



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 2021**

**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 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 2021, together with the comparative figures for the corresponding period in 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	154,255	173,482
Direct costs		(137,176)	(150,717)
Gross profit		17,079	22,765
Other income	4	235	6,623
Administrative expenses		(27,132)	(30,334)
Gain/(loss) arising from change in fair value of financial assets at fair value through profit or loss		213	(129)
Provision for impairment of goodwill		(31,802)	–
Finance costs	5	(1,723)	(1,746)
Loss before income tax	6	(43,130)	(2,821)
Income tax credit	7	494	530
Loss and total comprehensive expense for the year		(42,636)	(2,291)
Loss per share attributable to equity holders of the Company			
Basic and diluted (HK cents)	8	(5.28)	(0.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		14,301	16,332
Interest in a joint venture		3,768	–
Goodwill		24,000	–
Financial assets at fair value through profit or loss		18,409	7,549
Deferred tax assets		376	–
Deposits		486	–
		61,340	23,881
Current assets			
Contract assets	<i>11</i>	98,085	81,003
Trade and other receivables	<i>10</i>	64,916	51,830
Amount due from the Controlling Shareholder		–	425
Amount due from a joint venture		1,394	–
Tax recoverable		62	589
Bank balances and cash		9,735	23,640
		174,192	157,487
Current liabilities			
Contract liabilities	<i>11</i>	3,584	3,239
Trade and other payables	<i>12</i>	70,449	56,196
Amount due to the Controlling Shareholder		7,231	–
Lease liabilities	<i>13</i>	2,661	1,924
Bank borrowings	<i>14</i>	53,933	36,381
		137,858	97,740
Net current assets		36,334	59,747
Total assets less current liabilities		97,674	83,628
Non-current liabilities			
Lease liabilities	<i>13</i>	1,245	1,517
Deferred tax liabilities		–	96
		1,245	1,613
Net assets		96,429	82,015
Capital and reserve			
Share capital	<i>15</i>	10,500	8,000
Reserves		85,929	74,015
Total equity		96,429	82,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 address of its registered office is PO Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Room 2502, 25/F., 148 Electric Road, North Point, Hong Kong.

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”).

The Company’s shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 4 July 2018.

The consolidated financial statements for the year ended 31 December 2021 were approved for issue by the board of directors on 24 March 2022.

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.

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 2020, except for the Group has adopted the amended HKFRSs, which are effective for the annual period beginning on 1 January 2021. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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.

2.2 Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2021

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 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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.

In addition, the Group also adopted an “agenda decision” of the IFRS Interpretations Committee (the “Committee”) in relation to the estimated cost necessary to make the sale. In June 2021, the Committee, through its agenda decision, clarified the costs. The Group should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, the Committee clarified whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that the Group must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and selling and distribution expenses. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ¹
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendment to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021 ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²

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

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ 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

⁵ Effective for annual periods beginning on or after 1 April 2021

The directors of the Company 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Types of service		
RMAA works projects	128,255	169,245
New construction works projects	18,380	23
Corrosion protection works projects	7,620	4,214
	<u>154,255</u>	<u>173,482</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Remaining performance obligation expected to be satisfied:		
Within one year	45,488	109,264
Over one year	48,936	8,245
	<u>94,424</u>	<u>117,509</u>

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.

During the year ended 31 December 2021, the Group has acquired Projexasia Group (as defined in note 16) which is engaged the same business segment as the Group. In view of such, no separate business segment is identified and disclosed.

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.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	57,825	61,951
Customer B	27,974	33,784
Customer C	15,761	N/A

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

4. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	–	1
Government grant (<i>note</i>)	–	6,146
Sundry income	–	342
Gain on disposal of property, plant and equipment	–	134
Gain on disposal of a subsidiary	235	–
	<u>235</u>	<u>6,623</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest charges on bank borrowings	1,618	1,616
Finance charges on lease liabilities	105	130
	<u>1,723</u>	<u>1,746</u>

6. LOSS BEFORE INCOME TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Staff cost (including directors' remuneration)		
Salaries wages and other benefits	35,287	44,329
Contributions to defined contribution plans	1,449	1,746
	<u>36,736</u>	<u>46,075</u>
(b) Other items		
Auditor's remuneration — audit services	680	552
Auditor's remuneration — non-audit services	705	—
Depreciation of property, plant and equipment		
— Right-of-use assets	2,102	2,154
— Owned assets	2,538	2,457
Lease charges in respect of:		
— Short term leases and leases with lease term shorter than 12 months	40	67
Provision for/(reversal of) expected credit loss (“ECL”) allowance on:		
— Contract assets	664	2,223
— Trade receivables	(32)	(46)
— Retention receivables	416	593
	<u>416</u>	<u>593</u>

7. INCOME TAX CREDIT

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 2021 is calculated at 16.5% (2020: 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 2020.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
— Current year	—	—
— Over provision in respect of prior years	—	(20)
	—	(20)
Deferred tax	(494)	(510)
	<u>(494)</u>	<u>(530)</u>
Income tax credit	(494)	(530)

8. LOSS PER SHARE

The calculation of loss per share attributable to equity holders of the Company is based on the following:

	2021	2020
Losses		
Loss for the year attributable to equity holders of the Company (HK\$'000)	<u>(42,636)</u>	<u>(2,291)</u>
Shares		
Weighted average number of ordinary shares (in thousands)	80,685	80,000
Loss per share (HK cents)	<u>(5.28)</u>	<u>(0.29)</u>

The calculation of basic loss per share for the year is based on the loss of HK\$42,636,000 (2020: HK\$2,291,000) for the year attributable to equity holders of the Company, and the weighted average number of 80,684,931 (2020: 800,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2021 and 2020 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 2021 (2020: nil).

10. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and retention receivables		
Trade receivables	37,003	28,198
Retention receivables	19,637	18,446
Less: ECL allowance	(2,388)	(2,004)
	<u>54,252</u>	<u>44,640</u>
Deposits, prepayments and other receivables		
Prepayments	6,381	4,528
Deposits paid to suppliers and subcontractors	287	275
Security for issuance of performance bonds	2,355	1,411
Other deposits	1,924	971
Other receivables	203	5
	<u>11,150</u>	<u>7,190</u>
	<u>65,402</u>	<u>51,830</u>
Less: Non-current portion	<u>(486)</u>	<u>–</u>
Current portion	<u>64,916</u>	<u>51,830</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.

As at 31 December 2021, retention receivables of HK\$1,697,000 (2020: HK\$1,799,000) 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.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	24,478	18,440
31 days to 60 days	2,647	4,718
61 days to 90 days	6,564	2,811
91 days to 365 days	3,123	1,741
Over 365 days	191	488
	<u>37,003</u>	<u>28,198</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	2,004	1,457
Provision for ECL allowance during the year	384	547
	<u>2,388</u>	<u>2,004</u>
At the end of the year	<u>2,388</u>	<u>2,004</u>

11. CONTRACT ASSETS/CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract assets	101,050	83,304
Less: ECL allowance	<u>(2,965)</u>	<u>(2,301)</u>
	98,085	81,003
Contract liabilities	<u>(3,584)</u>	<u>(3,239)</u>
	<u>94,501</u>	<u>77,764</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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and retention payables		
Trade payables	49,031	40,152
Retention payables	9,173	7,957
	<u>58,204</u>	<u>48,109</u>
Other payables		
Accrued expenses and other payables	10,579	6,150
Provision for annual lease and long service payment	1,666	1,937
	<u>12,245</u>	<u>8,087</u>
	<u><u>70,449</u></u>	<u><u>56,196</u></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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	40,222	31,215
31 days to 60 days	4,743	3,392
61 days to 90 days	1,296	452
91 days to 365 days	2,505	1,960
Over 365 days	265	3,133
	<u>49,031</u>	<u>40,152</u>

As at 31 December 2021, retention payables of HK\$2,948,000 (2020: HK\$2,814,000) 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total minimum lease payments		
— Within one year	2,774	2,028
— After one year but within two years	980	1,283
— After two years but within five years	305	277
	<u>4,059</u>	<u>3,588</u>
Future finance charges on lease liabilities	(153)	(147)
	<u>3,906</u>	<u>3,441</u>
Present value of lease liabilities		
Present value of minimum lease payments		
— Within one year	2,661	1,924
— After one year but within two years	954	1,250
— After two years but within five years	291	267
	<u>3,906</u>	<u>3,441</u>
Less: Portion due within one year included under current liabilities	(2,661)	(1,924)
	<u>1,245</u>	<u>1,517</u>
Portion due after one year included under non-current liabilities		

14. BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank loans, secured:		
— repayable within one year	43,674	25,761
— not repayable within one year from the end of the reporting period but contain a repayment on demand clause	10,259	10,620
	<u>53,933</u>	<u>36,381</u>
Amounts shown under current liabilities		

As at 31 December 2021 and 2020, 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\$7,009,000 (2020: HK\$7,316,000) as at 31 December 2021;
- (b) legal charges on life insurance policies with a carrying amount of HK\$18,409,000 (2020: HK\$7,549,000) as at 31 December 2021;
- (c) corporate guarantee by the Company as at 31 December 2021 and 31 December 2020;
- (d) guarantee as provided by the HKMC Insurance Limited under the Small and Medium Enterprise Guarantee Scheme as at 31 December 2021 and 2020;
- (e) personal guarantee as provided by the Controlling Shareholder as at 31 December 2021 and 2020; and
- (f) personal guarantee as provided by a director of a subsidiary as at 31 December 2021. (2020: Nil)

15. SHARE CAPITAL

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid		
As at 1 January 2020, 31 December 2020 and 1 January 2021	800,000,000	8,000
Share allotment on placing (<i>note</i>)	65,000,000	650
Issuance of consideration share upon acquisition of subsidiaries (<i>note 16</i>)	<u>185,000,000</u>	<u>1,850</u>
As at 31 December 2021	<u>1,050,000,000</u>	<u>10,500</u>

Note: On 19 October 2021, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best basis, up to 65,000,000 placing shares at the placing price at HK\$0.1 per placing share to certain independent placee. The net proceeds (after deducting the placing commission and other related expenses and professional fees of approximately HK\$325,000) from the placing has been used for settlement of cash consideration of HK\$5,500,000 on the acquisition as disclosed in note 16 and the remaining net proceeds are for general working capital for the Group. Accordingly, the Group's share capital increased by approximately HK\$650,000 and the remaining balance of approximately HK\$5,525,000 was credited to the share premium account.

16. BUSINESS COMBINATION

On 19 October 2021, the Group entered into the sale and purchase agreement with an independent third party (the “Vendor”), pursuant to which the Group has agreed to purchase and the Vendor has conditionally agreed to sell the sale share, representing 100% of the issued share capital of Treasure Mark Global Limited.

Treasure Mark Global Limited is principally engaged in investment holding with its subsidiary, Projexasia Limited, (collectively as “Projexasia Group”) engaged in the provision of repair, maintenance, alteration and addition works and new construction works.

Pursuant to the sale and purchase agreement, the consideration shall be satisfied (i) by allotting and issuing to the Vendor an aggregate of 185,000,000 ordinary shares of the Company (“Issued Shares”); and (ii) the remaining balance of HK\$5,500,000 by way of cash by the placing arrangement as disclosed in note 15.

On 30 December 2021, the acquisition was completed (the “Completion Date”) and the consideration is satisfied by the payment of the cash consideration of HK\$5,500,000 and allotment and issue of Issued Shares in the aggregate fair value of HK\$50,875,000 based on the fair value of each share of HK\$0.275 on 30 December 2021.

As at the Completion Date, the Issued Shares are representing to 17.62% of the enlarged ordinary shares of the Company.

Acquisition-related costs amounting to approximately HK\$1,981,000 have been excluded from the cost of the acquisition and have been recognised directly as an expense in the year and included in the “administrative expenses” line item in the consolidated statement of profit or loss and other comprehensive income as the amount is not material to overall performance of the Group.

As the Completed Date, the fair value of net identifiable assets and liabilities of Projexasia Group was estimated by Royson Valuation Advisory Limited, an independent firm of professional qualified valuer. Projexasia Group, whilst engaged in the same business segment as the Group, has a different customer base from the Group’s. Projexasia Group’s customer base is primarily large commercial non-governmental entities such as offices, banks, retail brands, hotels and shopping malls as compared to the Group’s customer base of primarily government affiliated entities and non-profit organisations such as a public company which principal activities are the operation of railway in Hong Kong; a racing and race course entertainment operator and a theme park operator based in Hong Kong. The Acquisition will expand the Group’s customer base and specialisations, allowing the Group to offer more diverse and comprehensive products and services, thereby enabling the Group to negotiate more effectively on contracts with new customers.

In addition, Projexasia Group has experience in securing and completing larger scale projects and has completed several projects with individual contract sum of over HK\$100 million. The Acquisition will provide the Group with experience in and a track record of working on larger scale projects. In addition, Projexasia Group has operated for over 20 years with strong market recognition. There are also significant synergy effects on potential cost cutting opportunities upon the Acquisition such as the sharing of administrative costs, office space, subcontractors and procurement.

In view of the above, the Group has recognised the goodwill of approximately HK\$55,802,000 arising from the Acquisition.

The fair value of the identifiable assets and liabilities of Projexasia Group at the Completion Date was as follows:

	2021 <i>HK\$'000</i>
Property, plant and equipment	2,165
Interest in a joint venture	3,768
Financial assets at fair value through profit or loss	10,446
Contract assets	1,978
Trade and other receivables	4,599
Amount due from a joint venture	378
Tax recoverable	62
Cash and cash equivalents	3,859
Contract liabilities	(1,005)
Trade and other payables	(5,329)
Lease liabilities	(2,084)
Bank borrowings	(18,242)
Deferred tax liabilities	(22)
	<u>573</u>
Goodwill on acquisition	<u>55,802</u>
	<u><u>56,375</u></u>
Considerations satisfied by:	
Cash	5,500
Issued Shares at fair value	<u>50,875</u>
	<u><u>56,375</u></u>
Net cash outflow arising on acquisition	
Cash consideration	(5,500)
Cash and balances acquired	<u>3,859</u>
	<u><u>(1,641)</u></u>

During the year ended 31 December 2021, Projexasia Group did not contribute any revenue and profit to the Group's revenue and profit for the period from the Completion Date to 31 December 2021.

If the acquisition of Projexasia Group had been completed on 1 January 2020, the Group's revenue for the year ended 31 December 2021 would have been increased by approximately HK\$54,106,000 and loss for the year ended 31 December 2021 would have been increased by approximately HK\$4,903,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

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 2021, there were 172 projects (2020: 173 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 2021 and up to the date of this announcement, the Group was awarded 88 new projects, with total original contract sum of approximately HK\$95.4 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. 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\$173.5 million for the year ended 31 December 2020 to approximately HK\$154.3 million for the year ended 31 December 2021, representing a decrease of approximately 11.1%. 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\$150.7 million for the year ended 31 December 2020 to approximately HK\$137.2 million for the year ended 31 December 2021, representing a decrease of approximately 9.0%. Such decrease was mainly attributable to the decrease in the subcontracting charges and construction material incurred in line with the revenue decrease during the year.

Gross Profit

Gross profit of the Group decreased by approximately HK\$5.7 million from approximately HK\$22.8 million for the year ended 31 December 2020 to approximately HK\$17.1 million for the year ended 31 December 2021. The overall gross profit margin decreased slightly from approximately 13.1% for the year ended 31 December 2020 to approximately 11.1% for the year ended 31 December 2021 as the projects undertaken by the Group during the year ended 31 December 2021 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 2021.

Administrative Expenses

Administrative expenses of the Group decreased by approximately HK\$3.2 million or 10.6% from approximately HK\$30.3 million for the year ended 31 December 2020 to approximately HK\$27.1 million for the year ended 31 December 2021.

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

Other income

Other income decreased by HK\$6.4 million from HK\$6.6 million for the year ended 31 December 2020 to HK\$0.2 million for the year ended 31 December 2021. The amount in previous year 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 and the subsidy was ceased in current year.

Provision for impairment of goodwill

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

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

Management has calculated that the value in use of the cash-generating unit (CGUs) is less than the total carrying amount of the CGUs and the respective allocated goodwill, accordingly, the Group has provided the impairment loss on goodwill of approximately HK\$31.8 million and recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2021 (2020: Nil).

Finance Costs

Finance costs for the Group remained steady for the year ended 31 December 2020 and for the year ended 31 December 2021 at approximately HK\$1.7 million.

Income Tax Expense

No current income tax expense for the Group for the year ended 31 December 2020 and the year ended 31 December 2021. The tax credit for the year was mainly derived from deferred tax.

Loss and Total Comprehensive Expense 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\$42.6 million for the year ended 31 December 2021 as compared to loss and total comprehensive expense for the year attributable to the owners of the Company of approximately HK\$2.3 million for the year ended 31 December 2020.

Such increase was primarily attributable to the net effect of (i) the decrease in revenue for the year ended 31 December 2021; (ii) the decrease in gross profit for the year ended 31 December 2021; (iii) the provision for impairment of goodwill incurred by the Group for the year ended 31 December 2021; and (iv) the decrease in other income for the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio decreased from approximately 1.6 times as at 31 December 2020 to 1.3 times as at 31 December 2021.

As at 31 December 2021, the Group had bank borrowings of approximately HK\$53.9 million (2020: HK\$36.4 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 44.3% as at 31 December 2020 to approximately 55.9% as at 31 December 2021 due to the increase in borrowing of the Group which included the bank borrowing amount of the new subsidiary acquired. 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.

During the year ended 31 December 2021, the company have issued 185,000,000 shares at HK\$0.1 per shares for the acquisition of subsidiaries, and placing shares of 65,000,000 at HK\$0.1 per shares.

As at 31 December 2021, the Company's issued share capital was HK\$10,500,000 and the number of its issued ordinary shares was 1,050,000,000 of HK\$0.01 each.

COMMITMENTS

The Group has no operating lease commitments as at 31 December 2020 and 2021.

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 2021, 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 2021, the Group had acquired Treasure Mark Global Limited and its subsidiaries which are principally engaged in provision of RMAA works and new construction works.

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 2021, 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 this results announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed a total of 131 employees (2020: 126 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$36.7 million for the year ended 31 December 2021 (2020: approximately HK\$46.1 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\$2.6 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 <i>HK\$ million</i>	Actual use of net proceeds from Listing Date to the date of this announcement <i>HK\$ million</i>	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	9.4	–
Acquisition of additional machinery and equipment	4.3	3.4	End of year 2022
Upgrading the Hong Kong office and workshop	7.7	6.0	End of year 2022
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 2021.

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 2021.

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 2021, 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 2021.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

Annual General Meeting and Closure of Register of Members

The annual general meeting is scheduled on Tuesday, 10 May 2022. 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 Wednesday, 4 May 2022 to Monday, 10 May 2022, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 3 May 2022.

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, 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 2021 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 2021 have been agreed by the Company's auditor, D & Partners CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by D & Partners CPA 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 D & Partners CPA 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, 24 March 2022

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.