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CHONG KIN GROUP HOLDINGS LIMITED

創建集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1609)

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

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2020 amounted to approximately HK\$83.6 million (for the six months ended 30 September 2019: approximately HK\$271.1 million).
- Loss attributable to the equity shareholders of the Company for the six months ended 30 September 2020 amounted to approximately HK\$62.3 million (for the six months ended 30 September 2019: approximately HK\$10.4 million).
- Basic and diluted loss per share for the six months ended 30 September 2020 amounted to approximately HK cents 6.37 (for the six months ended 30 September 2019: earnings of approximately HK cents 1.11).
- The Directors of the Company do not recommend the declaration of any interim dividend for the six months ended 30 September 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of Chong Kin Group Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2019.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	6	83,564	271,067
Cost of sales		<u>(82,070)</u>	<u>(231,586)</u>
Gross profit		1,494	39,481
Other income	7	16,522	10,911
Selling and distribution expenses		(871)	(1,611)
Administrative and other operating expenses		(40,325)	(45,498)
Impairment losses under expected credit loss model, net of reversal		<u>(36,285)</u>	<u>—</u>
Operating (loss)/profit		(59,465)	3,283
Finance costs	8	<u>(3,794)</u>	<u>(10,977)</u>
Loss before income tax	9	(63,259)	(7,694)
Income tax expense	10	<u>(930)</u>	<u>(2,275)</u>
Loss for the period		<u>(64,189)</u>	<u>(9,969)</u>
Attributable to:			
Equity shareholders of the Company		(62,323)	(10,424)
Non-controlling interests		<u>(1,866)</u>	<u>455</u>
		<u>(64,189)</u>	<u>(9,969)</u>
Loss per share			
Basic and diluted loss per share	11	<u>HK cents (6.37)</u>	<u>HK cents (1.11)</u>

Details of dividends are disclosed in Note 12 to the condensed consolidated financial statements.

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(64,189)</u>	<u>(9,969)</u>
Other comprehensive income/(expense) for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	<u>10,489</u>	<u>(16,292)</u>
Total comprehensive expense for the period	<u>(53,700)</u>	<u>(26,261)</u>
Total comprehensive expense attributable to:		
Equity shareholders of the Company	<u>(52,971)</u>	<u>(25,222)</u>
Non-controlling interests	<u>(729)</u>	<u>(1,039)</u>
	<u><u>(53,700)</u></u>	<u><u>(26,261)</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020	As at 31 March 2020
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	25,053	53,004
Right-of-use assets		16,936	21,241
Goodwill		132,525	132,525
Contingent consideration receivables		67,454	67,454
Finance lease receivables		99,322	95,025
Deposits for acquisition of a subsidiary		11,200	—
Investment in an associate		12,214	12,008
Other deposits		3,852	3,811
		368,556	385,068
CURRENT ASSETS			
Inventories		35,316	45,273
Financial assets at fair value through profit or loss		24,780	24,066
Finance lease receivables		73,746	78,688
Loan and interest receivables		63,350	67,474
Trade and other receivables	14	127,686	109,171
Amount due from a non-controlling shareholder of a subsidiary		24,932	24,932
Contract assets		74,162	111,868
Contingent consideration receivables		21,068	21,068
Current income tax recoverable		1,588	1,322
Cash and bank balances		37,339	47,178
		483,967	531,040
CURRENT LIABILITIES			
Trade and other payables	15	39,851	55,663
Amount due to a former director		40,003	30,000
Amount due to a director		1	1
Contract liabilities		—	811
Borrowings	16	129,508	126,370
Lease liabilities		12,845	16,838
Current income tax liabilities		809	245
		223,017	229,928

		As at 30 September 2020	As at 31 March 2020
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NET CURRENT ASSETS		260,950	301,112
NON-CURRENT LIABILITIES			
Lease liabilities		3,204	6,178
Deferred tax liabilities		1,507	1,507
		<u>4,711</u>	<u>7,685</u>
NET ASSETS		<u>624,795</u>	<u>678,495</u>
Capital and reserves			
Share capital	<i>17</i>	9,778	9,778
Reserves		592,941	645,912
		<u>602,719</u>	<u>655,690</u>
Equity attributable to equity shareholders of the Company		602,719	655,690
Non-controlling interests		22,076	22,805
		<u>624,795</u>	<u>678,495</u>
TOTAL EQUITY		<u>624,795</u>	<u>678,495</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 31 May 2016 as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 October 2016. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business of the Company is Suite 6808, 68th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in provision of concrete placing services and other ancillary services (the “**Concrete Placing**”) in Hong Kong, sales and leasing of new energy vehicles and provision of logistics related services (the “**NEV and Logistics**”) and finance leasing services in the PRC, and the provision of cross-border payment and money exchange services (the “**Cross-border Payment**”) in the United Kingdom. Its parent and ultimate holding company is Prestige Rich Holdings Limited (“**Prestige Rich**”), a company incorporated in the British Virgin Islands. Mr. Zhang Jinbing is the sole beneficial owner and sole director of Prestige Rich. As at 30 September 2020, the directors consider the ultimate controlling shareholder of the Company to be Mr. Zhang Jinbing.

2 BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “**Interim Financial Reporting**” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

This condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value.

The condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HKS**”), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 27 November 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied to prepare this unaudited condensed consolidated interim financial information for the six months ended 30 September 2020 are consistent with the Group’s annual financial statements for the year ended 31 March 2020.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions (early adopted)
Amendments to HKAS 1 and HKAS 8	Definition of Material

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

The adoption of the revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

4 FINANCIAL RISK MANAGEMENT

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2020.

There have been no changes in the risk management policies since year end.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

6 REVENUE AND SEGMENT INFORMATION

Revenue

(i) Analysis of revenue

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Total revenue recognised during the year:		
Concrete placing services and other ancillary services	49,418	88,269
Sales of NEV	13,348	116,423
Provision for logistics related services	8,166	19,471
Car leasing revenue	5,398	5,785
Finance lease income	1,711	41,119
Remittances and foreign currency exchange services	5,523	—
	<u>83,564</u>	<u>271,067</u>
	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Concrete placing services and other ancillary services	49,418	88,269
Sales of NEV	13,348	116,423
Provision for logistics related services	8,166	19,471
Remittances and foreign currency exchange services	5,523	—
	<u>76,455</u>	<u>224,163</u>
Timing of revenue recognition		
At a point in time	27,037	135,894
Over time	49,418	88,269
	<u>76,455</u>	<u>224,163</u>
Revenue from other sources		
Car leasing revenue	5,398	5,785
Finance lease income	1,711	41,119
	<u>7,109</u>	<u>46,904</u>

Segment information

Information reported to the chief executive of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

For the six months ended 30 September 2020, the Group’s operating and reportable segments currently are: (i) Concrete Placing segment which operated in Hong Kong; (ii) NEV and Logistics and finance leasing segment which operated in Mainland China; and (iii) the provision of Cross-border Payment segment which operated in United Kingdom. The CODM considers the Group has three operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

For the six months ended 30 September 2019, the Group’s operating and reportable segments were: (i) Concrete Placing segment which operated in Hong Kong; and (ii) NEV and Logistics and finance leasing segment which operated in Mainland China. The CODM considers the Group has two operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

(i) Segment revenue and results

The following is an analysis of the Group’s revenue and results by operating and reportable segments:

	Concrete Placing services <i>HK\$’000</i>	NEV and Logistics and finance leasing services <i>HK\$’000</i>	Cross-border Payment services <i>HK\$’000</i>	Total <i>HK\$’000</i>
For the period ended 30 September 2020 (unaudited)				
Segment revenue	<u>49,418</u>	<u>28,623</u>	<u>5,523</u>	<u>83,564</u>
Segment (loss)/profit	<u>(32,386)</u>	<u>(8,387)</u>	<u>5,111</u>	<u>(35,662)</u>
Unallocated income				16,522
Unallocated expenses				(40,325)
Finance costs				<u>(3,794)</u>
Loss before taxation				<u>(63,259)</u>
For the period ended 30 September 2019 (unaudited)				
Segment revenue	<u>88,269</u>	<u>182,798</u>	<u>—</u>	<u>271,067</u>
Segment (loss)/profit	<u>(7,613)</u>	<u>4,844</u>	<u>—</u>	<u>(2,769)</u>
Unallocated income				10,953
Unallocated expenses				(4,901)
Finance costs				<u>(10,977)</u>
Loss before taxation				<u>(7,694)</u>

Segment profit/(loss) represents the profit/(loss) earned/(incurred) by each segment without allocation of certain administrative expenses, other gains and losses, fair value gain on contingent consideration receivables, finance costs and unallocated income and expenses. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

All the segment revenue reported above is from external customers.

(ii) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

Segment assets

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Concrete Placing	100,407	134,705
NEV and Logistics and finance leasing services	485,078	512,230
Remittances and foreign currency exchange services	21,363	7,645
	<hr/>	<hr/>
Total segment assets	606,848	654,580
Property, plant and equipment	1,099	1,618
Right-of-use assets	3,644	5,983
Deposits for acquisition of a subsidiary	11,200	—
Financial assets of fair value through profit or loss	24,780	23,520
Amount due from a non-controlling shareholder of a subsidiary	24,932	24,932
Contingent consideration receivables	88,522	88,522
Other receivables, deposits and prepayments	69,971	71,271
Other unallocated assets	2,229	9,619
Cash and bank balances	19,298	36,063
	<hr/>	<hr/>
Consolidated assets	852,523	916,108
	<hr/> <hr/>	<hr/> <hr/>

Segment liabilities

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Concrete Placing	179,814	42,574
NEV and Logistics and finance leasing services	42,366	57,757
Remittances and foreign currency exchange services	1,084	1,007
	<hr/>	<hr/>
Total segment liabilities	223,264	101,338
Other payables and accruals	1,719	131,005
Lease liabilities	2,745	5,270
	<hr/>	<hr/>
Consolidated liabilities	<u>227,728</u>	<u>237,613</u>

7 OTHER INCOME

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Bank interest income	48	92
Rental income	1,470	1,470
Interest income from life insurance policies	41	41
Loan interest income	849	—
Lease interest income	1,906	7,960
Government grants (<i>Note</i>)	4,754	18
Insurance claims	2,282	—
Others	5,172	1,330
	<hr/>	<hr/>
	<u>16,522</u>	<u>10,911</u>

Note: There are no unfulfilled conditions or contingencies relating to these grants.

8 FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
– Loan from the former substantial shareholder	3,138	3,134
– Lease liabilities	656	7,843
	<u>3,794</u>	<u>10,977</u>

9 LOSS BEFORE INCOME TAX

Loss before income tax has been 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	8,392	19,406
Depreciation of right-of-use assets	4,861	7,568
Operating lease rental on premises	1,924	718
Staff costs, including directors' emoluments	49,700	80,089
	<u>64,877</u>	<u>107,781</u>

10 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for both periods.

Under the law of the PRC on EIT (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2018 onwards.

The Group’s subsidiary in the United Kingdom is subject to Corporation Tax in the United Kingdom (“Corporation Tax”) which is calculated at 19% of the estimate assessable profit for both period.

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
Current income tax	64	493
PRC Enterprise Income Tax (“EIT”):		
Current income tax	57	1,782
United Kingdom Corporation Tax:		
Current income tax	809	—
	<u>930</u>	<u>2,275</u>
Income tax expense	<u>930</u>	<u>2,275</u>

11 LOSS PER SHARE

For the periods ended 30 September 2019 and 2020, the calculation of the basic loss per share attributable to owners of the Company was based on: (i) the loss attributable to owners of the Company; and (ii) the weighted average number of 977,760,000 shares (30 September 2019: 939,727,213 shares) in issue during the period.

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the respective periods.

12 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 September 2020 (30 September 2019: Nil).

13 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment <i>HK\$'000</i>
Six months ended 30 September 2020 (Unaudited)	
Net book value	
As at 1 April 2020	53,004
Additions	1,568
Disposals	(22,487)
Depreciation	(8,392)
Exchange adjustment	1,360
	<hr/>
As at 30 September 2020	25,053 <hr/> <hr/>
Six months ended 30 September 2019 (Unaudited)	
Net book value	
As at 31 March 2019	123,026
Adjustments upon application of HKFRS 16	(33,724)
	<hr/>
As at 1 April 2019	89,302
Additions	31,212
Transfer to inventory	(28,500)
Depreciation	(19,406)
Exchange adjustment	(1,166)
	<hr/>
As at 30 September 2019	71,442 <hr/> <hr/>

14 TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	25,077	18,478
Other receivables, deposits and prepayments	<u>102,609</u>	<u>90,693</u>
	<u>127,686</u>	<u>109,171</u>

Notes:

- (a) Credit terms granted to customers vary from contract to contract. The credit period granted to customers is 0 to 30 days from payment application date generally.
- (b) The ageing analysis of the trade receivables based on the date of payment certificates issued by customers is as follows:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0–90 days	12,210	10,600
91–180 days	8,245	3,599
181–365 days	3,198	3,090
Over 1 year	<u>1,424</u>	<u>1,189</u>
	<u>25,077</u>	<u>18,478</u>

15 TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	7,126	13,850
Accruals and other payables	<u>32,725</u>	<u>41,813</u>
	<u>39,851</u>	<u>55,663</u>

Note: The ageing analysis of trade payables based on the invoice date is as follows:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
0–90 days	2,158	6,237
91–180 days	—	2,917
181–365 days	3,587	3,779
Over 1 year	1,381	917
	<u>7,126</u>	<u>13,850</u>

16 BORROWINGS

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Current		
Loan from former substantial shareholder	<u>129,508</u>	<u>126,370</u>
Total borrowings	<u>129,508</u>	<u>126,370</u>

17 SHARE CAPITAL

	Number of ordinary shares	Nominal amount HK\$'000 (Unaudited)
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 September 2019, 1 April 2020 and 30 September 2020	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 30 September 2019, 1 April 2020 and 30 September 2020	<u>977,760,000</u>	<u>9,778</u>

Notes:

- (i) All the shares issued ranked pari passu in all respects with the then existing shares in issue.

18 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The emoluments of the directors and the senior executives (representing the key management personnel), were as follows:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	330	250

19 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2020, the Group is principally engaged in three operating segments: (i) the Concrete Placing segment which operated in Hong Kong; (ii) NEV and Logistics and finance leasing segment which operated in Mainland China; and (iii) the Cross-border Payment segment which operated in United Kingdom. In September 2020, the Group commenced to provide money lending services in Hong Kong via its wholly-owned subsidiary which holds a money lender licence.

The year in 2020 has been a very challenging year for the Group because of the ongoing trade dispute between China and the United States and the negative impact brought to the global economy by the outbreak of COVID-19 (“**COVID-19 Outbreak**”). The Group has been closely monitoring the impact on business development that brought by the COVID-19 Outbreak and will continue to evaluate its impact on the financial position and operating results. The Concrete Placing segment had been facing difficulties to meet the challenges of adverse factors including rising project costs and operating expenses, and strategic management of the large scaled projects. Looking forward, the construction industry in Hong Kong is expected to continuously facing challenges and uncertainties, the Group will continue implementing cost controls to improve operating results, the Board will also identify new opportunities in the NEV and Logistics, Cross-border Payment segments.

On 16 April 2020, the Company was informed by Prestige Rich that Prestige Rich had entered into a sales and purchase agreement in relation to the sale and purchase of 156,430,000 shares of the Company, representing approximately 16% of the issued shares of the Company (the “**Sale Shares**”) with Lenient Sunrise Limited (“**Lenient Sunrise**”). Upon completion of the sale and purchase transaction of the Sale Shares, Prestige Rich will continue to be a controlling shareholder of the Company holding approximately 48.8% of the issued shares of the Company, and Lenient Sunrise will become a substantial shareholder of the Company and will hold the Sale Shares and subject to a 36-month non-disposal undertaking. Lenient Sunrise provides management services to the Cross-border Payment segment of the Group in the United Kingdom.

During the Reporting Period, a wholly-owned subsidiary of the Company has registered as the money lender holding a valid money lender licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and engaged in the business of money lending. On 24 September 2020, the Company announced the provision of a loan facility up to HK\$60 million for a term of 18 months by its wholly-owned subsidiary which held the money lender licence to an independent third party subject to the terms and conditions of the facility agreement. The facility arrangement took into account the results of the due diligence on the financial background of the borrower, the value of the security provided and the stable interest income expected to be generated from the arrangement. Please refer to the Company’s announcement dated 24 September 2020 for detail.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the Reporting Period decreased by 69.2% to approximately HK\$83.6 million, compared to HK\$271.1 million for the six months period 30 September 2019 (the “**Previous Period**”). The decrease in revenue from the Concrete Placing segment was mainly attributable to the severe impact of the COVID-19 Outbreak on the construction industry which resulted in the decrease in number and scale of construction projects, the progress of the projects on hand had been delayed during the Reporting Period. The decrease in revenue from the NEV and Logistics segment was mainly attributable to the major economies suffered from the impact of the COVID-19 Outbreak that had caused disruption and operation delays to the customers’ business, the cautious slowdown in customers’ business expansion due to recent downturn of the economy had led to a decrease in demand for the road freight transportation services, and the changes in the PRC government policies on the promotion of new energy vehicles had led to demand shrinkage in the new energy vehicle sales.

Cost of Sales

Cost of sales for the Reporting Period was approximately HK\$82.1 million, representing a decrease of approximately 64.6%, as compared with approximately HK\$231.6 million in the Previous Period. Affected by the COVID-19 Outbreak, the concrete placing projects maintained limited production and certain worksites were temporarily shut down, accordingly, work-in-progress projects could not be completed on schedule, unexpected additional costs had been incurred such as the maintenance of minimum worksite facilities and the basic salary for workforce on the delayed projects.

Gross Profit and Gross Profit Margin

Gross profit of the Group amounted to approximately HK\$1.5 million for the Reporting Period, representing a decrease of approximately 96.2% as compared with approximately HK\$39.5 million for the Previous Period. The Group’s gross profit margin for the Reporting Period was approximately 1.8%, as compared with approximately 14.6% for the Previous Period. The decrease in gross profit and gross profit margin was mainly due to the failure to reach economic scale after the decrease in revenue and the fixed depreciation and other fixed costs. The Concrete Placing segment made a gross loss due to the significant decline in project revenue and the increase in the project costs which eliminated the positive contributions from the other segments.

Other Income

Other income primarily consisted of leasing income, insurance claims, interest income from life insurance policies, government grants and gain on disposal of property, plant and equipment. During the Reporting Period, other income amounted to approximately HK\$16.5 million as compared to approximately HK\$10.9 million for the Previous Period. The increase in other income was mainly attributed to the increase in government grant and insurance claims.

Selling and Distribution Expenses

The selling and distribution expenses of the Group for the Reporting Period amounted to approximately HK\$0.9 million, representing a decrease of approximately 45.9% as compared with HK\$1.6 million for the Previous Period.

Administrative and Other Operating Expenses

The administrative and other operating expenses of the Group for the Reporting Period amounted to approximately HK\$40.3 million, representing an decrease of approximately 11.4% as compared with approximately HK\$45.5 million for the Previous Period. The administrative and other operating expenses primarily consisted of professional expenses, salary costs, and depreciation. The decrease was mainly attributed to the Group adopted stringent cost control measures.

Impairment Losses Under Expected Credit Loss Model

The impairment losses under expected credit loss model of the Group for the Reporting Period was approximately HK\$36.3 million that mainly attributed to the contract assets and retention receivables on Concrete Placing segment and the finance lease receivables on the NEV and Logistics segment. Impairment losses were estimated by the management based on the historical default rates, past-due status and ageing information of the grouped debtors and the forward-looking information of the Group's receivables and contract assets at the end of the Reporting Period.

The carrying amount of the asset is increased to the revised estimate recoverable amount when an impairment loss subsequently reverses, the increased amount is not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Finance Costs

Finance costs for the Reporting Period was approximately HK\$3.8 million, representing a decrease of approximately 65.4% as compared with approximately HK\$11 million in the Previous Period. The finance costs primarily consisted of interest charges on a loan from the former substantial shareholder and the interest on bank loan. The decrease was attributable to the decrease in bank borrowing interest charged on the secured loan from Industrial Bank Company Limited that has been fully repaid.

Loss Attributable to the Owners of the Company and Loss Per Share

As a result of foregoing, the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$62.3 million for the Reporting Period and approximately HK\$10.4 million for the Previous Period.

Basic and diluted loss per share for the Reporting Period amounted to approximately HK cents 6.37 (Previous Period: earnings of HK cents 1.11).

Interim Dividend

The Board was resolved not to declare an interim dividend for the six months ended 30 September 2020 (Previous Period: Nil).

PROSPECTS

The second half of the financial year in 2020 will be full of challenges and uncertainties due to the weakening global economy caused by the COVID-19 Outbreak, the change in the PRC government policies in the NEV purchase subsidy of and the trade disputes between China and the United States. For the upcoming financial year, the Directors has decided not to purchase NEVs for sales purpose, the NEV and Logistics segment will deploy human and funding resources on carrying out the businesses of provision for logistics related services and vehicle leasing services.

The Directors anticipate that there are risks of disruptions in the supply chain of the construction industry such as building materials, equipment and workforce that impact on the operation of Concrete Placing segment, the Group will continue adhere to prudent strategic management in project selection and cost control.

Looking forward, the Group will continue assess the impact of the COVID-19 Outbreak on the Group's operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties. In view of the economic stimulus policies introduced by Government and the potential growth of the Group's emerging businesses, the Group will continues to look for new business opportunities to cope with the changes and for its sustainable growth and development.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank and other borrowings, internally generated cash flow and net proceeds received from the issue of the Company's shares.

As at 30 September 2020, the Group had cash and cash equivalents amounted to approximately HK\$37.3 million (31 March 2020: HK\$47.2 million).

As at 30 September 2020, the Group had loan and interest receivable amounted to approximately HK\$63.4 million (31 March 2020: HK\$67.5 million), the Company had sought recovery against a borrower for a sum of approximately HK\$13.4 million among the loan and interest receivables. As at the date of this announcement, the outstanding loan principal has been recovered in full.

The borrowings of the Group as at 30 September 2020 was approximately HK\$129.5 million (31 March 2020: HK\$126.4 million), the borrowings consist the loan and interest payable to the former substantial shareholder of the Company.

The approach of the Board to manage liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Gearing Ratio

Gearing ratio is calculated by dividing all interest-bearing debts by total equity at the period end date and expressed as a percentage, interest-bearing debts are defined to include borrowings and payables not incurred in the ordinary course of business. As a result of the loss recorded for the Reporting Period, the gearing ratio of the Group increased slightly from approximately 22% as at 31 March 2020 to approximately 23.3% as at 30 September 2020.

Pledge of Assets

As at 30 September 2020, machinery and equipment of the Group with an aggregate net book value of approximately HK\$1.2 million (31 March 2020: HK\$1.4 million) were pledged under secured bank borrowing. In respect of NEVs under finance leases on the NEV and Logistics segment, the ownership of the NEVs will be transferred to the Group upon exercise of purchase option at the end of lease term, the Group's obligation is secured by the lessor's title to the leased assets for such lease.

Capital Expenditure

The Group's capital expenditures principally consist of expenditures on office equipment. During the Reporting Period, the Group incurred capital expenditures of approximately HK\$1.6 million.

Capital Commitments

The Group had no other capital commitments as at 30 September 2020 and 31 March 2020.

FOREIGN EXCHANGE RISK

The Group operates in several jurisdictions and is exposed to foreign exchange risk that comes from holding assets and liabilities in multi currencies and guaranteeing customers a forex rate on their money transfers for a limited period of time. Asset and liability foreign exchange risks come mainly from the Renminbi and British pound. Foreign exchange risk comes from future commercial transactions and recognised assets and liabilities. The forex risk in relation to customer money transfer is actively monitored, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments.

In addition, as the reports of the Group is in Hong Kong Dollars, a strengthening of the Hong Kong Dollar against other currencies will also have a negative impact on the reported earnings of the Group that relate to its income earned in geographies outside Hong Kong.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group had 278 employees (30 September 2019: 498) situated mainly in Mainland China and Hong Kong. The related staff costs including directors' emoluments for the Reporting Period amounted to approximately HK\$49.7 million (Previous Period: HK\$80.1 million).

The Group offers its employees competitive salary packages, as well as contribution to defined retirement plans, the employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and that of the individual employee. The emoluments of the Directors and senior management have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results and individual performance and subject to the approval by the Board.

LEGAL PROCEEDINGS

As at 30 September 2020, the Company had been in the process of executing orders granted by the High Court in Hong Kong for recovering loan and interest receivables of approximately HK\$13.3 million (31 March 2020: HK\$44.3 million). As at the date of the announcement, the outstanding loan principal has been recovered in full.

In addition, there are small claims and legal proceedings for or against several subsidiaries of the Company in relation to the ordinary course of its business, the relevant amounts are duly considered and the Group does not expect that the outcome in these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations.

Save as disclosed above, the Group have no significant legal proceedings.

MATERIAL ACQUISITIONS AND DISPOSALS

Reference is made to the announcement of the Company dated 6 August 2020, where the Company entered into a sales and purchase agreement with an independent third party in relation to the acquisition of entire issued share capital of Grand Well Ventures Limited at the cash consideration of HK\$112 million, the Company has paid HK\$11.2 million as deposit and the remaining balance in the sum of HK\$100.8 million shall be satisfied within one month from the date of completion, the acquisition is subject to the fulfilment of conditions precedent as at completion. Please refer to the Company's announcement dated 6 August 2020 for details.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the Reporting Period.

CONTINGENT LIABILITIES

Save as disclosed in the section headed "Legal Proceedings", the Group had no material contingent liabilities as at 30 September 2020 (31 March 2020: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

USE OF NET PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES

Reference is made to the announcement of the Company dated 15 April 2019 and 26 July 2019 and the circular of the Company dated 31 May 2019 (the “**Circular**”) relating to the subscription of new ordinary shares of HK\$0.01 each (the “**Share**”) of the Company under specific mandate (the “**Subscription**”). The Company and Prestige Rich, a company controlled by Mr. Zhang Jinbing, entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Prestige Rich has conditionally agreed to subscribe for 60,000,000 new shares of the Company at the subscription price of HK\$3.5 per share. The aggregate nominal value of the Subscription Share is HK\$600,000, the net proceeds after deducted from the professional fees and other related expenses (“**Net Proceeds**”) from the Subscription were approximately HK\$209.7 million, on such basis, the net price of each Subscription Share is approximately HK\$3.495. The purpose of the Subscription is for the Company to raise capital for the development and the expansion of the existing business of the Group. The use of proceeds has been consistent with the disclosure in the Circular and the announcement issued on 7 November 2019 in connection with the intend change in use of proceeds. The total Net Proceeds received were applied by the Group during the period from the completion date up to 30 September 2020 are as follows:

	Planned use of proceeds <i>HK\$'000</i>	Actual use of proceeds from the completion date to		Expected timeline for utilising the remaining net proceeds <i>(Note 2)</i>
		30 September 2020 <i>HK\$'000</i>	Unused amount <i>HK\$'000</i>	
Use of Net Proceeds:				
Investment of the finance leasing business	88,350	88,350	—	—
The establishment of finance Leasing company in Mainland China or the possible acquisitions <i>(Note 1)</i>	91,013	—	91,013	End of year 2021
General working capital	30,337	17,233	13,104	End of year 2021
Total	<u>209,700</u>	<u>105,583</u>	<u>104,117</u>	

Any net proceeds that were not applied immediately have been placed in the short-term deposits with licensed banks or invested in short term investment products in order to generate higher returns.

Notes:

1. As at 7 November 2019, there was a sum of approximately HK\$121,350,000 of the net proceeds unutilised (the “**Unutilised Net Proceeds**”). The Unutilised Net Proceeds were originally allocated for investment of the finance leasing business of the Group in the PRC via payment of the registered capital of Hua Yao Finance Leasing. In view of the latest government policies on financial subsidies for the promotion and application of new energy vehicles and also the differential local tax preferential policies in various parts of the PRC, the Board has considered and resolved of the change in the use of the Unutilised Net Proceeds from the Subscription and re-allocated approximately 75% of the Unutilised Net Proceeds for possible acquisitions or the establishment of financial leasing company in other parts of the PRC and the rest as general working capital of the Company. For details, please refer to the announcement of the Company dated 7 November 2019.
2. The expected timeline for utilising the remaining net proceeds is based on the best estimation of the Company taking into account, among others, prevailing and future market conditions and business development and needs, and therefore is subject to change.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Reporting Period, neither the Company, nor any of its subsidiaries repurchased, redeemed or sold any of the Company’s listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for the Directors’ securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed that they had fully complied with the requirements as set out in the Model Code during the Reporting Period and up to the date of this announcement.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the six months period ended 30 September 2020 and up to the date of this announcement, the Directors confirm that none of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business which competes or is likely to compete, directly or indirectly, with the Group’s business apart from the business operated by the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value accountability. The Company has complied with the applicable

code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules save and except for Code Provision A.2.1 throughout the Reporting Period.

Code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Jinbing was appointed as the chairman of the Board and chief executive officer of the Company with effect from 12 January 2018. Notwithstanding the deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer on the same person can facilitate execution of the Group’s business strategies and provide a strong and consistent leadership to the Group. The Board considers that the appointment of Mr. Zhang Jinbing as the chairman of the Board and the chief executive officer of the Company will not impair the balance of power as all major decisions are made in consultation with members of the Board. In addition, under the supervision by the Board which currently consists of three executive Directors and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to Shareholders accordingly.

AUDIT COMMITTEE

The Company established the audit committee (the “**Audit Committee**”) with terms of reference in compliance with Rules 13.21 of the Listing Rules and code provision C.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee is to serve as a focal point for communication among the Directors, the external auditors and the management relate to financial reporting, risk management, internal controls and auditing. The Audit Committee also assists the Board in fulfilling its responsibilities by providing an independent review of the financial reports, ensuring the effectiveness of the Company’s internal control and risk management system. The Audit Committee currently comprises three independent non-executive Directors with Mr. Tam Ping Kuen Daniel as the chairman and other members are Dr. Zhu Zhengfu and Dr. Li Yifei.

REVIEW OF THE INTERIM FINANCIAL RESULTS

The interim financial results of the Group for the Reporting Period 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 adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is available for viewing on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.chongkin.com.hk). The interim report of the Company for the Reporting Period containing all information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Chong Kin Group Holdings Limited
ZHANG Jinbing
Chairman and Executive Director

Hong Kong, 27 November 2020

As at the date of this announcement, the Board comprises three executive Directors namely Mr. Zhang Jinbing, Mr. Ni Biao and Mr. Yang Rui; one non-executive Director namely Mr. Yan Haiting; and three independent non-executive Directors namely Mr. Tam Ping Kuen Daniel, Dr. Zhu Zhengfu and Dr. Li Yifei.