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GOLDEN PONDER HOLDINGS LIMITED

金 倫 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 2022

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue amounted to approximately HK\$265.9 million for the six months ended 30 September 2022, representing an increase of approximately HK\$42.5 million or 19.0% as compared to approximately HK\$223.4 million for the six months ended 30 September 2021.
- Gross profit for the six months ended 30 September 2022 was approximately HK\$15.6 million, representing an increase of approximately HK\$4.0 million, or 34.4% compared to approximately HK\$11.6 million for the six months ended 30 September 2021. The gross profit margin for the six months ended 30 September 2022 was approximately 5.9%.
- Loss attributable to owners of the Company for the six months ended 30 September 2022 was approximately HK\$5.2 million as compared to approximately HK\$0.3 million for the six months ended 30 September 2021.
- The basic and diluted loss per share for the six months ended 30 September 2022 were approximately HK0.55 cents whereas the basic and diluted loss per share were approximately HK0.04 cents for the corresponding period in 2021.
- The Board has resolved not to declare any interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: nil).

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		Six months ended	
		30 September	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	265,875	223,408
Cost of services		<u>(250,258)</u>	<u>(211,792)</u>
Gross profit		15,617	11,616
Other income, gains and losses	6	1,557	349
Provision of loss allowance of trade receivables and contract assets, net		(671)	(367)
Fair value gain on derivative financial liability	16	4,050	–
Share of losses of associates		(1,286)	–
Administrative and other expenses		(23,886)	(11,913)
Finance costs	7	<u>(576)</u>	<u>(16)</u>
Loss before income tax expense	8	(5,195)	(331)
Income tax expense	9	<u>–</u>	<u>–</u>
Loss for the period		<u>(5,195)</u>	<u>(331)</u>
Attributable to:			
Owners of the Company		(5,165)	(331)
Non-controlling interests		<u>(30)</u>	<u>–</u>
Loss for the period		<u>(5,195)</u>	<u>(331)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share, attributable to owners of the Company			
– Basic and diluted	11	<u>(0.55)</u>	<u>(0.04)</u>

	Six months ended	
	30 September	
<i>Notes</i>	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(5,195)	(331)
Other comprehensive expense for the period		
Item that will not be reclassified to profit or loss:		
Change in fair value of equity instruments at fair value through other comprehensive income (non-recycling) (with nil tax effect)	<u>(2,909)</u>	—
Total comprehensive expense for the period	<u>(8,104)</u>	<u>(331)</u>
Attributable to:		
Owners of the Company	(8,074)	(331)
Non-controlling interests	<u>(30)</u>	—
Total comprehensive expense for the period	<u>(8,104)</u>	<u>(331)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

		30 September	31 March
		2022	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		27,908	8,340
Right-of-use assets		17,027	636
Goodwill		74,691	–
Intangible assets		4,670	1,125
Interests in associates		3,794	–
Equity instruments at fair value through other comprehensive income	12	17,130	–
Deposits	14	2,312	–
Deferred tax assets		1,175	1,175
		<u>148,707</u>	<u>11,276</u>
		-----	-----
Current assets			
Inventories		66	–
Trade receivables	13	33,306	49,170
Deposits, prepayments and other receivables	14	78,328	70,816
Contract assets		112,187	142,108
Cash and cash equivalents		65,532	87,200
		<u>289,419</u>	<u>349,294</u>
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Current liabilities			
Trade and retention money payables	15	113,212	169,853
Accruals and other payables		49,461	15,053
Derivative financial liability	16	–	19,080
Promissory note payables		41,903	–
Bank borrowings		3,826	–
Lease liabilities		6,571	654
		<u>214,973</u>	<u>204,640</u>
		-----	-----
Net current assets		<u>74,446</u>	<u>144,654</u>
		-----	-----
Total assets less current liabilities		223,153	155,930

		30 September	31 March
		2022	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Provision for reinstatement costs		4,000	—
Lease liabilities		8,049	34
Deferred tax liabilities		693	—
		<u>12,742</u>	<u>34</u>
NET ASSETS		<u>210,411</u>	<u>155,896</u>
Capital and reserves			
Share capital	<i>17</i>	9,595	8,275
Reserves		200,927	147,621
		<u>210,522</u>	<u>155,896</u>
Equity attributable to owners of the Company		210,522	155,896
Non-controlling interests		(111)	—
		<u>210,411</u>	<u>155,896</u>
TOTAL EQUITY		<u>210,411</u>	<u>155,896</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

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 71 Fort Street, P.O. Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands and its principal place of business in Hong Kong is located at Room 2901 & 09-10, 29/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company and the principal activities of its subsidiaries are provision of superstructure building and RMAA works service as a main contractor in Hong Kong and provision of reverse supply chain management and environmental-related service.

The immediate and ultimate holding company is Shiny Golden Limited, a company incorporated in the British Virgin Islands.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“HK\$”) which is also the functional currency of the Company.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in these condensed consolidated interim financial statements for the six months ended 30 September 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2022 for the preparation of the Group’s condensed consolidated interim financial statements:

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
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

3.1 *New principal accounting policies*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these condensed consolidated interim financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the condensed consolidated interim financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

4. SEGMENT INFORMATION

During the six months ended 30 September 2022, information reported to the executive directors of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focused on the business lines of the Group. The Group’s operating segments are classified as (i) Superstructure building and RMAA works service and (ii) Reverse supply chain management and environmental-related service.

These operating segments also represent the Group’s reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the six months ended 30 September 2021, the Group was principally engaged in superstructure building and RMAA works service, as a main contractor, in Hong Kong. Information reported to the Group’s chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Disaggregate of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group’s reportable segments as provided to the Group’s CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2022 is set out below.

	For the six months ended 30 September 2022 (Unaudited)		
	Superstructure building and RMAA works service <i>HK\$’000</i>	Reverse supply chain management and environmental- related service <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue (from external customers)	<u>258,039</u>	<u>7,836</u>	<u>265,875</u>
Segment results	<u>1,044</u>	<u>(2,370)</u>	<u>(1,326)</u>
Fair value gain on derivative financial liability			4,050
Share of losses on associates			(1,286)
Provision of loss allowance of trade receivables and contract assets, net			(671)
Amortisation of intangible assets			(655)
Finance costs			(576)
Unallocated expenses			<u>(4,731)</u>
Loss before income tax expense			<u>(5,195)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of unallocated expenses (including administrative and other expenses), fair value gain on derivative financial liability, provision of loss allowance of trade receivables and contract assets, net, share of losses of associates, amortisation of intangible assets and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group.

5. REVENUE

The principal activities of the Group are provision of (i) superstructure building and RMAA works service and (ii) reverse supply chain management and environmental-related service.

Disaggregation of revenue

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

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope with HKFRS 15		
Superstructure building and RMAA works service	258,039	223,408
Reverse supply chain management and environmental-related service	7,836	—
	265,875	223,408
	265,875	223,408
Timing of revenue recognition		
Point in time	2,444	—
Over time	263,431	223,408
	265,875	223,408
	265,875	223,408

The Group's revenue from operations are mainly 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.

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade receivables (<i>note 13</i>)	33,306	49,170
Contract assets arising from construction services	112,471	142,392
Less: loss allowance	(284)	(284)
Contract assets (<i>Note</i>)	112,187	142,108

Note: The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. Additionally, the Group typically agrees one to three years retention period for 5% of the contract sum, which is recognised as 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.

6. OTHER INCOME, GAINS AND LOSSES

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

	Six months ended	
	30 September 2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	151	30
Compensation income from insurance	–	319
Government subsidies (<i>Note</i>)	1,424	–
Exchange loss, net	(18)	–
	1,557	349

Note: Government subsidies obtained are mainly relating to the Employment Support Scheme amounted approximately HK\$1,388,000 and Distance Business Programme amounted approximately HK\$36,000. 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.

7. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on promissory note	443	–
Interest expenses on bank borrowings	19	–
Interest expenses on lease liabilities	114	16
	<u>576</u>	<u>16</u>

8. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories (included in cost of services)	6,131	28,831
Depreciation of property, plant and equipment		
– Owned	1,624	260
– Right-of-use assets	2,090	605
	<u>3,714</u>	<u>865</u>
Amortisation of intangible assets	655	–
Employee benefit expenses (including directors' remuneration)		
– Wages and salaries	24,817	17,356
– Contributions to defined contribution retirement plans	332	493
– Others	157	138
	<u>25,306</u>	<u>17,987</u>
Short term machinery lease expenses	6,083	8,309
Other short-term lease expenses	105	468
	<u>6,188</u>	<u>8,777</u>

9. 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 2022 and 2021 as the Group did not generate any assessable profits in Hong Kong during those periods.

10. DIVIDEND

During each of the six months ended 30 September 2022 and 2021, the Board of Directors does not recommend payment of an interim dividend to the shareholders of the Company.

11. LOSS PER SHARE

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

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
Loss per share		
Loss attributable to owners of the Company for the purposes of basic loss per share (<i>HK\$'000</i>)	<u><u>(5,165)</u></u>	<u><u>(331)</u></u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	<u><u>937,487,500</u></u>	<u><u>800,000,000</u></u>

For the six months ended 30 September 2022, the calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$5,165,000 (2021: approximately HK\$331,000) and the weighted average number of ordinary shares of 937,487,500 (2021: 800,000,000).

Diluted loss per share is same as the basic loss per share as there is no dilutive potential ordinary shares in existence during the six months ended 30 September 2022 and 2021.

12. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVOCI”)

	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Listed shares in Hong Kong, at fair value	<u><u>17,130</u></u>	<u><u>–</u></u>

The listed equity securities were designated at FVOCI. Changes in fair value are recognised in other comprehensive income as they arise. The Group held 4.4% shares for the investee company.

The Group's equity instruments at FVOCI is as follows:

Stock Code	Stock name	Principal business	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
8391	Cornerstone Technologies Holdings Limited	Provision of printing, typesetting and translation services, electric vehicles charging business in Hong Kong	17,130	—

13. TRADE RECEIVABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade receivables	35,075	50,268
Less: loss allowance	<u>(1,769)</u>	<u>(1,098)</u>
	<u>(33,306)</u>	<u>49,170</u>

Trade receivables were mainly derived from provision of building and civil engineering construction works service and provision of reverse supply chain management and environmental-related service, 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 credit period is generally granted an average credit period of 60 days for its customers of its reverse supply chain management and environmental-related service business.

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Less than one month	23,157	49,170
More than one month but less than three months	1,634	—
More than three months but less than one year	7,843	—
More than one year but less than five years	<u>672</u>	<u>—</u>
	<u>33,306</u>	<u>49,170</u>

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Non-current		
Deposits	<u>2,312</u>	<u>–</u>
Current		
Deposits	58,975	60,877
Prepayments	4,279	9,003
Other receivables	<u>15,074</u>	<u>936</u>
	<u>78,328</u>	<u>70,816</u>

The balances of other receivables are unsecured, interest-free and recoverable on demand. The Group's other receivables were neither past due nor impaired as at 30 September 2022 and 31 March 2022.

15. TRADE AND RETENTION MONEY PAYABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade payables	77,221	138,820
Retention money payables (<i>Note</i>)	<u>35,991</u>	<u>31,033</u>
	<u>113,212</u>	<u>169,853</u>

Note: 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.

An aging analysis of trade payables as at the end of the reporting period, based on the invoice dates, is as follows:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Less than one month	28,136	86,291
More than one month but less than three months	34,192	51,047
More than three months but less than one year	14,893	158
More than one year but less than five years	—	1,324
	77,221	138,820

16. DERIVATIVE FINANCIAL LIABILITY

On 25 February 2022, the Company entered into a sale and purchase agreement (the “Agreement”) with an independent third party pursuant to which the Group shall acquire 40% equity interest in Chun Yang International (HK) Company Limited (“Chun Yang”), a company incorporated in Hong Kong with limited liability, at a nominal consideration of approximately HK\$25,290,000 to be settled by an allotment and issuance of 90,000,000 shares of the Company.

Pursuant to the Agreement, the Company is obliged to complete the acquisition at a future date. Hence, a derivative forward contract within the scope of HKFRS 9 was entered into by the Company to acquire 40% equity interest in Chun Yang before the completion of the acquisition. As at 31 March 2022, fair value of the derivative forward contract of approximately HK\$19,080,000 was recognised as a derivative financial liability in the consolidated statement of financial position.

The fair value change of the derivative financial liability from the contract inception date to 31 March 2022 of approximately HK\$19,080,000 was recognised in the consolidated profit or loss during the year ended 31 March 2022.

On 29 April 2022, the Company completed the acquisition of 40% equity interest in Chun Yang with a consideration amounted to approximately HK\$42,750,000 based on the Company’s closing share price on 29 April 2022. Since then, Chun Yang became an associate of the Group. The interest in associates is initially recognised at a cost of HK\$27,720,000, taking into consideration settlement of the derivative financial liability with a fair value of HK\$15,030,000. The fair value change of the derivative financial liability of HK\$4,050,000 was recognised in the consolidated profit or loss during the period ended 30 September 2022 accordingly.

On 8 August 2022, the Group acquired an additional 60% equity interest of Chun Yang. After the additional acquisition, Chun Yang becomes a wholly owned subsidiary of the Group and therefore, there is a deemed disposal of the previously held equity interest in Chun Yang at the date of acquisition. The Group accordingly remeasured the fair value of such previously held interest at the date of acquisition and there is no gain or loss arisen from this remeasurement.

17. SHARE CAPITAL

Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 April 2021, 31 March 2022, 1 April 2022 and 30 September 2022	1,500,000,000	15,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 1 April 2021	800,000,000	8,000
Issuance of new shares (<i>Note (a)</i>)	27,487,500	275
As at 31 March 2022	827,487,500	8,275
As at 1 April 2022	827,487,500	8,275
Issuance of new shares (<i>Note (b) and (c)</i>)	132,000,000	1,320
At 30 September 2022	959,487,500	9,595

Note:

- (a) On 25 February 2022, the Company issued a total of 27,487,500 ordinary shares to an independent third party as the settlement of the consideration for purchase of machineries amounting to approximately HK\$7,330,000.
- (b) On 29 April 2022, the Company issued a total of 90,000,000 ordinary shares to independent third parties for the execution of the acquisition of 40% equity interest in Chun Yang.
- (c) On 29 April 2022, the Company issued a total of 42,000,000 ordinary shares to independent third parties as the consideration for the acquisition of 95% equity interest in Cornerstone Energy Limited.

18. LITIGATION

At the end of the 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.

19. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Chun Yang

The Group held 40% equity interest in Chun Yang since 29 April 2022 (the “Existing Shareholding”).

Reference is made to the announcement of the Company dated 15 July 2022, the Company entered into a sale and purchase agreement with an independent third party, pursuant to which the vendors agreed to sell and the Company agreed to purchase a further 60% equity interests of Chun Yang.

On 8 August 2022, the Group completed the acquisition of 60% of equity interest of Chun Yang for a consideration of HK\$41,460,000 which was settled by the way of the issue of the promissory notes in the aggregate principal amount of HK\$41,460,000, bearing an interest of 5% per annum and due within 1 year by the Company to the vendor.

The relative fair value of the identifiable assets acquired and liabilities assumed at the acquisition date is analysed as follows:

	<i>HK\$'000</i> (Unaudited)
Consideration	
Promissory note payables as at issue date	41,460
Fair value of the Existing Shareholding	<u>26,619</u>
Total consideration	<u><u>68,079</u></u>

	Chun Yang carrying amount before combination <i>HK\$'000</i> (Unaudited)	Fair value adjustment <i>HK\$'000</i> (Unaudited)	Fair value <i>HK\$'000</i> (Unaudited)
Plant and equipment	12,593		12,593
Right-of-use assets	6,677		6,677
Intangible assets	–	4,200	4,200
Deposits	1,561		1,561
Interests in associates	3,979		3,979
Other receivable, deposits and prepayments	74,217		74,217
Trade receivables	3,155		3,155
Inventories	177		177
Cash and cash equivalents	15,605		15,605
Accrued expenses and other payables	(39,854)		(39,854)
Trade payables	(57,061)		(57,061)
Lease liabilities	(7,535)		(7,535)
Bank and other borrowings	(2,139)		(2,139)
Deferred tax liabilities	–	(693)	(693)
	<u>11,375</u>	<u>3,507</u>	<u>14,882</u>
Total identified net assets at fair value			
Goodwill arising on acquisition of a subsidiary			<u>53,197</u>
Total consideration			<u>68,079</u>
Net cash inflow of cash and cash equivalents include in cash flows from investing activities			
Cash and cash equivalents balances acquired			<u>15,605</u>
			<u>15,605</u>

(b) Acquisition of Cornerstone Energy Limited (“Cornerstone”)

Reference is made to the announcement of the Company dated 25 February 2022, the Company entered into a sale and purchase agreement with an independent vendors, pursuant to which the vendors agreed to sell and the Company agreed to purchase 95% equity interests of Cornerstone.

On 29 April 2022, the Group completed the acquisition of 95% of equity interest of Cornerstone for a consideration settled by the allotment and issue of 42,000,000 new shares of the Company to the vendor, which amounted to approximately HK\$19,950,000 based on the Company’s closing share price on 29 April 2022.

Acquisition-related costs of approximately HK\$50,000 are expensed and are included in administrative and other expenses during the period ended 30 September 2022.

The relative fair value of assets acquired and liabilities assumed at the acquisition date is analysed as follows:

	<i>HK\$’000</i> (Unaudited)
Consideration	
Fair value of 42,000,000 shares at HK\$0.475 each issued at the acquisition date	19,950
	<u>19,950</u>
	<i>Fair value</i> <i>HK\$’000</i> (Unaudited)
Cash and cash equivalents	599
Accrued expenses and other payables	<u>(2,224)</u>
Total identified net liabilities at fair value	<u>(1,625)</u>
Non-controlling interest	81
Goodwill arising on acquisition of subsidiaries	<u>21,494</u>
Total consideration	<u>19,950</u>
Net cash inflow of cash and cash equivalents include in cash flows from investing activities	
Cash and cash equivalents balances acquired	<u>599</u>
	<u>599</u>

(c) Acquisition of Builders Company Limited

Reference is made to the announcement of the Company dated 3 September 2021, Acquire Success Limited (“ASL”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with two independent vendors, pursuant to which the vendors agreed to sell and ASL agreed to purchase all the issued shares of Builders Company Limited (the “Target Company”).

On 30 September 2021, the Group completed the acquisition (the “Acquisition”) of 100% of equity interest of the Target Company for cash consideration of HK\$1,500,000. The Target Company is currently registered as a registered general building contractor with the Buildings Department, with a qualified individual acting as an authorised signatory.

Under HKFRS 3 (Revised) “Business Combination”, business consists of inputs and processes applied to those inputs that have the ability to create outputs. As the Target Company did not operate any business prior to the date of Acquisition, the Acquisition is accounted for as an acquisition of assets. Accordingly, the Company identified and recognised the individual identifiable assets acquired and liabilities assumed. The investment cost shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. Such a transaction does not give rise to goodwill.

The relative fair value of assets acquired and liabilities assumed at the acquisition date is analysed as follows:

	<i>HK\$ '000</i> (Unaudited)
Total consideration of the Acquisition	<u>1,500</u>
Asset	
Intangible asset	<u>1,500</u>
Total identifiable net asset acquired	<u>1,500</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally provides superstructure building and RMAA works service as a main contractor in Hong Kong. It also engaged the business of reverse supply chain management and environmental-related service.

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 addition works for an existing structure.

The Group's revenue for the six months ended 30 September 2022 amounted to approximately HK\$265.9 million, representing an increase of approximately HK\$42.5 million, or 19.0% compared to approximately HK\$223.4 million for the six months ended 30 September 2021. The increase in total revenue was mainly attributable to the revenue increased in superstructure building and RMAA works of approximately HK\$34.6 million.

Superstructure building works

During the six months ended 30 September 2022, there were 4 (2021: 4) superstructure building works projects contributing revenue of approximately HK\$251.8 million (2021: approximately HK\$223.0 million) to this business segment.

RMAA works

During the six months ended 30 September 2022, there were 5 (2021: 4) RMAA works projects contributing revenue of approximately HK\$6.3 million (2021: approximately HK\$0.4 million) to this business segment.

Reverse supply chain management and environmental-related service

During the six months ended 30 September 2022, reverse supply chain management and environmental-related service contributing revenue of approximately HK\$7.8 million (2021: nil) was generated from this business segment.

OUTLOOK

Despite the economy in Hong Kong is recovering from the effects brought by COVID-19 and the underlying macro-environment is improving, the Board in the view that competitive among the industry would still be keen and thus profit margin will continue to be under pressure in placing tender. The management is cautiously optimistic about the recovery the industry and will continue to tender more potential project. Moving forward, the Group will focus on accelerating its transition into green building space as environmental friendly materials and designs with the aim to help our clients to reduce carbon emission.

With the increasing awareness of environmental protection globally and greater emphasis in environmental, social and governance (“ESG”) by stakeholders, the Group has been actively exploring potential business to integrate environmental technologies in order to develop its unique competitiveness. Leveraging on the experience of the construction business, as well as the required regulatory licenses and technical know-how of the acquired entities, the Group has consolidated its internal resources and ventures into the Electric Vehicle (EV) after sales market, namely, EV Charger construction and installation and EV batteries second-life usage and treatment business, with the focus on exploring the development opportunities that come along with the infrastructure establishment in the northern district of Hong Kong. The Group expects that the increasing trend of EV adoption will continue, the Group will meticulously identify suitable investments in new operating and logistics facilities with the objectives of capitalising the upcoming growth opportunities.

The Group believes that the opportunities of the new EV after sales market business and the potential development of other environmental-related technology business would be tremendous. With a view to enhance our competitive advantages and diversify our existing building business, the Group will focus on investing research and development and ESG business. The Group will continue to spare no efforts to procure more rewarding returns to our shareholders.

FINANCIAL REVIEW

Revenue

The Group’s revenue for the six months ended 30 September 2022 amounted to approximately HK\$265.9 million, representing an increase of approximately HK\$42.5 million or 19.0% as compared to approximately HK\$223.4 million for the six months ended 30 September 2021. The increase in revenue recognised by the Group for the six months ended 30 September 2022 was substantially due to (a) revenue recognised from four sizeable projects for superstructure building works awarded since 2020 of which the construction works were in full swing during the six months ended 30 September 2022; and (b) increase in reverse supply chain management and environmental-related service from the acquired subsidiaries.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 September 2022 amounted to approximately HK\$15.6 million, representing an increase of approximately HK\$4.0 million, or 34.4% compared to approximately HK\$11.6 million for the six months ended 30 September 2021. The overall gross profit margin for the six months ended 30 September 2022 increased to approximately 5.9% as compared to approximately 5.2% for the six months ended 30 September 2021. The increase in gross profit and gross profit margin was attributable to the increase in the revenue as mentioned above.

Other Income, Gains and Losses

The other income, gains and losses of the Group for the six months ended 30 September 2022 amounted to approximately HK\$1.6 million, representing an increase of approximately HK\$1.3 million or 346.1% compared to approximately HK\$0.3 million for the six months ended 30 September 2021. The increase was mainly attributable to the government subsidies on payroll expense of the Group, while the Group had to commit not reduce employee head count below prescribed levels for a specific period of time.

Administrative and Other Expenses

The administrative and other expenses of the Group for the six months ended 30 September 2022 amounted to approximately HK\$23.9 million, representing an increase of approximately HK\$12.0 million or 100.5% compared to approximately HK\$11.9 million for the six months ended 30 September 2021. The increase was mainly attributed to the acquired subsidiaries, with (i) increase in salary, mandatory provident fund contribution and directors' remuneration of approximately HK\$5.5 million; (ii) increase in depreciation of property, plant and equipment and right-of-use assets of approximately HK\$2.8 million; and (iii) increase in information technology related expenses of approximately HK\$1.2 million.

Loss Attributable to Owners of the Company

The Group reported loss attributable to owners of the Company of approximately HK\$5.2 million for the six months ended 30 September 2022, an increase of approximately HK\$4.9 million, as compared to a loss of approximately HK\$0.3 million for the six months ended 30 September 2021.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2022, the Group had cash and cash equivalents of approximately HK\$65.5 million (31 March 2022: approximately HK\$87.2 million).

Current ratio (total current assets: total current liabilities) decreased from approximately 1.7 as at 31 March 2022 to approximately 1.3 as at 30 September 2022, mainly due to decrease in cash and bank balances, contract assets and trade and retention money payables. Gearing ratio was 21.7% as at 30 September 2022 (31 March 2022: nil).

The capital structure of the Group consisted of equity of approximately HK\$210.4 million (31 March 2022: approximately HK\$155.9 million) and debts of approximately HK\$18.4 million (31 March 2022: approximately HK\$0.6 million), of which approximately HK\$14.6 million (31 March 2022: approximately HK\$0.6 million) are lease liabilities as at 30 September 2022.

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 2022. Surplus cash is generally placed in short term deposits with licensed bank in Hong Kong.

Foreign Exchange Exposure

The Group only operates in Hong Kong and mainly earns revenue and incurs costs in Hong Kong dollars and US dollars. Foreign exchange exposure of the Group is minimal so long as the Hong Kong SAR Government's policy to link the Hong Kong dollars to the US dollars remains in effect. The Board is of the view that the Group's foreign exchange rate risks are insignificant during the six months ended 30 September 2022.

Capital Expenditures

Total capital expenditure for the six months ended 30 September 2022 was approximately HK\$8.6 million (six months ended 30 September 2021: approximately HK\$91,000) on acquisition of property, plant and equipment.

Capital Commitments and Contingent Liabilities

As at 30 September 2022, the Group had no significant capital commitments.

Save as disclosed in note 18 to the condensed consolidated interim financial statements in this announcement, the Group had no other contingent liabilities as at 30 September 2022.

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 2022.

Save as disclosed in note 19 to the condensed consolidated interim financial statements in this announcement, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the six months ended 30 September 2022.

Charges on Assets

As at 30 September 2022, 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed a total of 84 employees (including executive Directors), as compared to a total of 72 employees as at 31 March 2022. The total salaries and related costs (including Directors' remuneration) for the six months ended 30 September 2022 were approximately HK\$25.3 million (six months ended 30 September 2021: approximately HK\$18.0 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 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, the individual performance of the Directors and comparable market statistics, 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 2022 (six months ended 30 September 2021: nil).

SUBSCRIPTION FOR NEW SHARES IN CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

On 27 June 2022, the Company, as subscriber, entered into the subscription agreement with Cornerstone Technologies Holdings Limited ("Cornerstone"), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8391), as issuer, in respect of the subscription of an aggregate 32,320,000 subscription shares by the Company at the subscription price of HK\$0.62 per subscription share of Cornerstone.

Completion of the subscription took place on 13 July 2022. The Directors believe environmental protection and EV businesses will likely become a trend in Hong Kong in the upcoming future, the cooperation with Cornerstone and the subscription will provide more opportunities for the Group to participate in the environmental protection and EV industry and enable the Group to explore potential business cooperation opportunities.

EVENTS AFTER THE REPORTING PERIOD

There is no other material subsequent event undertaken by the Company or the Group after 30 September 2022 and up to the date of this 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 2022.

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 2022 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 2022 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 2022 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 2022.

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. Zhang Jue, Mr. Hau Wing Shing Vincent and Mr. Wan Simon. Mr. Zhang Jue 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 2022 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, Baker Tilly Hong Kong Limited, had conducted a review of the condensed consolidated interim financial statements for the six months ended 30 September 2022, 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 Company for the six months ended 30 September 2022 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 the stakeholders, including but not limited to the shareholders of the Company, customers, suppliers, banks and business partners of the Group 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, 21 November 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Chan Kam Tong, Mr. Kwok Chun Sing, Mr. Chan Kam Ming and Mr. Tang Chi Kin, and three independent non-executive Directors, namely Mr. Hau Wing Shing Vincent, Mr. Wan Simon and Mr. Zhang Jue.