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SUN KONG HOLDINGS LIMITED
申港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8631)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Sun Kong Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (together the “**Group**”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this announcement misleading.*

HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$474.2 million for the year ended 31 March 2019, representing an increase of approximately HK\$30.8 million or 6.9% as compared to the year ended 31 March 2018.
- The Group recorded a loss attributable to the owners of the Company of approximately HK\$0.2 million for the year ended 31 March 2019, representing an decrease of approximately HK\$5.1 million, as compared to the Group's profit attributable to the owners of the Company of approximately HK\$4.9 million for the year ended 31 March 2018. The decrease was mainly due to the recognition of the one-off expense of approximately HK\$11.8 million in connection with the listing of the Company's shares on GEM (the "**Listing**") for the year ended 31 March 2019, as compared to HK\$9.4 million for the year ended 31 March 2018. Excluding the non-recurring listing related expenses, the profit attributable to the owners of the Company would have been approximately HK\$11.6 million and HK\$14.3 million for the year ended 31 March 2019 and 2018 respectively.
- The Board does not recommend the payment of any dividend for the year ended 31 March 2019.

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2019 together with the comparative audited figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

		2019	2018
	<i>Note</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	<i>3</i>	474,236	443,436
Cost of goods sold		<u>(454,425)</u>	<u>(420,961)</u>
Gross profit		19,811	22,475
Other income	<i>5</i>	230	–
Administrative and other operating expenses		(8,896)	(5,216)
Finance costs	<i>6</i>	(181)	(145)
Expenses for the initial listing		<u>(9,538)</u>	<u>(9,408)</u>
Profit before tax	<i>6</i>	1,426	7,706
Income tax expenses	<i>7</i>	<u>(1,605)</u>	<u>(2,824)</u>
(Loss) Profit and total comprehensive (loss) income for the year		<u>(179)</u>	<u>4,882</u>
(Loss) Earnings per share		<i>HK cents</i>	<i>HK cents</i>
Basic	<i>8</i>	<u>(0.06)</u>	<u>1.63</u>
Diluted	<i>8</i>	<u>n/a</u>	<u>n/a</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment		2,991	3,912
Deposit paid for acquisition of property, plant and equipment		2,040	–
		<u>5,031</u>	<u>3,912</u>
Current assets			
Trade receivables	10	37,624	15,077
Other receivables		1,031	2,986
Tax recoverable		517	–
Bank balances and cash		25,559	3,156
		<u>64,731</u>	<u>21,219</u>
Current liabilities			
Trade payables	11	7,018	4,678
Other payables		1,366	1,278
Interest-bearing borrowings		–	3,672
Obligations under finance leases		–	1,293
Tax payable		–	531
		<u>8,384</u>	<u>11,452</u>
Net current assets		<u>56,347</u>	<u>9,767</u>
Total assets less current liabilities		<u>61,378</u>	<u>13,679</u>
Non-current liabilities			
Obligations under finance leases		–	915
Deferred tax liabilities		416	433
		<u>416</u>	<u>1,348</u>
NET ASSETS		<u><u>60,962</u></u>	<u><u>12,331</u></u>
Capital and reserves			
Share capital	12	4,000	–
Reserves		56,962	12,331
TOTAL EQUITY		<u><u>60,962</u></u>	<u><u>12,331</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Reserve					
	Share capital	Share premium	Capital reserve	Accumulated profits	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 12)	(Note i)	(Note ii)			
At 1 April 2017	–	–	10	10,639	10,649	10,649
Profit and total comprehensive income for the year	–	–	–	4,882	4,882	4,882
Transactions with owners:						
<i>Contributions and distributions</i>						
Dividends (Note 9)	–	–	–	(3,200)	(3,200)	(3,200)
At 31 March 2018	<u>–</u>	<u>–</u>	<u>10</u>	<u>12,321</u>	<u>12,331</u>	<u>12,331</u>
At 1 April 2018	<u>–</u>	<u>–</u>	<u>10</u>	<u>12,321</u>	<u>12,331</u>	<u>12,331</u>
Loss and total comprehensive loss for the year	–	–	–	(179)	(179)	(179)
Transactions with owners:						
Capitalisation issue of shares	3,000	(3,000)	–	–	(3,000)	–
Issue of shares by share offer	1,000	59,000	–	–	59,000	60,000
Transaction costs attributable to issue of shares	–	(11,190)	–	–	(11,190)	(11,190)
Total transactions with owners for the year	<u>4,000</u>	<u>44,810</u>	<u>–</u>	<u>–</u>	<u>44,810</u>	<u>48,810</u>
At 31 March 2019	<u>4,000</u>	<u>44,810</u>	<u>10</u>	<u>12,142</u>	<u>56,962</u>	<u>60,962</u>

Note:

- (i) Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.
- (ii) Capital reserve represents the amount of the issued and paid-up share capital of the entities now comprising the Group before completion of the Reorganisation (as defined in note 2 to the consolidated financial statement) less consideration paid to acquire the relevant interests (if any) upon completion of the Reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 31 October 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on GEM of the Stock Exchange on 8 January 2019. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is situated at 20/F., Glassview Commercial Building, No. 65 Castle Peak Road Yuen Long, Yuen Long, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in sale of diesel oil and related products in Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollar ("HK\$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the GEM of the Stock Exchange (the "**Reorganisation**"), the group entities were under the control of Mr. Law Ming Yik. Details of the Reorganisation are set out in the section headed "History and Development, Reorganisation and Group Structure" in the prospectus of the Company dated 8 January 2019. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group. Accordingly, for the purpose of the preparation of the Consolidated Financial Statements, the Company has been considered as the holding company of the companies now comprising the Group throughout the periods presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Law Ming Yik prior to and after the Reorganisation. The Consolidated Financial Statements have been prepared on the historical cost basis. The preparation of the Consolidated Financial Statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

For the purpose of preparing and presenting the consolidated financial statements of the Group for the year ended 31 March 2019, the Group has consistently adopted all the HKFRSs that are effective for the financial year beginning on 1 April 2018 for both the current and prior year.

3. REVENUE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<u>Revenue from contracts with customers within HKFRS 15</u>		
Recognised at point in time		
Sales of diesel oil	473,609	442,797
Sales of diesel exhaust fluid	<u>562</u>	<u>639</u>
	474,171	443,436
Recognised over time		
Ancillary transportation services	<u>65</u>	<u>–</u>
	<u>474,236</u>	<u>443,436</u>

4. INFORMATION ABOUT MAJOR CUSTOMERS

Details of the customers individually accounting for 10% or more of aggregate revenue of the Group during the years ended 31 March 2019 and 2018 are as follows:

	<i>HK\$'000</i>
Year ended 31 March 2019	
Customer A	119,926
Customer B	113,053
Customer C	111,636
Customer D	<u>68,979</u>
	<u>413,594</u>
Year ended 31 March 2018	
Customer C	151,156
Customer B	110,377
Customer D	85,899
Customer A	<u>56,820</u>
	<u>404,252</u>

5. OTHER INCOME

	2019 HK\$'000	2018 HK\$'000
Bank interest income	177	—
Sundry income	53	—
	<u>230</u>	<u>—</u>

6. PROFIT BEFORE TAX

This is stated after charging:

	2019 HK\$'000	2018 HK\$'000
Finance costs		
Finance charges on interest-bearing borrowings	88	13
Finance charges on obligations under finance leases	72	132
Interest on bank overdrafts	21	—
	<u>181</u>	<u>145</u>
Staff costs (including directors' emoluments)		
Salaries and other benefits	6,272	5,203
Contributions to defined contribution schemes	249	227
	<u>6,521</u>	<u>5,430</u>
Other items		
Auditor's remuneration	480	100
Cost of inventories (<i>Note</i>)	454,425	420,961
Depreciation		
Cost of sales	1,004	1,224
Other operating expenses	818	765
Operating lease charges for premises	402	375
	<u>480</u>	<u>375</u>

Note: Cost of inventories included approximately HK\$4,540,000 for the year ended 31 March 2019 (2018: HK\$5,015,000), which relates to the aggregate amount of certain staff costs, depreciation, license fee, repair and maintenance and transportation expenses.

7. TAXATION

For the year ended 31 March 2019, the assessable profits of a Hong Kong incorporated subsidiary of the Group is entitled to the two-tiered profits tax rates regime that the first HK\$2,000,000 of assessable profits will be taxed at 8.25% and assessable profits above HK\$2,000,000 will be taxed at 16.5%. For the year ended 31 March 2018, Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profits.

For the years ended 31 March 2019 and 2018, the Group's entities established in the Cayman Islands and the British Virgin Islands are exempted from income tax.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year	1,652	2,890
Overprovision in prior year	(30)	–
	1,622	2,890
Deferred tax		
Reversal of temporary difference	(17)	(66)
Income tax expenses	1,605	2,824

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the following data:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss) Earning		
(Loss) profit for the purpose of calculating basic (loss) earnings per share	(179)	4,882
Number of shares		
Weighted average number of ordinary shares, for the purpose of calculating basic and diluted (loss) earnings per share	322,739,725	300,000,000

The weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and capitalisation issue as disclosed in notes 12(c) and 12(d) to the consolidated financial statements had been completed on 1 April 2017.

Diluted (loss) earnings per share are not presented as there were no potential dilutive ordinary shares outstanding during years ended 31 March 2019 and 2018.

9. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interim dividends	<u>–</u>	<u>3,200</u>

The dividends represent the dividends declared and paid to the owner of the entities now comprising the Group.

No dividend has been paid or declared by any group entities during the year.

10. TRADE RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables		
From third parties	<u>37,624</u>	<u>15,077</u>

The average credit period granted to customers was ranging from 0 to 90 days. The ageing of trade receivables by invoice date is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	23,165	14,306
31 to 60 days	4,849	565
61 to 90 days	7,636	198
Over 90 days	<u>1,974</u>	<u>8</u>
	<u>37,624</u>	<u>15,077</u>

The Group's customer base consists of a wide range of clients and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating expected credit loss ("ECL") for trade receivables and recognises a loss allowance, if any, based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the year.

The management of the Group considers the lifetime ECL of trade receivables to be insignificant, so no loss allowance was recognised during the year.

10. TRADE RECEIVABLES (Continued)

As at 31 March 2019	Expected loss rate	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>	Credit- impaired
Not past due	–	24,397	–	No
Within 30 days overdue	1%	4,126	–	No
31 – 60 days overdue	2.5%	7,225	–	No
61 – 90 days overdue	5%	1,396	–	No
More than 90 days overdue	10%	480	–	No
		37,624	–	

As at 31 March 2018	Expected loss rate	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>	Credit- impaired
Not past due	–	12,079	–	No
Within 30 days overdue	1%	2,749	–	No
31 – 60 days overdue	2.5%	209	–	No
61 – 90 days overdue	5%	32	–	No
More than 90 days overdue	10%	8	–	No
		15,077	–	

The Group does not hold any collateral over trade receivables as at 31 March 2019 and 2018.

11. TRADE PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables		
To third parties	7,018	4,678

At the end of the reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	6,997	4,671
31 to 60 days	18	7
61 to 90 days	3	–
	7,018	4,678

12. SHARE CAPITAL

		2019	
	Note	No. of shares	HK\$'000
Authorised:			
<i>Ordinary shares of HK\$0.01 each</i>			
At 31 October 2017 (date of incorporation)	(a)	<u>38,000,000</u>	<u>380</u>
At 31 March 2018		38,000,000	380
Increase in authorised share capital	(b)	<u>2,962,000,000</u>	<u>29,620</u>
At 31 March 2019		<u>3,000,000,000</u>	<u>30,000</u>
Issued and fully paid:			
<i>Ordinary shares of HK\$0.01 each</i>			
At 31 October 2017 (date of incorporation)	(a)	<u>1</u>	<u>–</u>
At 31 March 2018		1	–
Issue of shares pursuant to Reorganisation	(c)	99	–
Capitalisation issue of shares	(d)	299,999,900	3,000
Issue of shares by share offer	(e)	<u>100,000,000</u>	<u>1,000</u>
At 31 March 2019		<u>400,000,000</u>	<u>4,000</u>

Note:

- (a) On 31 October 2017, the date of incorporation, the authorised share capital of the Company was HK\$380,000 comprising 38,000,000 shares of HK\$0.01 each. 1 nil-paid share of HK\$0.01 was allotted and issued to subscriber and the subscriber transferred the share to Fully Fort Group Limited.
- (b) Pursuant to the resolution of the Company's shareholder passed on 11 December 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$30,000,000 by the creation of an additional 2,962,000,000 shares of HK\$0.01 each which rank pari passu in all aspect with the existing shares.
- (c) On 29 November 2018, as part of the Reorganisation, the Company allotted and issued 99 shares of HK\$0.01 each to the shareholder and the shares issued carry the same rights as all shares in issue and the initial nil-paid share was credited as fully paid.
- (d) On 8 January 2019, the Company issued a total of 299,999,900 ordinary shares of HK\$0.01 each to the shareholder representing the ultimate controlling party, Mr. Law Ming Yik, credited as fully paid at par by way of capitalisation of the sum of HK\$2,999,999 standing to the credit of the share premium account of the Company and the shares issued carry the same rights as all shares in issue.

- (e) On 8 January 2019, the Company issued a total of 100,000,000 ordinary shares of HK\$0.01 each pursuant to the Company's listing on GEM of the Stock Exchange by way of share offer at HK\$0.60 per share and the shares issued carry the same rights as all shares in issue. The expenses attributable to issue of shares pursuant to the share offer of approximately HK\$11,190,000 were recognised in the share premium account of the Company.

SCOPE OF WORK OF MESSRS. MAZARS CPA LIMITED

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of comprehensive income, and related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Company's auditors, Mazars CPA Limited ("Mazars"), to the amounts set out in the Company's audited consolidated financial statements for the year ended 31 March 2019. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally engaged in the sale of diesel oil in Hong Kong. Our services includes sourcing and transportation of diesel oil and related products in Hong Kong. Most of the Group's customers are logistic companies which construction companies which require diesel oil to operate their logistic fleets. In addition to our sale services as described above, we also provide ancillary transportation service to an Oil Major whereby we help the Oil Major transport the diesel to its customers. The Group had a fleet of seven diesel tank wagons of various capacity as at 31 March 2019.

The Group has recorded a revenue of approximately HK\$474.2 million for the year ended 31 March 2019, representing an increase of approximately HK\$30.8 million or 6.9% as compared to the year ended 31 March 2018. The increase was mainly contributed by the increase in average selling price of diesel oil due to our increased purchase cost of diesel oil. Meanwhile, the Group has executed strict control on costs and expenses. Loss attributable to the owners of the Company was approximately HK\$0.2 million for the year ended 31 March 2019, representing a decrease of approximately HK\$5.1 million as compared with the year ended 31 March 2018. The decrease in net profit mainly due to recognition of one-off professional service fees and listing related expenses totaling of approximately HK\$11.8 million. Excluding the expenses in connection to the Listing, the profit attributable to the owners of the Company would have been HK\$11.6 million for the year ended 31 March 2019.

FUTURE PROSPECTS

The Board believes that market trend of sales of diesel oil in Hong Kong remains optimistic mainly due to the stable demand from transportation and construction sectors respectively.

According to the market research report prepared by China Insights Consultancy as set out in the section headed “Industry Overview” in the prospectus, Hong Kong’s market size for diesel is expected to grow at a compound annual growth rate of 1.0%, reaching a total 1,468.7 thousand kiloliters by 2022, among which industrial processes/equipment is expected to consume 249.4 thousand kiloliters and transportation is expected to consume 1,219.3 thousand kiloliters. The market development is positive.

The opening of Hong Kong-Zhuhai-Macau Bridge is expected to provide more convenient transportation in the Greater Bay Area, which is anticipated to increase the demands for ground logistic services in the area. On the other hand, continuing investment in local public infrastructure supports demand for diesel oil in the construction sector.

In view of the challenging business environment and keen competition in the diesel oil sales market in Hong Kong, our Group will continue to deploy more resources on talent recruitment and strengthen our business development and marketing strategy on diesel oil and will also proactively seek potential business opportunities that will broaden our sources of income and enhance value to the shareholders.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by approximately HK\$30.8 million or approximately 6.9% from approximately HK\$443.4 million for the year ended 31 March 2018 to approximately HK\$474.2 million for the year ended 31 March 2019. Revenue from the sales of diesel oil and diesel exhaust fluid accounted for approximately HK\$473.6 million and HK\$0.6 million respectively, representing approximately 99.9% and 0.1% respectively, of the Group’s total revenue for the year ended 31 March 2019. For the year ended 31 March 2018, the revenue from the sales of diesel oil and diesel exhaust fluid accounted for approximately HK\$442.8 million and HK\$0.6 million respectively, representing approximately 99.9% and 0.1% respectively, of the Group’s total revenue. Sales of diesel oil remained the largest contributor to the Group’s revenue. Since September 2018, the Group started to provide ancillary transportation services to an Oil Major whereby we help the Oil Major transport the diesel oil to its customers. Total revenue derived from ancillary transportation services is approximately HK\$65.4 thousand for the year ended 31 March 2019.

Sales quantity

The sales quantity of diesel oil decreased by approximately 10.6% from 111.6 million litres for the year ended 31 March 2018 to 99.8 million litres for the year ended 31 March 2019, which showed less diesel oil demand from the logistics sectors due to impact of trade war during the year ended 31 March 2019. The sales quantity of diesel exhaust fluid increased by approximately 2.7% from 112 thousand litres for the year ended 31 March 2018 to 115 thousand litres for the year ended 31 March 2019.

Selling price

The average selling price of the Group's diesel oil increased by approximately 19.6% from HK\$3.97 per litre for the year ended 31 March 2018 to HK\$4.75 per litre for the year ended 31 March 2019 whereas the average selling price of the Group's diesel exhaust fluid decreased by approximately 14.0% from HK\$5.71 per litre for the year ended 31 March 2018 to HK\$4.91 per litre for the year ended 31 March 2019. The increase of the average selling price of the Group's diesel oil was adjusted upwards as a result of the increasing trend in the prevailing market prices.

Cost of sales

Cost of sales primarily consists of diesel oil costs, diesel exhaust fluid costs, direct labour costs, depreciation. The purchase cost for diesel oil and diesel exhaust fluid depends on the domestic purchase price offered by the Group's oil suppliers, with reference to the price indices such as Europe Brent spot crude price.

For the year ended 31 March 2019, the Group's cost of sales was approximately HK\$454.4 million, representing an increase of 7.9% from HK\$421.0 million for the year ended 31 March 2018. Such increase in cost was mostly passed to our customers resulting in overall rise in revenue.

The largest component of the cost of sales was diesel oil cost, which amounted to approximately HK\$415.0 million and HK\$449.1 million, representing approximately 99.9% and 99.9% of the cost of sales for the year ended 31 March 2018 and 2019, respectively. The unit purchase cost of diesel oil increased by 21.0% from approximately HK\$3.72 per litre for the year ended 31 March 2018 to approximately HK\$4.50 per litre for the year ended 31 March 2019. The unit purchase costs of diesel exhaust fluid decreased by 11.0% from approximately HK\$3.56 per litre for the year ended 31 March 2018 to approximately HK\$3.17 per litre for the year ended 31 March 2019. The increase in unit purchase cost of diesel oil was in line with the market trend for the year ended 31 March 2019.

For the year ended 31 March 2018 and 2019, the diesel exhaust fluid costs were approximately HK\$0.4 million and HK\$0.4 million respectively, representing approximately 0.1% and 0.1% of the cost of sales, respectively.

The direct labour costs comprise wages and benefits, including wages, bonuses, retirement benefit costs and other allowances and benefits payable to all the Group's diesel tank wagons (drivers and logistics assistants) involved in the transportation of the products from the oil depot to the customers. The direct labour costs amounted to approximately HK\$3.0 million and HK\$2.6 million for the year ended 31 March 2018 and 2019, respectively. The Group had seven full-time employees (including drivers and logistics assistants) responsible for the logistics support for the Group's diesel tank wagons as at 31 March 2018 and 2019, respectively

Depreciation represented depreciation charges for the Group's equipment which comprise mainly of diesel tank wagons. The depreciation amounted to approximately HK\$1.2 million and HK\$1.0 million for the year ended 31 March 2018 and 2019, respectively.

Gross profit and gross profit margin

The gross profit represented the Group's revenue less cost of sales. The Group recorded a decrease in gross profit by approximately HK\$2.7 million or approximately 12.0% from approximately HK\$22.5 million for the year ended 31 March 2018 to approximately HK\$19.8 million for the year ended 31 March 2019. The Group's gross profit margin decreased, from 5.1% for the year ended 31 March 2018 to 4.2% for the year ended 31 March 2019. The decrease in gross profit is primarily due to increase in purchase costs of diesel oil for the year, approximately 21% up per unit in average compared with last year. The Group will closely monitor our purchase costs and customer's price sensitivity to diesel oil when determining selling price.

Administrative and other operating expenses

Administrative and other operating expenses mainly include administrative staff costs, professional service fees, entertainment, rent and rate and others. The Group's administrative and other operating expenses increased by appropriately HK\$3.7 million or 71.2% from appropriately HK\$5.2 million for the year ended 31 March 2018 to appropriately HK\$8.9 million for the year ended 31 March 2019. Increase is primarily due to one-off professional service fees and listing related expenses in totaling of approximately HK\$2.3 million, and increase in staff costs and director's emoluments of approximately HK\$1.4 million for the year ended 31 March 2019.

Income tax expenses

As all of the Group's profit are derived from Hong Kong and subject to Hong Kong income tax. The Group's income tax decreased by appropriately HK\$1.2 million or 43% for the year ended 31 March 2019, primarily due to decrease in assessable profits and benefits from the two-tiered profits tax rates regime that the first HK\$2 million of assessable profits will be taxed at 8.25% (the "**graduated tax rate**"), and assessable profits above HK\$2 million will be taxed at 16.5% (the "**standard tax rate**"), whereas calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2018.

Loss for the year

As a result of the foregoing, the Group's net profit decreased by approximately HK\$5.1 million from a profit of approximately HK\$4.9 million for the year ended 31 March 2018 to a loss of approximately HK\$0.2 million for the year ended 31 March 2019 and the Group's net profit margin decreased from approximately 1.1% to a negative of 0.04% during the same periods. The decrease in the net profit and net profit margin for the year ended 31 March 2019 was mainly due to the increase in the recognition of one-off expenses in connection to listing during the year as compared to the year ended 31 March 2018.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources and Liquidity

The Group finances its operations through cash generated from operating activities and interest-bearing bank borrowing, overdrafts and finance leases. The Group recorded net current assets of approximately HK\$56.3 million as at 31 March 2019.

As at 31 March 2019, the Group's current assets amounted to approximately HK\$64.7 million and the Group's current liabilities amounted to approximately HK\$8.4 million. Current ratio was approximately 7.7 as at 31 March 2019. Current ratio is calculated by current assets over current liabilities at the end of the year.

As at 31 March 2019, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$2.0 million and none of the banking facilities were utilized.

CAPITAL STRUCTURE

For the year ended 31 March 2019, the capital structure of the Group consisted of equity attributable to the owners of the Company of approximately HK\$61.0 million. The share capital of the Group only comprises of ordinary shares. The Shares were listed on the GEM of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Group since then.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2019. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year ended 31 March 2019, the Group did not have any significant investment, material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of the Listing as set out in the paragraph headed "Reorganisation" under the section headed "History and Development, Reorganisation and Group Structure" in the Prospectus.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

Apart from the reorganisation in relation to the Listing as disclosed in the Prospectus, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 March 2019.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2019, the Group had HK\$1.2 million of capital commitments in respect of the acquisition of property, and equipment that have not been provided in the Group's consolidated financial statements.

DIVIDENDS

The Board did not recommend a payment of any dividend for the year ended 31 March 2018 and 2019.

USE OF PROCEEDS

The Shares were listed on GEM on 8 January 2019 by way of Share Offer. The Directors intend to apply the net proceeds from the Share Offer in accordance with the proposed implementation plan as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The net proceeds received by the Company from the Share Offer, after deducting underwriting commission and other Listing expenses, amounted to approximately HK\$34.8 million. Set out below is the actual use of the Net Proceeds up to 31 March 2019:

	Planned use of total Net Proceeds <i>HK\$ million</i>	Approximate percentage of total Net Proceeds	Actual use of Net Proceeds up to 31 March 2019 <i>HK\$ million</i>	Unused total Net Proceeds up to 31 March 2019 <i>HK\$ million</i>
Purchase of diesel tank wagons	15	43.1	2.9	12.1
Expand manpower	12.5	35.9	0.1	12.4
Upgrade information technology systems	5.0	14.4	–	5.0
Working capital	2.3	6.6	2.3	–
	<u>34.8</u>	<u>100.0</u>	<u>5.3</u>	<u>29.5</u>

The Group will apply the net proceeds received from the Share Offer in the manners consistent with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The implantation plans for business strategies and use of Net Proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus. The Group implemented its business strategies and applied the Net Proceeds based on the actual development of the Group’s business and industry, as well as market conditions.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group engaged a total of 24 employees (31 March 2018: 20 employees) including the Directors. For the year ended 31 March 2019, total staff costs amounted to approximately HK\$6.5 million (year ended 31 March 2018: approximately HK\$5.4 million). Remuneration (including employees’ benefits) is maintained within the market level and reviewed on a periodic basis. Employees’ salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group’s business performance.

ENVIRONMENT POLICIES AND PERFORMANCE

The principal activity of the Group is governed by Hong Kong environmental laws and regulations including the Air Pollution Control Ordinance and the Water Pollution Control Ordinance in Hong Kong. These laws and regulations cover a broad range of environmental matters, including air pollution, noise and gas emissions, leakage of oil products or other hazardous substances. The Group recognises the importance of environmental protection and has implemented various environmental protection measures in order to minimise the operation impact on the environment and natural resources.

The Group will continue to monitor the business operations in order to ensure that it does not have only significant adverse effect on the environment and that the Group's environment protection measures are adequate to ensure compliance with all applicable current Hong Kong laws or regulations.

As at the date of this announcement, no prosecution, penalty or punishment has been imposed upon the Group for the violation of any environmental laws or regulations.

EVENTS AFTER THE REPORTING PERIOD

As from 31 March 2019 to the date of this announcement, save as disclosed in this announcement, the Board is not aware of any significant events requiring disclosure that have occurred.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

As at 31 March 2019, there was no purchase, sale or redemption of any Company's listed securities.

Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the shares

Name of Director	Capacity/ Nature of Interest	Number of Shares	Percentage of issued share capital of the Company
Mr. Law Ming Yik	Interest in a controlled corporation (<i>Note 1</i>)	300,000,000 Shares (L) (<i>Note 2</i>)	75%

Notes:

- (1) The entire issued share capital of Fully Fort Group Limited (“**Fully Fort**”) is legally and beneficially owned as to 100% by Mr. Law Ming Yik. Fully Fort, in turn, directly holds 300,000,000 Shares of the Company. Accordingly, Mr. Law Ming Yik is deemed to be interested in the 300,000,000 Shares of the Company which Fully Fort is deemed to be interested in.
- (2) The letter “L” denotes the person’s long position in the relevant Shares.

Interests of the Compliance Adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Kingsway Capital Limited (“**Kingsway**”) to be the compliance adviser. Neither Kingsway nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Sufficiency of public float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25% as required under the GEM Listing Rules as at the date of this announcement.

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) on 11 December 2018 in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely Mr. Ho Cheung Kong, Mr. Wong Ka Chun Matthew and Mr. Fenn David. Mr. Ho Cheung Kong is the chairman of the audit committee and he holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The Audit Committee has reviewed this announcement and the audited consolidated results of the Group for the year ended 31 March 2019 and the effectiveness of internal control system.

Directors’ Securities Transactions

The Company adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Directors complied with such required standard of dealings and its code of conduct regarding directors’ securities transactions as at the date of this announcement.

Share Option Scheme

The Company has conditionally adopted the share option scheme in which certain eligible participants including, among others, the Directors and employees of the Group may be granted options to subscribe for Shares on 11 December 2018 (the “**Adoption Date**”). The share option scheme became unconditional upon the Listing Date. Under the terms of the Scheme, the Board may, at its discretion, grant options to eligible participants to subscribe for Shares. No share options were granted since the Adoption Date up to 31 March 2019, and there was no share option outstanding as at 31 March 2019. As at 31 March 2019, the Company had 40,000,000 shares available for issue under the Scheme, representing 10% of the existing issued share capital of the Company as at the date of this announcement.

Corporate Governance

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. Since the Listing Date and up to 31 March 2019, the Company has complied with the code provisions set out in the Corporate Governance Code (the “**Code Provisions**”) contained in Appendix 15 of the GEM Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates the shareholders on its latest business developments and financial performance through its quarterly, interim and annual reports and communicates with the shareholders through annual general meetings and extraordinary general meetings. In compliance with the requirements of the GEM Listing Rules, the Company will issue regular reports, announcements, circulars and notice of general meetings. Always updated with latest information, the corporate website of the Company (www.skhl.com.hk) has provided an effective communication platform to the public and the shareholders.

OUTLOOK

The Group always strives to improve its operation efficiency and profitability of its businesses. The Board believes that the market trend of diesel sales in Hong Kong remains optimistic because the opening of Hong Kong-Zhuhai-Macau Bridge is expected to provide more convenient transportation in the Greater Bay Area, which is anticipated to increase the demands of ground logistic services in the area. On the other hand, continuing investment in local public infrastructure supports demand for diesel oil in the construction sector.

The Board will also proactively seek potential business opportunities that will broaden our sources of income and enhance value to the shareholders.

Looking forward, the Group will make steady progress in accordance with the plans formulated before its listing and its actual operational conditions, so as to facilitate effective implementation of the business objectives of the Company and bring benefits from it.

APPRECIATION

The Board would like to extend its sincere thanks to the Group's shareholders, business partners and customers for their utmost support to the Group. The Group would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the year.

On behalf of the Board
Sun Kong Holdings Limited
Mr. Law Ming Yik
Chairman and executive Director

Hong Kong, 11 June 2019

As at the date of this announcement, the executive Directors of the Company are Mr. LAW Ming Yik (chairman) and Mr. LI Isaiah (chief executive officer); and the independent non-executive Directors of the Company are Mr. FENN David, Mr. WONG Ka Chun Matthew and Mr. HO Cheung Kong.

This announcement will remain on GEM's website at www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.skhl.com.hk.