



TONG KEE (HOLDING) LIMITED

棠記（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8305)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**CHARACTERISTICS OF 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.

INTERIM RESULT

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022, together with the unaudited comparative figures for the corresponding period in 2021, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	4	77,132	57,197	114,389	88,004
Direct costs		<u>(69,010)</u>	<u>(51,272)</u>	<u>(102,077)</u>	<u>(78,510)</u>
Gross profit		8,122	5,925	12,312	9,494
Other income		1,878	–	1,878	–
Administrative expenses		(8,810)	(5,709)	(16,564)	(11,456)
Loss arising from change in fair value of financial assets at fair value through profit or loss		(201)	(231)	(186)	(216)
Finance costs		<u>(572)</u>	<u>(363)</u>	<u>(1,001)</u>	<u>(799)</u>
Loss before income tax	5	(417)	(378)	(3,561)	(2,977)
Income tax expense	6	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss and total comprehensive expense for the period		<u>(417)</u>	<u>(378)</u>	<u>(3,561)</u>	<u>(2,977)</u>
Loss per share					
— Basic and diluted (HK cents)	8	<u>(0.04)</u>	<u>(0.05)</u>	<u>(0.34)</u>	<u>(0.37)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	<i>Notes</i>	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	12,059	14,301
Interest in a joint venture		3,768	3,768
Goodwill	11	24,000	24,000
Financial assets at fair value through profit or loss	10	7,750	18,409
Deferred tax assets		376	376
Deposits		–	486
		<u>47,953</u>	<u>61,340</u>
Current assets			
Contract assets	13	82,230	98,085
Trade and other receivables	14	58,260	64,916
Amount due from a joint venture		378	1,394
Tax recoverable		–	62
Bank balances and cash		6,566	9,735
		<u>147,434</u>	<u>174,192</u>
Current liabilities			
Contract liabilities	13	2,150	3,584
Trade and other payables	14	47,176	70,449
Amount due to the Controlling Shareholder		17,722	7,231
Lease liabilities	15	2,220	2,661
Bank borrowings	16	32,349	53,933
		<u>101,617</u>	<u>137,858</u>
Net current assets		<u>45,817</u>	<u>36,334</u>
Total assets less current liabilities		<u>93,770</u>	<u>97,674</u>

		As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Non-current liabilities			
Leases liabilities	<i>14</i>	<u>902</u>	<u>1,245</u>
		<u>902</u>	<u>1,245</u>
Net assets		<u><u>92,868</u></u>	<u><u>96,429</u></u>
CAPITAL AND RESERVES			
Share capital	<i>16</i>	<u>10,500</u>	<u>10,500</u>
Reserves		<u>82,368</u>	<u>85,929</u>
Total equity		<u><u>92,868</u></u>	<u><u>96,429</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Share capital <i>HK\$'000</i> <i>(Note 17)</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note)</i>	(Accumulated loss)/ retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022 (audited)	10,500	87,874	1,941	(3,886)	96,429
Loss and total comprehensive expense for the period	—	—	—	(3,561)	(3,561)
At 30 June 2022 (unaudited)	<u>10,500</u>	<u>87,874</u>	<u>1,941</u>	<u>(7,447)</u>	<u>92,868</u>
At 1 January 2021 (audited)	8,000	33,324	1,941	38,750	82,015
Loss and total comprehensive expense for the period	—	—	—	(2,977)	(2,977)
At 30 June 2021 (unaudited)	<u>8,000</u>	<u>33,324</u>	<u>1,941</u>	<u>35,773</u>	<u>79,038</u>

Note: Capital reserve represents the difference between the Company's share capital and the combined share capital of the subsidiaries of the Company pursuant to a reorganisation for the listing.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<i>Net cash used in operating activities</i>	<u>(1,750)</u>	<u>(11,559)</u>
Investing activities		
Purchase of property, plant and equipment	(30)	(15)
Acquisition of financial assets at fair value through profit or loss	(208)	(246)
Proceed from disposal of financial assets at fair value through profit or loss	<u>10,681</u>	<u>–</u>
<i>Net cash from/(used in) investing activities</i>	<u>10,443</u>	<u>(261)</u>
Financing activities		
Proceeds from bank borrowings	16,300	15,000
Repayment of bank borrowings	(37,884)	(13,198)
Payment of lease liabilities	(784)	(622)
Net changes in amount due from Controlling Shareholder	–	(176)
Advance from the Controlling Shareholder	10,491	–
Repayment from a joint venture	1,016	–
Interest paid	<u>(1,001)</u>	<u>(799)</u>
<i>Net cash (used in)/from financing activities</i>	<u>(11,862)</u>	<u>205</u>
Net (decrease)/increase in cash and cash equivalents	(3,169)	(11,590)
Cash and cash equivalents at the beginning of the period	<u>9,735</u>	<u>23,640</u>
Cash and cash equivalents at the end of the period	<u><u>6,566</u></u>	<u><u>12,050</u></u>
Analysis of cash and cash equivalent balances		
Bank balances and cash	<u><u>6,566</u></u>	<u><u>12,050</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 April 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The immediate and ultimate holding company is Advanced Pacific Enterprises Limited, a company incorporated in the British Virgin Islands, which is controlled by Mr. Heung Chung Sum (“Controlling Shareholder” or “Mr. Heung”). The address of the registered office and principal place of business of the Company are at P.O. Box 1350, Windward 3, Regatta Office Park, Grand Cayman, KY1-1108, Cayman Islands and Room 2502, 25/F, 148 Electric Road, North Point, Hong Kong, respectively.

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

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollar (“HK\$”) which is the same as the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands (“HK\$’000”), except where otherwise indicated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial information for the year ended 31 December 2021.

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s audited consolidated financial information for the year ended 31 December 2021, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for accounting periods beginning on or after 1 January 2022. Except for those disclosed in note 3, the effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

The preparation of the unaudited condensed consolidated interim financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgments in the process of applying the Group’s accounting policies.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by the Company’s audit committee.

3. ADOPTION OF NEW OR AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2022

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the following new and amended HKFRSs effective as of 1 January 2022. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents receipts from the provision of performing RMAA works, new construction works and corrosion protection works in Hong Kong.

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
RMAA works	64,491	48,572	90,731	77,202
New construction works	11,737	6,232	21,462	6,407
Corrosion protection works	904	2,393	2,196	4,395
	<u>77,132</u>	<u>57,197</u>	<u>114,389</u>	<u>88,004</u>
Contract revenue	<u>77,132</u>	<u>57,197</u>	<u>114,389</u>	<u>88,004</u>

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Company. The CODM regards the Group's business of performing RMAA works, new construction works and corrosion protection works in Hong Kong as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

(a) Geographical information

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

(b) Major customers

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

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer A	17,643	19,642	31,215	34,973
Customer B	11,076	6,204	17,999	12,413

(c) Unsatisfied performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2022:

	As at	As at
	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Remaining performance obligations expected to be satisfied		
Within one year	80,465	45,488
Over one year	39,692	48,936
	120,157	94,424

5. LOSS BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(a) Staff costs (including directors' remuneration):				
Salaries and other allowances	9,882	8,503	20,863	17,418
Retirement benefit scheme contributions	355	387	719	747
	<u>10,237</u>	<u>8,890</u>	<u>21,582</u>	<u>18,165</u>
(b) Other items				
Auditor's remuneration	—	—	—	—
Depreciation of property, plant and equipment				
— right-of-use assets	424	223	848	446
— owned	557	746	1,120	1,492
Operating lease charges in respect of				
— short term leases and leases with lease term shorter than 12 months	20	16	20	32
Provision for expected credit losses ("ECL") allowance	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

6. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is accordingly not subject to income tax in the Cayman Islands.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no estimated assessable profits for both periods.

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong Profits Tax				
— Current year	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

7. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 and 2021.

8. LOSS PER SHARE

The calculations of basic earnings per share attributable to the equity holders of the Company are based on the followings:

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss:				
Loss for the period attributable to equity holder of the Company	<u>(417)</u>	<u>(378)</u>	<u>(3,561)</u>	<u>(2,977)</u>
Number of shares:				
Weighted average number of ordinary shares (in thousands)	<u>1,050,000</u>	<u>800,000</u>	<u>1,050,000</u>	<u>800,000</u>

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

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately HK\$30,000 (six months ended 30 June 2021: HK\$15,000) on the acquisition of property, plant and equipment.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Investments in life insurance policies	<u>7,750</u>	<u>18,409</u>

In August 2012, the Group's subsidiary, TKEL entered into a life insurance policy with an insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is US\$800,000 (equivalent to approximately HK\$6,240,000). The Group was required to pay a one-off premium payment of US\$278,000 (equivalent to approximately HK\$2,162,000). The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal ("Cash Value"), which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 18th policy year. The insurance company will pay the subsidiary an interest on the outstanding Cash Value excluding the surrender charge at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 2% per annum is guaranteed by the insurance company.

In May 2018, the Group's subsidiary, TKEL entered into another life insurance policy with an insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is US\$1,400,000 (equivalent to approximately HK\$10,920,000). The Group was required to pay a one-off premium payment of US\$917,000 (equivalent to approximately HK\$7,153,000). The Group can terminate the policy at any time and receive cash back based on the Cash Value, which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 15th policy year. The insurance company will pay the subsidiary an interest on the outstanding cash value excluding the surrender charge at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 2.3% per annum is guaranteed by the insurance company.

In April 2020, the Group's subsidiary, TKEL entered into life insurance policy with an insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is HK\$208,000. The Group was required to pay a one-off premium payment of HK\$208,000. In April 2021, the Group increased the insured sum to HK\$454,000, and the Group was required to pay a one-off additional premium payment of HK\$246,000. In April 2022, the Group's subsidiary, TKEL entered into life insurance policy with an insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is HK\$662,000. The Group can terminate the policy at any time and receive cash back based on the Cash Value, which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 5th policy year. The insurance company will pay the subsidiary an interest on the outstanding cash value excluding the surrender charge at the prevailing interest rate fixed by the insurance company.

Financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities measured at fair value are grouped into the fair value hierarchy as follows:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2022 (unaudited)				
Financial assets at fair value				
through profit or loss				
— Investments in life insurance policies	—	7,750	—	7,750
	<u>—</u>	<u>7,750</u>	<u>—</u>	<u>7,750</u>
As at 31 December 2021 (audited)				
Financial assets at fair value				
through profit or loss				
— Investments in life insurance policies	—	18,409	—	18,409
	<u>—</u>	<u>18,409</u>	<u>—</u>	<u>18,409</u>

During the reporting period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The fair value of investments in life insurance policies are determined by reference to the Cash Value as provided by the insurance companies.

11. GOODWILL

	2021 HK\$'000
Cost	
As at 1 January 2021	–
Arising from acquisition of subsidiaries	<u>55,802</u>
As at 31 December 2021 and 30 June 2022	<u>55,802</u>
Accumulated impairment losses	
As at 1 January 2021	–
Provision for the year	31,802
As at 31 December 2021 and 30 June 2022	<u>31,802</u>
Net carrying amount	
As at 30 June 2022	<u><u>24,000</u></u>
As at 31 December 2021	<u><u>24,000</u></u>

For the purposes of impairment testing on goodwill, management allocated goodwill to the Group's cash-generating unit (CGU) identified. The Group's goodwill arising on acquisition of subsidiaries during year ended 31 December 2022 was allocated to the provision of repair, maintenance, alteration and addition works and new construction works of which the same revenue segment of the Group.

Management has calculated that the value in use of the CGU is less than the total carrying amount of the CGU and the respective allocated goodwill, accordingly, the Group has not provide the impairment loss for the six months ended 30 June 2022 (impairment loss on goodwill of approximately HK\$31,802,000 for the year ended 31 December 2021) and recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2021.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Trade and retention receivables		
Trade receivables	29,995	37,003
Retention receivables	18,445	19,637
Less: ECL allowance	(2,388)	(2,388)
	<u>46,052</u>	<u>54,252</u>
Deposits, prepayments and other receivables		
Prepayments	3,721	6,381
Deposits paid to suppliers and subcontractors	3,378	287
Security for issuance of performance bonds	3,826	2,355
Other deposits	918	1,924
Other receivables	366	203
	<u>12,209</u>	<u>11,150</u>
	<u><u>58,261</u></u>	<u><u>65,402</u></u>

As at 30 June 2021 (unaudited), retention receivables of HK\$1,462,000 (2021: HK\$2,950,000) included under current assets in the condensed consolidated statement of financial position are expected to be recovered after one year.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The Group usually grants credit period ranging from 30 to 60 days to customers other than retention receivables. The terms and conditions in relation to the release of retention vary from contract to contract, which will be subject to the completion of the construction works and expiry of the defect liability period. In general, the retention money will be released upon the expiry of the defect liability period, which is typically one year after completion of construction works.

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

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Within 30 days	21,594	24,478
31 days to 60 days	4,822	2,647
61 days to 90 days	3,268	6,564
91 days to 365 days	2,120	3,123
Over 365 days	191	191
	<u>29,995</u>	<u>37,003</u>

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

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
At the beginning of the period/year	2,388	2,004
Provision of ECL allowance recognised during the period/year	–	384
At the end of the period/year	<u>2,388</u>	<u>2,388</u>

13. CONTRACT ASSETS/CONTRACT LIABILITIES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Contract assets	85,195	101,050
Less: ECL allowance	<u>(2,965)</u>	<u>(2,965)</u>
	82,230	98,085
Contract liabilities	<u>(2,150)</u>	<u>(3,584)</u>
	<u>80,080</u>	<u>94,501</u>

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

The amount of revenue recognised during the six months ended 30 June 2022 from performance obligations satisfied in previous periods, mainly due to the changes in estimate of stage of completion and modification of contracts, is HK\$2,692,000 (2021: HK\$760,000).

	As at 30 June 2022		As at 31 December 2021	
	Contract assets <i>HK\$'000</i> (unaudited)	Contract liabilities <i>HK\$'000</i> (unaudited)	Contract assets <i>HK\$'000</i> (unaudited)	Contract liabilities <i>HK\$'000</i> (unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	–	1,434	–	1,731
Transfers from contract assets recognised at the beginning of the period to receivables	<u>65,257</u>	<u>–</u>	<u>57,125</u>	<u>–</u>

14. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Trade and retention payables		
— Trade payables	33,743	49,031
— Retention payables	<u>7,975</u>	<u>9,173</u>
	<u>41,718</u>	<u>58,204</u>
Accrued expenses and other payable	3,934	10,579
Provision for annual leave and long service payment	<u>1,524</u>	<u>1,666</u>
	<u>5,458</u>	<u>12,245</u>
Total trade and other payables	<u>47,176</u>	<u>70,449</u>

The credit period on trade payables ranges from 30 to 60 days.

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
0–30 days	22,289	40,222
31–60 days	4,654	4,743
61–90 days	2,906	1,296
91–365 days	3,651	2,505
Over 365 days	243	265
	<u>33,743</u>	<u>49,031</u>

15. LEASE LIABILITIES

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Total minimum lease payments:		
— Within one year	2,318	2,774
— After one year but within two years	940	980
— After two years but within five years	—	305
	<u>3,258</u>	<u>4,059</u>
Future finance charges on leases liabilities	(136)	(153)
Present value of leases liabilities	<u>3,122</u>	<u>3,906</u>
Present value of minimum lease payments:		
— Within one year	3,122	2,661
— After one year but within two years	902	954
— After two years but within five years	—	291
	<u>3,122</u>	<u>3,906</u>
Less: Portion due within one year included under current liabilities	(2,220)	(2,661)
Portion due after one year included under non-current liabilities	<u>902</u>	<u>1,245</u>

As at 30 June 2022, lease liabilities of HK\$808,000 (2021: HK\$1,312,000) are effectively secured by corporate guarantees from a subsidiary of the Company and the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

During the six months ended 30 June 2022, the total cash outflows for the leases were HK\$784,000 (six months ended 30 June 2021: HK\$559,000).

16. BANK BORROWINGS

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Bank loans, secured		
— repayable within one year	31,857	43,674
— not repayable within one year from the end of the reporting period but contain a repayable on demand clause	492	10,259
	<u>32,349</u>	<u>53,933</u>
Amount shown under current liabilities		

The bank loans were secured by:

- (a) land and building with a net book amount of HK\$6,637,000 (2021: HK\$6,916,000) as at 30 June 2022;
- (b) legal charge on life insurance policies with a carrying amount of HK\$7,750,000 (2021: HK\$7,579,000) as at 30 June 2022;
- (c) corporate guarantee by the Company as at 30 June 2022 and 31 December 2021;
- (d) guarantee provided by the HKMC Insurance Limited under the Small and Medium Guarantee Scheme as at 30 June 2022 and 31 December 2021; and
- (e) personal guarantee as provided by the Controlling Shareholder as at 30 June 2022 and 31 December 2021.

17. SHARE CAPITAL

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As at 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	<u>185,000,000</u>	<u>1,850</u>
As at 31 December 2021, 1 January 2022 and 30 June 2022	<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 placees. 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\$5.5 million on the acquisition of subsidiaries during the year ended 31 December 2021 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.

18. RELATED PARTY DISCLOSURES

18.1 Transactions

In addition to the transactions detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group entered into the following transactions with related parties during the period:

Related parties	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Mr. Heung Chung Sum	Lease payment	<u>42</u>	<u>42</u>	<u>84</u>	<u>84</u>

18.2 Compensation of key management personnel

Related parties	Three months ended 30 June		Six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Salaries and other allowances	1,304	1,392	2,442	2,599
Retirement benefits scheme contributions	<u>27</u>	<u>27</u>	<u>54</u>	<u>54</u>
	<u>1,331</u>	<u>1,419</u>	<u>2,496</u>	<u>2,653</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Company and its subsidiaries (collectively referred to as the “Group”) is an established multi-disciplinary contractor for the provision of renovation and maintenance works, alteration and addition works (“RMAA”), new construction works, and corrosion 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 six months ended 30 June 2022 (“Relevant Period”), there were 104 projects (30 June 2021: 102 projects) with revenue contribution undertaken by the Group. The revenue of the Group recorded an increase in current period, and the demands for the Group’s RMAA and new construction works services is in an increasing trend. During the six months ended 30 June 2022, the Group was awarded 47 new projects, with total contract sum of approximately HK\$100.1 million.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the macroeconomic environment, the development of the property market and expansion of the infrastructure in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong RMAA and new construction works industry.

The outbreak of the novel coronavirus (COVID-19) which has continued for a few years 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. The Group will continue to monitor the development of the COVID-19 epidemic and its impact on the operations and results of the Group. 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 by utilising the net proceeds from the Listing of the Shares on GEM of the Stock Exchange on 4 July 2018 (the "Listing Date").

FINANCIAL REVIEW

Revenue

The revenue increased from approximately HK\$88.0 million for the six months ended 30 June 2021 to approximately HK\$114.4 million for the six months ended 30 June 2022, representing an increase of approximately 30.0%. Such increase was mainly due to the effect of increase in RMAA and new works projects undertaken by the Group as a result of the overall environment in the construction industry in Hong Kong and the revenue generated from the new subsidiary acquired in late 2021.

Direct Costs

The cost of sales increased from approximately HK\$78.5 million for the six months ended 30 June 2021 to approximately HK\$102.1 million for the six months ended 30 June 2022, representing an increase of approximately 30%. Such increase was mainly attributable to the increase in the subcontracting charges and construction material costs incurred in line with the revenue increase during the period.

Gross Profit

Gross profit of the Group increased by approximately HK\$2.8 million from approximately HK\$9.5 million for the six months ended 30 June 2021 to approximately HK\$12.3 million for the six months ended 30 June 2022. The increase was mainly driven by the increase in revenue for the six months ended 30 June 2022 as discussed above. The overall gross profit margin remain stable at approximately 10.8% for both the six months ended period.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$5.1 million or 44.3% from approximately HK\$11.5 million for the six months ended 30 June 2021 to approximately HK\$16.6 million for the six months ended 30 June 2022.

Administrative expenses primarily consist of staff costs, depreciation, transportation and motor vehicle expense, and other costs incurred for daily operation. The increase was mainly attributable to the contribution from the newly acquired subsidiary in late of year 2021.

Finance Costs

Finance costs for the Group increased by approximately HK\$0.2 million or 25% from approximately HK\$0.8 million for the six months ended 30 June 2021 to approximately HK\$1.0 million for the six months ended 30 June 2022. It was mainly due to the increase in usage of loan settlement for trade payables during the six months ended 30 June 2022.

Income Tax Expense

Income tax expense for the Group remained nil for both the six months ended 30 June 2021 and the six months ended 30 June 2022, since the Group has recorded loss before taxation for both the period.

Loss for the Period

As a result of foregoing, the Group recognised a loss for the period of approximately HK\$3.6 million for the six months ended 30 June 2022 which the loss had been increased by approximately HK\$0.6 million as compared to the six months ended 30 June 2021. Such increase was primarily attributable to the net effect of the increase in gross profit, and increase in administrative expenses and finance costs as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio increased mildly from approximately 1.3 times as at 31 December 2021 to 1.5 times as at 30 June 2022.

As at 30 June 2022, the Group had total borrowings of approximately HK\$32.3 million (31 December 2021: approximately HK\$53.9 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year/period and multiplied by 100%, decrease from approximately 55.9% as at 31 December 2021 to approximately 34.8% as at 30 June 2022 due to the repayment of bank borrowings in order to reduce the finance cost. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

The Group's borrowings and bank balances are denominated in HK\$ and there was no significant exposure to foreign exchange rate fluctuations during the Relevant Period.

For further details regarding the borrowings, please refer to notes 15 and 16.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL STRUCTURE

The shares of the Company were listed on the GEM of the Stock Exchange on 4 July 2018. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

As at the date of this announcement, the Company's issued share capital was HK\$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 31 December 2021 and 30 June 2022.

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed in note 4.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2022, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2022, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in HK\$. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

CHARGE OF GROUP'S ASSETS

As at 30 June 2022, the Group pledged certain amount of land and building and investments in life insurance policies to secure short-term bank borrowings and other general banking facilities granted to the Group. For details, please refer to note 16.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed a total of 107 employees (31 December 2021: 131 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$21.6 million for the six months ended 30 June 2022 (2021: approximately HK\$18.2 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

USE OF PROCEEDS

The net proceeds from the listing, after deducting listing related expenses, were approximately HK\$25.2 million. 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 date as at and up to date of this announcement was approximately HK\$2.3 million. An analysis of the utilization of the net proceeds from the Listing Date up to 30 June 2022 is set out below:

	Revised use of net proceeds as disclosed in the announcement dated 15 July 2020	Actual use of net proceeds from Listing Date to 30 June 2022	Expected timeline of full utilisation of the balance
	<i>HK\$ million</i>	<i>HK\$ million</i>	
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	3.5	Year ending 2022
Upgrading the Hong Kong office and workshop	7.7	6.2	Year ending 2022
General working capital	2.6	2.6	

The business objectives, future plans and planned use of proceeds as stated 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 time of preparing Prospectus while the proceeds were applied based on the actual development of the Group's business, the actual situation and the industry.

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

DISCLOSURE OF INTERESTS

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

As at the date of this announcement, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Company's Shares

Name of Director	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Heung Chung Sum	Interest in a controlled corporation	600,000,000 ordinary shares	51%

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporations	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Heung Chung Sum	Advanced Pacific Enterprises Limited	Beneficial owner	2 ordinary shares	100%

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

As at the date of this announcement, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number and class of securities	Long/short position	Approximate percentage of shareholding
Advanced Pacific Enterprises Limited	Beneficial owner	600,000,000 ordinary shares	Long	51%

Save as disclosed above, as at the date of this announcement and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPETING AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the period ended 30 June 2022.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2022.

CORPORATE GOVERNANCE CODE

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Heung Chung Sum currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

As at 30 June 2022, save as disclosed above, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the Relevant Period.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 4 June 2018 ("the Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share options has been granted during the Relevant Period and there were no share options outstanding as at 30 June 2022.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") with its written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company's annual report and interim financial reports before submission to the Board. The Audit Committee consists of three

members, namely Mr. Chan Chi Hang, Dr. Ip Wai Hung, Mr. Ko, Wilson Wai Shun, all being independent non-executive Directors of the Company. Mr. Chan Chi Hang currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

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

Hong Kong, 10 August 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.