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GOLDEN PONDER HOLDINGS LIMITED

金侖控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1783)

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

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue amounted to approximately HK\$84.6 million for the six months ended 30 September 2020, representing a decrease of approximately HK\$50.6 million or 37.4% compared with the six months ended 30 September 2019.
- The gross profit for the six months ended 30 September 2020 was approximately HK\$1.6 million, representing a decrease of approximately 76.5% compared to approximately HK\$6.8 million for the six months ended 30 September 2019. The gross profit margin for the six months ended 30 September 2020 was approximately 1.9%.
- The loss attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK\$6.0 million (six months ended 30 September 2019: approximately HK\$2.3 million).
- The basic and diluted loss per share for the six months ended 30 September 2020 was approximately HK0.75 cents whereas the basic and diluted loss per share was approximately HK0.28 cents for the corresponding period in 2019.
- The Board has resolved not to declare any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

The board (“Board”) of directors (the “Directors”) of Golden Ponder Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2020 together with the unaudited comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

(Expressed in Hong Kong dollars)

| | | Six months ended | |
|--|--------------|-------------------------|--------------------|
| | | 30 September | |
| | | 2020 | 2019 |
| | | HK\$'000 | HK\$'000 |
| | <i>Notes</i> | (Unaudited) | (Unaudited) |
| Revenue | 6 | 84,585 | 135,212 |
| Cost of services | | <u>(82,945)</u> | <u>(128,423)</u> |
| Gross profit | | 1,640 | 6,789 |
| Other income, gains and losses | 7 | 2,230 | 657 |
| Administrative and other expenses | | (9,866) | (9,626) |
| Finance costs | 8 | <u>(19)</u> | <u>(96)</u> |
| Loss before income tax expense | 9 | (6,015) | (2,276) |
| Income tax expense | 10 | <u>–</u> | <u>–</u> |
| Loss and total comprehensive expense for the period attributable to owners of the Company | | <u>(6,015)</u> | <u>(2,276)</u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Loss per share, attributable to owners of the Company | | | |
| – Basic and diluted | 12 | <u>(0.75)</u> | <u>(0.28)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

(Expressed in Hong Kong dollars)

| | | 30 September | 31 March |
|---|--------------|-----------------------|----------------|
| | | 2020 | 2020 |
| | | HK\$'000 | HK\$'000 |
| | <i>Notes</i> | (Unaudited) | (Audited) |
| Non-current assets | | | |
| Property, plant and equipment | | 1,464 | 1,661 |
| Right-of-use assets | | 1,062 | 1,641 |
| Deposits | <i>14</i> | <u>–</u> | <u>9,304</u> |
| | | 2,526 | 12,606 |
| Current assets | | | |
| Trade receivables | <i>13</i> | 23,742 | 44,584 |
| Deposits, prepayments and other receivables | <i>14</i> | 40,522 | 40,795 |
| Contract assets | <i>6</i> | 49,811 | 75,247 |
| Tax recoverable | | 4,116 | 2,729 |
| Cash and cash equivalents | | <u>121,995</u> | <u>108,991</u> |
| | | 240,186 | 272,346 |
| Current liabilities | | | |
| Trade and retention money payables | <i>15</i> | 58,052 | 84,377 |
| Accruals and other payables | | 9,264 | 10,523 |
| Contract liabilities | <i>6</i> | – | 30 |
| Lease liabilities | | <u>1,140</u> | <u>1,230</u> |
| | | 68,456 | 96,160 |
| Net current assets | | <u>171,730</u> | <u>176,186</u> |

| | | 30 September | 31 March |
|--|--------------|------------------------|------------------------|
| | | 2020 | 2020 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>Notes</i> | (Unaudited) | (Audited) |
| Total assets less current liabilities | | 174,256 | 188,792 |
| Non-current liabilities | | | |
| Lease liabilities | | — | 521 |
| | | <u> </u> | <u> </u> |
| NET ASSETS | | <u>174,256</u> | <u>188,271</u> |
| Capital and reserves | | | |
| Share capital | <i>16</i> | 8,000 | 8,000 |
| Reserves | | <u>166,256</u> | <u>180,271</u> |
| TOTAL EQUITY | | <u>174,256</u> | <u>188,271</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

(Expressed in Hong Kong dollars)

1. GENERAL INFORMATION

Golden Ponder Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business in Hong Kong is located at Offices F and G, Floor 23, Maxgrand Plaza, No. 3 Tai Yau Street, San Po Kong, Kowloon, Hong Kong. The Company is an investment holding company and the principal activities of its subsidiaries are provision of superstructure building and repair, maintenance, alteration and addition (“RMAA”) works services as a main contractor in Hong Kong.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). These condensed consolidated interim financial statements were authorised for issue on 25 November 2020.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2020 consolidated financial statements except for the amendments to HKFRS 16 “COVID-19 – Related Rent Concessions”, which were early adopted before its effective date, and the amendments to HKFRS 3 “Definition of a Business”. Details of any changes in accounting policies are set out in note 3 to the condensed consolidated interim financial statements.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 4 to the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“HK\$”) which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 consolidated financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2020 consolidated financial statements.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the same accounting policies in these condensed consolidated interim financial statements as in its 2020 consolidated financial statements, except that it has adopted the following amendments to HKFRSs:

- Amendments to HKFRS 3 “Definition of a Business”, which is first effective for the current accounting period; and
- Amendments to HKFRS 16 “COVID-19 – Related Rent Concessions”, which is not yet effective for the current accounting period but early adopted by the Group.

Amendments to HKFRS 16 “COVID-19 – Related Rent Concessions” (“Amendments to HKFRS 16”)

Effective 1 June 2020, HKFRS 16 “Leases” (“HKFRS 16”) was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the novel coronavirus (“COVID-19”) pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession.

The Group has applied the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Group, occurred from April 2020 to September 2020.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs. The effect of applying the practical expedient is disclosed in note 7 to the condensed consolidated interim financial statements.

The adoption of Amendments to HKFRS 3 did not have any significant impact on the Group’s condensed consolidated interim financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 consolidated financial statements.

5. SEGMENT INFORMATION

(a) Operating segments

During the six months ended 30 September 2020, the Group was principally engaged in the provision of superstructure building and RMAA works services in Hong Kong. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment. As the Group's resources are integrated, no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

(b) Geographical information

During the six months ended 30 September 2020, the Group's revenue was derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

6. REVENUE

Revenue represents amounts received and receivable from construction contract work performed.

An analysis of the Group's revenue from contracts with customers recognised during the reporting period is as follows:

| | Six months ended | |
|--------------------------------------|------------------|-----------------|
| | 30 September | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Hong Kong | | |
| Superstructure building works | 84,242 | 116,642 |
| RMAA works | 343 | 18,570 |
| | <u>84,585</u> | <u>135,212</u> |
| Timing of revenue recognition | | |
| Over time | <u>84,585</u> | <u>135,212</u> |

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers:

| | 30 September | 31 March |
|--|----------------------|---------------|
| | 2020 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Trade receivables (note 13) | <u>23,742</u> | <u>44,584</u> |
| Contract assets arising from construction services | 49,911 | 75,398 |
| Less: loss allowance | <u>(100)</u> | <u>(151)</u> |
| Contract assets (note (a)) | <u>49,811</u> | <u>75,247</u> |
| Contract liabilities (note (b)) | <u>–</u> | <u>30</u> |

Note (a): The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. Additionally, the Group typically agrees one to three year retention period for 5% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactorily passing inspection.

Note (b): The contract liabilities mainly related to the advance consideration received from customers. Approximately HK\$30,000 of the contract liabilities as at 31 March 2020 has been recognised as revenue for the six months ended 30 September 2020 from performance obligations satisfied due to the changes in the estimated stage completion of some contract obligations (30 September 2019: nil).

7. OTHER INCOME, GAINS AND LOSSES

An analysis of the Group's other income, gains and losses is as follows:

| | Six months ended | |
|--|------------------|-------------|
| | 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Bank interest income | 533 | 610 |
| Government subsidies (<i>note (a)</i>) | 2,123 | – |
| Rent concessions (<i>note (b)</i>) | 105 | – |
| Reversal of impairment loss on trade receivables and contract assets | 26 | – |
| Bad debt | (550) | – |
| Write-off of property, plant and equipment | (7) | – |
| Others | – | 47 |
| | <u>2,230</u> | <u>657</u> |

Note (a): Government subsidies obtained is mainly relating to supporting the payroll of the Group's employees. The Group has elected to present the government subsidies separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expense, and not reduce employee head count below prescribed levels for a specified period of time.

Note (b): The Group has received a rent forgiveness from landlord due to the COVID-19 pandemic. As discussed in note 3 to the condensed consolidated interim financial statements, the Group has elected to apply the practical expedient introduced by the Amendments to HKFRS 16 and all of the rent concessions entered into during the six months ended 30 September 2020 satisfied the criteria to apply this practical expedient.

8. FINANCE COSTS

| | Six months ended | |
|--|------------------|-----------------|
| | 30 September | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Interest expenses on lease liabilities | 19 | 96 |

9. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

| | Six months ended | |
|---|------------------|-----------------|
| | 30 September | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment | | |
| – Owned | 263 | 248 |
| – Right-of-use assets | 579 | 585 |
| | 842 | 833 |
| Employee benefit expenses (including directors' remuneration) | | |
| – Wages and salaries | 13,085 | 13,919 |
| – Contributions to defined contribution retirement plans | 407 | 445 |
| – Others | 50 | 85 |
| | 13,542 | 14,449 |
| Machinery rental expenses | 1,786 | 2,238 |
| Minimum lease payments of short-term leases | 47 | 182 |

10. INCOME TAX EXPENSE

The Group is subject to income tax on profits arising in or derived from Hong Kong, being its principal place of business.

No provision for Hong Kong profits tax has been made for the six months ended 30 September 2020 and 2019 as the Group did not generate any assessable profits in Hong Kong during the period.

11. DIVIDEND

During each of the six months ended 30 September 2020 and 2019, the Board of Directors does not declare any interim dividend to the shareholders of the Company.

The final dividend of HK1.0 cent per share for the year ended 31 March 2020 was declared and approved by the shareholders of the Company at the annual general meeting of the Company held on 18 August 2020, which was paid on 18 September 2020.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

| | Six months ended | |
|---|---------------------------|---------------------------|
| | 30 September | |
| | 2020 | 2019 |
| | (Unaudited) | (Unaudited) |
| Loss for the purposes of basic loss per share <i>(HK\$'000)</i> | <u><u>(6,015)</u></u> | <u><u>(2,276)</u></u> |
| Number of share | | |
| Weighted average number of ordinary shares for the purposes of basic loss per share | <u><u>800,000,000</u></u> | <u><u>800,000,000</u></u> |

For the six months ended 30 September 2020, the calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$6,015,000 (2019: approximately HK\$2,276,000) and the weighted average number of 800,000,000 (2019: 800,000,000) ordinary shares.

Diluted loss per share are same as the basic loss per share as there is no dilutive potential ordinary shares in existence during the six months ended 30 September 2020 and 2019.

13. TRADE RECEIVABLES

| | 30 September 2020 <i>HK\$'000</i> (Unaudited) | 31 March 2020 <i>HK\$'000</i> (Audited) |
|----------------------|--|--|
| Trade receivables | 23,991 | 47,433 |
| Less: loss allowance | (249) | (2,849) |
| | <u>23,742</u> | <u>44,584</u> |

Trade receivables were mainly derived from provision of building and civil engineering construction works, and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

The following is an analysis of trade receivables (net of loss allowance) by age, presented based on the invoice dates:

| | 30 September 2020 <i>HK\$'000</i> (Unaudited) | 31 March 2020 <i>HK\$'000</i> (Audited) |
|--|--|--|
| Less than one month | 9,123 | 20,693 |
| More than one month but less than three months | 10,835 | 1,975 |
| More than three months but less than one year | 3,784 | 8,823 |
| More than one year but less than five years | – | 13,093 |
| | <u>23,742</u> | <u>44,584</u> |

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 30 September 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|--------------------|---|---|
| Non-current | | |
| Deposits | <u>–</u> | <u>9,304</u> |
| Current | | |
| Deposits | 32,977 | 36,550 |
| Prepayments | 6,462 | 3,122 |
| Other receivables | <u>1,083</u> | <u>1,123</u> |
| | <u>40,522</u> | <u>40,795</u> |

The balances of other receivables are unsecured, interest-free and repayable on demand. The Group's other receivables were neither past due nor impaired as at 30 September 2020 and 31 March 2020.

15. TRADE AND RETENTION MONEY PAYABLES

| | 30 September 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|--|---|---|
| Trade payables (<i>note (a)</i>) | 39,822 | 60,520 |
| Retention money payables (<i>note (b)</i>) | <u>18,230</u> | <u>23,857</u> |
| | <u>58,052</u> | <u>84,377</u> |

Note (a): An ageing analysis of trade payables based on the invoice dates is as follows:

| | 30 September 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|--|---|---|
| Less than one month | 30,054 | 34,197 |
| More than one month but less than three months | 6,840 | 16,867 |
| More than three months but less than one year | 1,870 | 3,060 |
| More than one year but less than five years | 1,058 | 6,396 |
| | <u>39,822</u> | <u>60,520</u> |

Note (b): Retention monies from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

16. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|---|-----------------------------|----------------------------|
| Authorised ordinary shares of HK\$0.01 each As at 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020 | <u>1,500,000,000</u> | <u>15,000</u> |
| Issued and fully paid As at 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020 | <u>800,000,000</u> | <u>8,000</u> |

17. LITIGATION

At the end of reporting period, the Group was a defendant in a number of claims, lawsuits and potential claims relating to employee's compensation cases and personal injury claims. In the opinion of the Directors, the possibility of any outflow of resources in settling these claims is remote and accordingly no provision for liabilities in respect of these litigation is necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally provides superstructure building and RMAA works services as a main contractor in Hong Kong.

Superstructure building works refer to the building works in relation to the parts of the structure above the ground level and the scope of the Group's superstructure building works contracts mostly consists of development projects for residential and commercial buildings. RMAA works refer to the repair, maintenance, alteration and additional works for an existing structure.

The Group's revenue for the six months ended 30 September 2020 amounted to approximately HK\$84.6 million, representing a decrease of approximately HK\$50.6 million, or 37.4% compared to approximately HK\$135.2 million for the six months ended 30 September 2019. The decrease in total revenue was mainly attributable to decrease from superstructure building work approximately HK\$32.3 million and RMAA works approximately HK\$18.3 million, respectively.

Superstructure building works

During the six months ended 30 September 2020, there were 3 (2019: 4) superstructure building works projects contributing revenue of approximately HK\$84.3 million (2019: approximately HK\$116.6 million) to this business segment.

RMAA works

During the six months ended 30 September 2020, there were 3 (2019: 8) RMAA works projects contributing revenue of approximately HK\$0.3 million (2019: approximately HK\$18.6 million) to this business segment.

OUTLOOK

The global outbreak of the COVID-19 epidemic in January 2020 has severely buffeted the Hong Kong's business and investment environment. The construction industry has become tough without exception. Coupled with the impact of the trade tension between mainland China and the United States, the investment in the construction industry has been dimming under the uncertain economic conditions. Therefore, it is estimated that the Group's profit and profit margin will be affected due to the significant reduction in the number of projects available for tender under the intense competition. Facing the uncertain economic outlook, the Group is still confident in maintaining the Group's construction business and competitiveness in the future. At the same time, the Group will continuously focus on its core businesses and continue to use its best endeavor and prudence to bid for new major suitable potential projects for sustainable growth. The Group is confident that with the future economic recovery, the construction business and market in Hong Kong will get on track step by step.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2020 amounted to approximately HK\$84.6 million, representing a decrease of approximately HK\$50.6 million, or 37.4% compared to approximately HK\$135.2 million for the six months ended 30 September 2019. The decrease in revenue recognised by the Group for the six months ended 30 September 2020 was substantially due to (a) certain on-going projects were at their ending phase and the relevant revenue was already recognised in prior years; (b) two new projects for superstructure building works had been awarded in July 2020 but are still at a preparatory stage prior to construction; and (c) only two newly awarded projects for RMAA works with an aggregated contract amount less than HK\$0.1 million during the current period.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 September 2020 amounted to approximately HK\$1.6 million, representing a decrease of approximately HK\$5.2 million, or 76.5% compared to approximately HK\$6.8 million for the six months ended 30 September 2019. The overall gross profit margin for the six months ended 30 September 2020 decreased to approximately 1.9% as compared to approximately 5.0% for the six months ended 30 September 2019. Such decrease in gross profit was attributable to the decrease in the revenue as discussed above and the decrease in the Group's gross profit margin. The decline in gross profit margin was mainly due to (i) loss being incurred in the variation order works of certain construction projects, which are still under negotiation with customers; and (ii) most of RMAA works projects of the Group on hands with highest gross profit margin were at their ending phase, with revenue already recognised in prior years.

Other Income, Gains and Losses

The other income, gains and losses of the Group for the six months ended 30 September 2020 amounted to approximately HK\$2.2 million, representing an increase of approximately HK\$1.5 million or 214.3% compared to approximately HK\$0.7 million for the six months ended 30 September 2019, which was mainly due to (i) government subsidies in relation to COVID-19 – related subsidies which was mainly for supporting the payroll of the Group's employees; and (ii) the one-time 25% rent concession; and offset by (iii) reversal of impairment loss on trade receivables and contract assets; and (iv) increase in bad debt. The details of other income, gains and losses were disclosed in note 7 to the condensed consolidated interim financial statements in this announcement.

Administrative and Other Expenses

The administrative and other expenses of the Group for the six months ended 30 September 2020 amounted to approximately HK\$9.9 million, representing an increase of approximately HK\$0.3 million or 3.1% compared to approximately HK\$9.6 million for the six months ended 30 September 2019. The increase was mainly due to the net off of: (i) increase in salary, mandatory provident fund contribution and director remuneration of approximately HK\$0.8 million; and offset by (ii) decrease in miscellaneous expenses of approximately HK\$0.5 million.

Loss Attributable to Owners of the Company

The Group reported loss attributable to owners of the Company of approximately HK\$6.0 million for the six months ended 30 September 2020 increased by approximately HK\$3.7 million from loss of approximately HK\$2.3 million for the six months ended 30 September 2019. The Board considers that the increase in net loss was primarily attributable to the following combined effects of:

1. decrease in revenue recognised by the Group for the six months ended 30 September 2020 was substantially due to (a) certain on-going projects were at their ending phase and the relevant revenue was already recognised in prior years; (b) two new projects for superstructure building works had been awarded in July 2020 but are still at a preparatory stage prior to construction; and (c) only two newly awarded projects for RMAA works with an aggregated contract amount less than HK\$0.1 million during the current period;
2. decrease in gross profit margin due to loss being incurred in the variation order works of certain construction projects, which are still under negotiation with customers; and
3. most of RMAA works projects of the Group on hands with highest gross profit margin were at their ending phase, with revenue already recognised in prior years.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2020, the Group had cash and cash equivalents of approximately HK\$122.0 million (31 March 2020: approximately HK\$109.0 million).

Current ratio (total current assets : total current liabilities) increased from approximately 2.8 as at 31 March 2020 to approximately 3.5 as at 30 September 2020, mainly due to increase in cash and bank balances and decrease in trade and retention money payables. Gearing ratio was nil as at 31 March 2020 and 30 September 2020.

The capital structure of the Group consisted of equity of approximately HK\$174.3 million (31 March 2020: approximately HK\$188.3 million) and debts (lease liabilities) of approximately HK\$1.1 million (31 March 2020: approximately HK\$1.8 million) as at 30 September 2020.

TREASURY POLICY

The Group adopts a prudent approach in cash management. Apart from certain debts including leases liabilities, the Group did not have any material outstanding debts as at 30 September 2020. Surplus cash is generally placed in short term deposits with licensed bank in Hong Kong.

FOREIGN EXCHANGE EXPOSURE

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Board is of the view that the Group's foreign exchange rate risks are insignificant during the six months ended 30 September 2020.

CAPITAL EXPENDITURES

Total capital expenditure for the six months ended 30 September 2020 was approximately HK\$73,000 (2019: approximately HK\$10,000) on acquisition of property, plant and equipment.

CONTINGENT LIABILITIES AND CLAIMS

Save as disclosed in note 17 to the condensed consolidated interim financial statements in this announcement, the Group had no other contingent liabilities and claims as at 30 September 2020.

CAPITAL COMMITMENTS

As at 30 September 2020, there were no significant capital commitments for the Group.

SIGNIFICANT INVESTMENT HELD, ACQUISITION AND DISPOSAL

Except for investment in its subsidiaries, the Group did not hold any significant investments during the six months ended 30 September 2020.

There were no acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the six months ended 30 September 2020.

CHARGES ON ASSETS

As at 30 September 2020, the Group had bank facilities which were guaranteed by the Company. The Group had certain surety bonds being secured by certain deposits payment from a subsidiary of the Group, all of which were guaranteed by the Company.

USE OF NET PROCEEDS

Net proceeds from the listing

The Company successfully listed the ordinary shares of the Company on the Main Board of the Stock Exchange on 22 August 2018 (the “Listing”) and a total of 200,000,000 shares by way of public offer and placing at a price of HK\$0.55 each were offered for subscription. The net proceeds from the Listing (the “Net Proceeds”), after deducting the underwriting fees, the Stock Exchange trading fee and Securities and Futures Commission transaction levy and Listing expenses in connection with the Listing, amounted to approximately HK\$78.5 million. The Group intended to apply the Net Proceeds in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” to the prospectus of the Company dated 7 August 2018 (the “Prospectus”). As at 30 September 2020, the Group had used up approximately HK\$65.8 million of the Net Proceeds.

An analysis of the utilisation of the Net Proceeds from the date of Listing up to 30 September 2020 is set out below:

| | Planned use of Net Proceeds stated in the Prospectus <i>HK\$ million</i> | Actual use of Net Proceeds Up to 30 September 2020 <i>HK\$ million</i> | Unutilised Amount Up to 30 September 2020 <i>HK\$ million</i> |
|---|---|---|--|
| To take out surety bonds for contracts we have secured or plan to secure | 54.1 | 44.6 | 9.5 |
| To finance our upfront cost and working capital requirement for one superstructure building project awarded to us | 9.4 | 9.4 | – |
| To expand our workforce and strengthen our manpower resources | 4.8 | 1.6 | 3.2 |
| To repay bank borrowings | 10.2 | 10.2 | – |
| | <u>78.5</u> | <u>65.8</u> | <u>12.7</u> |

As at the date of this announcement, the unutilised Net Proceeds were placed as interest bearing deposits with licensed bank in Hong Kong.

The Directors regularly evaluate the Group's business objectives and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the six months ended 30 September 2020, the Directors considered that no modification of the intended use of proceeds described in the Prospectus was required.

The description of the intended use and expected timeline for utilising the remaining balance of the Net Proceeds from the Listing are as below:

- i) the unutilised Net Proceeds of approximately HK\$9.5 million as at 30 September 2020 were planned to be used for taking out surety bonds for contracts we have secured or plan to secure, all of which are expected to be utilised for taking out surety bond for one awarded contract by 31 December 2020.
- ii) the unutilised Net Proceeds of approximately HK\$3.2 million as at 30 September 2020 were planned to be used for expanding our workforce and strengthening our manpower resources, all of which are expected to be utilised for same specific use by 31 March 2021, subject to change in tender award progress due to the current uncertain economic condition.

The expected timeline for the use of unutilised Net Proceeds is made based on the best estimation of the Company taking into account, among others, prevailing and future market conditions and business developments and need, and therefore is subject to change.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group employed a total of 63 employees (including executive Directors), as compared to a total of 62 employees as at 31 March 2020. The total salaries and related costs (including Directors' remuneration) for the six months ended 30 September 2020 were approximately HK\$13.5 million (for the six months ended 30 September 2019: approximately HK\$14.4 million). The remuneration package of the Group offered to the employees includes salary, bonuses and other cash subsidies. In general, the Group would determine each employee's salaries based on their qualifications, position and seniorities. The Group has devised an annual review system to assess the performance of the employees, which forms the basis of the decisions with respect to salary raises, distribution of bonuses and promotions.

The emoluments of the Directors of the Company are decided by the Board and recommended by the remuneration committee of the Company, having considered the factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company has adopted a share option scheme as an incentives and rewards to Directors and eligible employees for their contribution to the Group.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

EVENTS AFTER THE REPORTING PERIOD

There is no other material subsequent event undertaken by the Company or the Group after 30 September 2020 and up to the date of this interim results announcement.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the six months ended 30 September 2020 and up to the date of this announcement.

COMPETING INTERESTS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules during the six months ended 30 September 2020 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with applicable code provisions (the “Code Provisions”) in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2020 and up to the date of this announcement. The Directors will periodically review on the Company’s corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct of dealings in securities of the Company by Directors. All Directors have complied with the required standard of dealings set out therein for the six months ended 30 September 2020.

AUDIT COMMITTEE

The Company established the audit committee (the “Audit Committee”) on 25 July 2018 in accordance with Rule 3.21 of the Listing Rules with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, among other things, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing financial statements, annual report and accounts and half-year report and significant financial reporting judgements contained therein; and (c) reviewing financial controls, internal control and risk management systems. The Audit Committee consists of three independent non-executive Directors, namely Mr. Szeto Cheong Mark, Mr. Hau Wing Shing Vincent and Mr. Wan Simon. Mr. Szeto Cheong Mark is the chairman of the Audit Committee.

REVIEW OF INTERIM RESULTS

The interim financial results of the Group for the six months ended 30 September 2020 are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

The Company's independent auditor, BDO Limited, had conducted a review of the condensed consolidated interim financial statements for the six months ended 30 September 2020, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.headfame.com.hk and the Stock Exchange's website at www.hkexnews.hk. The interim report of the Group for the six months ended 30 September 2020 containing all the information required by Listing Rules will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to all our customers, suppliers and shareholders for their continuous support. We would also like to thank our team of dedicated staff for their invaluable services and contributions throughout the period.

By order of the Board
Golden Ponder Holdings Limited
Chan Kam Tong
Chairman

Hong Kong, 25 November 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Chan Kam Tong and Mr. Chan Kam Ming, and the independent non-executive Directors of the Company are Mr. Hau Wing Shing Vincent, Mr. Szeto Cheong Mark and Mr. Wan Simon.