security for issuance of performance bonds	1,411	1,770
Other deposits	971	1,255
Other receivables	<u>5</u>	<u>9</u>
	<u>7,190</u>	<u>7,650</u>
	<u>51,830</u>	<u>69,225</u>

All the trade and other receivables are denominated in HK\$ and the directors considered that the fair values of trade and other receivables are not materially different from their carrying amounts.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2020, retention receivables of HK\$1,799,000 (2019: HK\$3,206,000) included under current assets in the consolidated statements 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 expiration of the defect liability period. In general, the retention money will be released upon the expiration of the defect liability period, which is typically one year after completion of construction works.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	18,440	29,716
31 days to 60 days	4,718	8,635
61 days to 90 days	2,811	2,032
91 days to 365 days	1,741	5,723
Over 365 days	488	71
	<u>28,198</u>	<u>46,177</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the year	1,457	1,466
Provision for/(Reversal of) ECL allowance during the year	547	(9)
At the end of the year	<u>2,004</u>	<u>1,457</u>

11. CONTRACT ASSETS/CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract assets	83,304	77,645
Less: ECL allowance	<u>(2,301)</u>	<u>(78)</u>
	81,003	77,567
Contract liabilities	<u>(3,239)</u>	<u>(3,278)</u>
	<u>77,764</u>	<u>74,289</u>

The contract assets primarily relate to the Group's right to consideration for work completed but not yet 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.

12. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and retention payables		
Trade payables	40,152	41,630
Retention payables	7,957	6,735
	<u>48,109</u>	<u>48,365</u>
Other payables		
Accrued expenses and other payables	6,150	4,979
Provision for annual leave and long service payment	1,937	1,714
	<u>8,087</u>	<u>6,693</u>
	<u>56,196</u>	<u>55,058</u>

The Group is granted by its suppliers and subcontractors a credit period ranging from 30 to 60 days. Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	31,215	35,910
31 days to 60 days	3,392	5,105
61 days to 90 days	452	53
91 days to 365 days	1,960	562
Over 365 days	3,133	–
	<u>40,152</u>	<u>41,630</u>

As at 31 December 2020, retention payables of HK\$2,814,000 (2019: HK\$1,643,000) included under current liabilities in the consolidated statement of financial position are expected to be payable after one year.

All trade and other payables are denominated in HK\$. The carrying values of trade and other payables are considered to be reasonable approximation of their fair values.

13. LEASE LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total minimum lease payments:		
— Within one year	2,028	1,600
— After one year but within two years	1,283	978
— After two years but within five years	277	661
	<u>3,588</u>	<u>3,239</u>
Future finance charges on lease liabilities	(147)	(155)
	<u>3,441</u>	<u>3,084</u>
Present value of lease liabilities	<u>3,441</u>	<u>3,084</u>
Present value of minimum lease payments:		
— Within one year	1,924	1,503
— After one year but within two years	1,250	932
— After two years but within five years	267	649
	<u>3,441</u>	<u>3,084</u>
Less: Portion due within one year included under current liabilities	(1,924)	(1,503)
	<u>1,517</u>	<u>1,581</u>
Portion due after one year included under non-current liabilities	<u>1,517</u>	<u>1,581</u>

14. BANK BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank loans, secured:		
— repayable within one year	25,761	22,211
— not repayable within one year from the end of the reporting period but contain a repayment on demand clause	10,620	10,068
	<u>36,381</u>	<u>32,279</u>
Amounts shown under current liabilities	<u>36,381</u>	<u>32,279</u>

As at 31 December 2020 and 2019, all the bank loans were denominated in HK\$.

14. BANK BORROWINGS (CONTINUED)

The bank loans were secured by:

- (a) land and buildings with a net book amount of HK\$7,316,000 (2019: HK\$4,676,000) as at 31 December 2020;
- (b) legal charges on life insurance policies with a carrying amount of HK\$7,549,000 (2019: HK\$7,477,000) as at 31 December 2020;
- (c) corporate guarantee by the Company as at 31 December 2020 and 31 December 2019;
- (d) guarantee as provided by the HKMC Insurance Limited under the Small and Medium Enterprise Guarantee Scheme as at 31 December 2020; and
- (e) personal guarantee as provided by the Controlling Shareholder as at 31 December 2020.

15. SHARE CAPITAL

	2020		2019	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.01 each				
As at 1 January and 31 December	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
As at 1 January and 31 December	<u>800,000,000</u>	<u>8,000</u>	<u>800,000,000</u>	<u>8,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established multi-disciplinary contractor for the provision of RMAA, new construction works, and corrosion protection works (previously known as 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 corrosion protection works, the Group provides various of corrosion protection solution including but not limited to installation of cathodic protection systems including sacrificial anodes protection and impressed current systems.

For the year ended 31 December 2020, there were 173 projects (2019: 168 projects) with revenue contribution undertaken by the Group. The demands for the Group's RMAA and corrosion protection works services remained at a steady level. During the year ended 31 December 2020 and up to the date of this announcement, the Group was awarded 68 new projects, with total original contract sum of approximately HK\$130.5 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 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 fitting-out industry.

The outbreak of the 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 year ended 31 December 2020, the Group has suffered temporary suspension of some of the construction works from February to August 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 year ended 31 December 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 corrosion protection works contracts, and expanding the customer base and strengthening the scope of services.

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately HK\$220.3 million for the year ended 31 December 2019 to approximately HK\$173.5 million for the year ended 31 December 2020, representing a decrease of approximately 21.2%. Such decrease was mainly due to the decrease in contract sum of RMAA and corrosion protection works projects undertaken by the Group as a result of the overall development in the construction industry in Hong Kong and also the delay in schedule of on going projects caused by COVID-19 as mentioned above.

Cost of Sales

The cost of sales decreased from approximately HK\$190.0 million for the year ended 31 December 2019 to approximately HK\$150.7 million for the year ended 31 December 2020, representing a decrease of approximately 20.7%. Such decrease was mainly attributable to the decrease in the subcontracting charges and rental of machinery and equipment cost incurred in line with the revenue decrease during the year.

Gross Profit

Gross profit of the Group decreased by approximately HK\$7.5 million from approximately HK\$30.3 million for the year ended 31 December 2019 to approximately HK\$22.8 million for the year ended 31 December 2020. The overall gross profit margin decreased slightly from approximately 13.7% for the year ended 31 December 2019 to approximately 13.1% for the year ended 31 December 2020 as the projects undertaken by the Group during the year ended 31 December 2020 were generally had lower gross profit margin, also the extent of decrease in revenue was outweighed by the decrease in subcontracting charges, staff salary and construction material costs for the year ended 31 December 2020.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$3.8 million or 14.3% from approximately HK\$26.5 million for the year ended 31 December 2019 to approximately HK\$30.3 million for the year ended 31 December 2020.

Administrative expenses primarily consist of staff costs, depreciation, transportation and motor vehicle expense, professional service and other cost incurred for daily operation. The increase was mainly attributable to the increase in provision of expected credit loss allowance and the increase in depreciation.

Other Income

Other income increased by HK\$6.1 million from HK\$0.5 million for the year ended 31 December 2019 to HK\$6.6 million for the year ended 31 December 2020. The amount mainly represent the Anti-epidemic Fund provided by the Hong Kong Special Administrative Region Government to subsidise the challenges brought by the COVID-19 epidemic.

Finance Costs

Finance costs for the Group increased by approximately HK\$0.4 million or 30.8% from approximately HK\$1.3 million for the year ended 31 December 2019 to approximately HK\$1.7 million for the year ended 31 December 2020. It was mainly due to the increase in usage of loan settlement for trade payables during the year ended 31 December 2020.

Income Tax Expense

Income tax expense for the Group decreased by approximately HK\$1.4 million or 157% from approximately HK\$0.9 million for the year ended 31 December 2019 to a tax credit of HK\$0.5 million for the year ended 31 December 2020. The decrease was mainly attributable to the decrease in profit before tax (excluding the change in fair value of financial assets at fair value through profit or loss) from approximately HK\$3.0 million for the year ended 31 December 2019 to a loss before tax of approximately HK\$2.7 million for the year ended 31 December 2020. The tax credit for the year was mainly derived from deferred tax.

(Loss)/Profit and Total Comprehensive (Expense)/Income for the Year Attributable to the Owners of the Company

As a result of foregoing, the Group recognised a loss for the year of approximately HK\$2.3 million for the year ended 31 December 2020 as compared to profit and total comprehensive income for the year attributable to the owners of the Company of approximately HK\$2.3 million for the year ended 31 December 2019.

Such decrease was primarily attributable to the net effect of (i) the decrease in revenue for the year ended 31 December 2020; (ii) the decrease in gross profit for the year ended 31 December 2020; and (iii) the increase in the administrative expenses and finance cost incurred by the Group for the year ended 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2020, the Group had bank borrowings of approximately HK\$36.4 million (2019: HK\$32.3 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year and multiplied by 100%, increased from approximately 38.3% as at 31 December 2019 to approximately 44.3% as at 31 December 2020 due to the decrease in equity of the Group. 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 maintain its business operation.

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 successfully listed on 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 Group only comprises of ordinary shares.

As at 31 December 2020, 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 operating lease commitments of the Group as at 31 December 2019 amounting to HK\$10,000 were primarily related to the short-term leases of its office premises and carpark spaces, there were no such operating lease commitments as at 31 December 2020.

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on note 3 of the notes to the consolidated financial statements. There is no material changes in the industrial segment.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 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 year ended 31 December 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 31 December 2020, the Group pledged certain amount of land and buildings 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 14 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a total of 126 employees (2019: 137 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$46.1 million for the year ended 31 December 2020 (2019: approximately HK\$47.4 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. 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 on 4 July 2018, after deducting listing related expenses, were approximately HK\$25.2 million. After the Listing, these proceeds were used for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. The unused amount of the net proceeds from the Listing as at and up to the date of this announcement was approximately HK\$5.1 million.

An analysis of the planned amount utilised up to the date of this announcement is set out below:

	Revised use of net proceeds as disclosed in the announcement dated 15 July 2020 HK\$'million	Actual use of net proceeds from Listing Date to 31 December 2020 HK\$'million	Expected timeline of full utilisation of the balance
Reserved capital to satisfy the Group's potential customers' requirement for surety/performance bond	1.2	1.2	–
Further Strengthen the Group's manpower	9.4	7.3	End of year 2021
Acquisition of additional machinery and equipment	4.3	3.1	End of year 2021
Upgrading the Hong Kong office and workshop	7.7	5.9	End of year 2021
General working capital	<u>2.6</u>	<u>2.6</u>	<u>–</u>

The business objectives, future plans and planned use of proceeds as disclosed in the Prospectus and the announcement dated 15 July 2020 were based on the best estimation and assumption of future market conditions made by the Group at the relevant time while the proceeds were applied based on the actual development of the Group's business, the actual situation and the industry, for details please refer to the announcement dated 15 July 2020. The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ensure the business growth of the Group.

OTHER INFORMATION

Corporate Governance Practices

Since the Listing, the Board has recognised that the transparency and accountability is important to a listed company. Therefore, the Company is committed in establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's stakeholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

Under the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separated 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.

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code during the year ended 31 December 2020.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2020.

Non-Competition Undertakings by Controlling Shareholders

Each of the Controlling Shareholders (namely Mr. Heung Chung Sum, Advanced Pacific Enterprises Limited ("Advanced Pacific")) has made an annual declaration to the Company that for the year ended 31 December 2020, it has complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company which are contained in the Deed of Non-Competition Undertaking. Details of the Non-Competition Undertakings are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The INEDs have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Competition Undertakings and as far as the INEDs can ascertain, there is no breach of any of the undertakings in the Non-Competition Undertakings.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 December 2020.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

Annual General Meeting and Closure of Register of Members

The annual general meeting is scheduled on Monday, 10 May 2021. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 4 May 2021 to Monday, 10 May 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 3 May 2021.

Audit Committee

The Company established the Audit Committee with 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 Audit Committee currently consists of three independent non-executive Directors namely Mr. Chan Chi Hang, Mr. Dr. Ip Wai Hung and Mr. Ko, Wilson Wai Shun. The chairman of the Audit Committee is Mr. Chan Chi Hang, who has appropriate professional qualifications and experience in accounting matters.

Review of Annual Results

The audit committee of the Company has reviewed the annual results for the year ended 31 December 2020 before the results were submitted to the Board for approval.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Grant Thornton Hong Kong Limited on the preliminary announcement.

Events after the Reporting Period

There is no significant event after the reporting period of the Group.

Appreciation

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, clients, business partners, and suppliers who trust and remain faithful to the Group. I would also like to express our sincere thanks to the management and staffs for their commitment and contribution throughout the years.

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

Hong Kong, 22 March 2021

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.