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## **Superland Group Holdings Limited**

### **德合集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 368)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Superland Group Holdings Limited (the “**Company**”) is pleased to announce its unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020, together with the comparative figures for the corresponding six months ended 30 June 2019, as follows:

### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2020*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	5	<b>296,233</b>	354,952
Cost of services		<b>(264,815)</b>	(328,360)
<b>Gross profit</b>		<b>31,418</b>	26,592
Other gains, net		<b>243</b>	224
Other income	6	<b>2,171</b>	–
Administrative expenses		<b>(37,073)</b>	(28,366)
<b>Loss before finance income and costs and income tax credit</b>		<b>(3,241)</b>	(1,550)
Finance income		<b>979</b>	1,096
Finance costs		<b>(8,337)</b>	(7,268)
<b>Loss before income tax</b>		<b>(10,599)</b>	(7,722)
Income tax credit	7	<b>1,561</b>	1,031
<b>Loss and total comprehensive loss for the period attributable to owners of the Company</b>	8	<b>(9,038)</b>	(6,691)
<b>Loss per share attributable to the owners of the Company</b>			
Basic and diluted (HK cents)	9	<b>(1.51)</b>	(1.12)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

		As at <b>30 June 2020</b>	As at 31 December 2019
	<i>Notes</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment		<b>8,078</b>	10,836
Right-of-use assets		<b>6,641</b>	8,569
Investments in insurance contracts	<i>11</i>	<b>15,026</b>	14,792
Other receivables, deposits and prepayments		<b>16,251</b>	18,003
Deferred income tax assets		<b>2,192</b>	631
		<hr/> <b>48,188</b>	<hr/> 52,831
<b>Current assets</b>			
Trade receivables	<i>12</i>	<b>51,924</b>	131,057
Other receivables, deposits and prepayments		<b>13,304</b>	34,334
Contract assets		<b>203,256</b>	164,193
Amount due from a Director	<i>13</i>	–	81,791
Amount due from Success Base Group Holding Limited	<i>14</i>	–	28,812
Amounts due from related companies	<i>14</i>	<b>177,680</b>	203,465
Pledged time deposits		<b>3,121</b>	3,100
Cash and cash equivalents		<b>34,264</b>	10,847
		<hr/> <b>483,549</b>	<hr/> 657,599
<b>Total assets</b>		<hr/> <b>531,737</b>	<hr/> 710,430
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		–	–
Capital reserve		<b>2,500</b>	2,500
Retained earnings		<b>14,199</b>	153,237
<b>Total equity</b>		<hr/> <b>16,699</b>	<hr/> 155,737

		As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<u>3,374</u>	<u>4,612</u>
		<u>3,374</u>	<u>4,612</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	15	54,471	71,016
Accruals, retention payables and other liabilities		60,489	55,741
Lease liabilities		3,380	4,253
Contract liabilities		16,388	27,675
Borrowings		375,768	381,507
Current income tax payables		<u>1,168</u>	<u>9,889</u>
		<u>511,664</u>	<u>550,081</u>
<b>Total liabilities</b>		<u>515,038</u>	<u>554,693</u>
<b>Total equity and liabilities</b>		<u>531,737</u>	<u>710,430</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 July 2019. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The addresses of its principal place of business in Hong Kong Special Administrative Region (“**Hong Kong**” or “**HKSAR**”) of the People’s Republic of China is Flat A&B, 3/F, Yin Da Commercial Building, 181 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. The shares of the Company are listed (the “**Listing**”) on the Main Board (the “**Main Board**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 July 2020.

The Company is an investment holding company. The Group is principally engaged in the provision of fitting-out services and repair and maintenance services for residential and commercial properties in Hong Kong.

### 2. BASIS OF PREPARATION

Pursuant to the reorganisation of the Company as more fully explained in the section headed “History, development and Reorganisation” in the prospectus (the “**Prospectus**”) of the Company dated 30 June 2020, the Company became the holding company of the companies now comprising the Group on 9 December 2019 (the “**Reorganisation**”). Immediately prior to and after the Reorganisation, the principal business was mainly conducted through Success Base Engineering Limited, and ultimately controlled by a Director, Mr. Ng Chi Chiu (“**Mr. Ng**”). Pursuant to the Reorganisation, Success Base Engineering Limited was transferred to and held indirectly by the Company. As the Company and its direct wholly owned subsidiary, Team World Company Limited, had not been involved in any other business prior to the Reorganisation and do not meet the definition of a business, the Reorganisation is merely a recapitalisation of the principal business with no change in business substance and management of such business, and the ultimate controlling shareholder of Success Base Engineering Limited remains the same. Accordingly, the financial information of the companies now comprising the Group is presented using the carrying values of Success Base Engineering Limited for all periods presented for the purpose of this condensed consolidated interim financial statements.

The condensed consolidated interim financial statements for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange.

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

For the preparation of the condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s consolidated financial statements for the year ended 31 December 2019, as disclosed in the Appendix I to the Prospectus.

The condensed consolidated interim financial statements does not include all the information and disclosures required in the consolidated financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2019 as disclosed in the Appendix I to the Prospectus.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements has been prepared under the historical cost convention except for investments in insurance contracts which are measured at the cash surrender value.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the Group's consolidated financial statements for the year ended 31 December 2019 as disclosed in the Appendix I to the Prospectus, except for the adoption of the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”) and an interpretation issued by the HKICPA for the first time in the current period:

HKAS 1 and HKAS 8 (amendments)	<i>Definition of material</i>
HKAS 39, HKFRS 7 and HKFRS 9 (amendments)	<i>Hedge accounting</i>
HKFRS 3 (amendments)	<i>Definition of a business</i>
Conceptual Framework for Financial Reporting 2018	<i>Revised conceptual framework for financial reporting</i>

The application of the new and amendments to HKFRSs and the interpretation in the current period has had no material impact on the Group's financial performance and position for the current and prior period and/or on the disclosures set out in the current period's condensed consolidated interim financial statements.

### 4. FAIR VALUE ESTIMATION

The Group analyses its financial instruments' fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, pledged time deposits, trade receivables, other receivables, deposits and prepayments, amounts due from a Director/Success Base Group Holding Limited/related companies, trade payables, accruals, retention payables and other liabilities, borrowings and lease liabilities approximate their fair values, which either due to their short term maturities, or that they are subject to floating rates.

## 5. REVENUE AND SEGMENT INFORMATION

The chairman has been identified as the chief operating decision maker of the Group who reviews the Group's internal reporting in order to assess performance and allocate resources. The chairman regards the Group's business as a single operating segment and reviews condensed consolidated interim financial statements accordingly.

### (a) Disaggregation of revenue

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products of service lines		
— Fitting-out services	294,170	352,242
— Repair and maintenance services	2,063	2,710
	<u>296,233</u>	<u>354,952</u>

The Group's revenue is recognised over time during the six months ended 30 June 2020 and 2019.

### (b) Geographical information

All the Group's revenue during the six months ended 30 June 2020 and 2019 and the Group's assets as at 30 June 2020 and 31 December 2019 are generated and based in Hong Kong.

## 6. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Subsidy from the Government of the HKSAR	<u>2,171</u>	<u>—</u>

## 7. INCOME TAX CREDIT

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
— Underprovision in prior periods	—	52
Deferred income tax	<u>(1,561)</u>	<u>(1,083)</u>
Income tax credit	<u>(1,561)</u>	<u>(1,031)</u>

No Hong Kong profits tax was provided for the six months ended 30 June 2020 as the Group has no estimated assessable profits (six months ended 30 June 2019: Nil) arising in Hong Kong.

## 8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

The Group's loss for the period is stated after charging/(crediting) the following:

Sub-contracting fees	116,871	190,145
Material costs	111,780	106,118
Depreciation		
— property, plant and equipment	1,513	1,596
— right-of-use assets	974	1,001
Employee benefits expenses	48,316	43,081
Listing expenses	3,830	280
Interest expenses on borrowings	8,217	7,087
Interest elements of lease liabilities	120	181
Interest income from loans to a Director	(213)	(211)
Interest income from loans to related companies	(691)	(812)

## 9. LOSS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

### Loss

Loss for the purpose of calculating basic loss per share	(9,038)	(6,691)
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### Six months ended 30 June

2020 2019

### Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic loss per share ( <i>Note</i> )	600,000,000	600,000,000
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*Note:* The weighted average number of ordinary shares of the Company for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganisation as set out in note 1.2 to the Appendix I to the Prospectus and the capitalisation issue as described in the section headed "Share capital" in the Prospectus have been effective on 1 January 2019.

No diluted loss per share is presented as the Group has no potential ordinary shares in issue during both periods.

## 10. DIVIDENDS

On 10 January 2020, the Group declared a special dividend in the total sum of HK\$130.0 million out of the profits of the Group available for distribution to pay to a Director, Mr. Ng, out of which (i) approximately HK\$128.1 million in the form of species of the receivables of the Group owed by Mr. Ng, Success Base Group Holding Limited, Success Land Global Company Limited, Nice Dragon International Limited, Fullmax Resources Limited and One Production Holding Limited; and (ii) the balance of approximately HK\$1.9 million be settled as agreed between the Group and Mr. Ng. The special dividend was fully settled before the Listing.

The Directors do not recommend the payment of an interim dividend during the six months ended 30 June 2020.

## 11. INVESTMENTS IN INSURANCE CONTRACTS

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
At the beginning of period/year	14,792	14,335
Credited to the condensed consolidated statement of comprehensive income:		
— Gains on changes in surrender values	<u>234</u>	<u>457</u>
At the end of period/year	<u><u>15,026</u></u>	<u><u>14,792</u></u>

Investments in insurance contracts represented key management life insurance policies (the “**Insurance Policies**”). A subsidiary of the Company is the beneficiary of the Insurance Policies. The Insurance Policies were pledged to banks as securities for certain facilities granted to the subsidiary.

## 12. TRADE RECEIVABLES

The ageing analysis of the trade receivables, based on invoice date and net of allowances, is as follows:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
0–30 days	40,103	67,143
31–60 days	11,423	41,136
61–90 days	106	21,367
Over 90 days	<u>292</u>	<u>1,411</u>
	<u><u>51,924</u></u>	<u><u>131,057</u></u>

### 13. AMOUNT DUE FROM A DIRECTOR

Particulars of amount due from a Director are as follows:

	<i>HK\$'000</i>	
<b>Balance at 30 June 2020 (unaudited)</b>	<u><u>–</u></u>	
Balance at 31 December 2019 (audited)	<u><u>81,791</u></u>	
	<b>Six months ended 30 June 2020 <i>HK\$'000</i> (Unaudited)</b>	<b>Year ended 31 December 2019 <i>HK\$'000</i> (Audited)</b>
Maximum amount outstanding	<u><u>81,791</u></u>	<u><u>81,791</u></u>

The amount, representing amount due from Mr. Ng, was unsecured, repayment on demand and denominated in Hong Kong Dollars. During the year ended 31 December 2019, except for the amount of approximately HK\$12,048,000, with interest bearing at HIBOR plus 1.8% per annum, the remaining amounts were non-interest bearing.

All of the amounts were non-trade nature, except for an amount of approximately HK\$1,666,000 as at 31 December 2019 was trade in nature and denominated in Hong Kong Dollars.

The amount due from a Director was fully settled in January 2020.

### 14. AMOUNTS DUE FROM SUCCESS BASE GROUP HOLDING LIMITED/RELATED COMPANIES

Particulars of amount due from Success Base Group Holding Limited are as follows:

	<i>HK\$'000</i>	
<b>Balance at 30 June 2020 (unaudited)</b>	<u><u>–</u></u>	
Balance at 31 December 2019 (audited)	<u><u>28,812</u></u>	
	<b>Six months ended 30 June 2020 <i>HK\$'000</i> (Unaudited)</b>	<b>Year ended 31 December 2019 <i>HK\$'000</i> (Audited)</b>
Maximum amount outstanding	<u><u>28,812</u></u>	<u><u>28,812</u></u>

Particulars of amounts due from related companies are as follows:

	<i>HK\$'000</i>	
<b>Balance at 30 June 2020 (unaudited)</b>	<b>177,680</b>	
Balance at 31 December 2019 (audited)	203,465	
	<b>Six months ended 30 June 2020 <i>HK\$'000</i> (Unaudited)</b>	<b>Year ended 31 December 2019 <i>HK\$'000</i> (Audited)</b>
Maximum amount outstanding	<b>203,465</b>	203,465

The amounts due from related companies are unsecured, repayable on demand and denominated in Hong Kong Dollars. During the six months ended 30 June 2020, except for the amount of approximately HK\$53,724,000 (year ended 31 December 2019: approximately HK\$54,571,000), with interest bearing at HIBOR plus 2.5% per annum, the remaining amounts were non-interest bearing.

All of the amounts were non-trade nature, except for an amount of approximately HK\$7,374,000 as at 31 December 2019 was trade in nature and denominated in Hong Kong Dollars.

The amounts due from related companies of approximately HK\$177,680,000 were fully settled before the Listing.

## 15. TRADE PAYABLES

The ageing analysis of the trade payables by invoice date is as follows:

	<b>As at 30 June 2020 <i>HK\$'000</i> (Unaudited)</b>	<b>As at 31 December 2019 <i>HK\$'000</i> (Audited)</b>
0–30 days	<b>20,305</b>	50,398
31–60 days	<b>4,480</b>	8,842
61–90 days	<b>5,375</b>	3,400
Over 90 days	<b>24,311</b>	8,376
	<b>54,471</b>	71,016

## 16. CONTINGENCIES

At the end of the reporting period, the Group's contingent liabilities were as follow:

### (i) Surety bonds

	<b>As at 30 June 2020 HK\$'000 (Unaudited)</b>	As at 31 December 2019 HK\$'000 (Audited)
Surety bonds ( <i>Note</i> )	<b>66,915</b>	66,915

*Note:* As at 30 June 2020, the Directors, Mr. Ng, Ms. Zhao Haiyan Chloe (“**Ms. Zhao**”), Success Base Group Holding Limited and Success Base Engineering Limited provided personal and corporate guarantees of surety bonds in respect of 7 (31 December 2019: 7) fitting-out contracts of the Group in its ordinary course of business. The surety bonds are expected to be released in accordance with the term of the respective fitting-out contracts.

### (ii) Claim

During the year ended 31 December 2018, Success Base Engineering Limited received a claim from a landlord for the rentals for the unexpired term of a tenancy agreement about warehouse in Hong Kong, amounted to approximately HK\$800,000. On 6 January 2020, the Hong Kong court judged that Success Base Engineering Limited is obligated for rental payment of approximately HK\$275,000 and legal costs incurred by the landlord. The Directors are of opinion that sufficient provision has been provided in the condensed consolidated interim financial statements.

## 17. EVENTS AFTER THE REPORTING PERIOD

- (a) Pursuant to the written resolutions of the sole shareholder of the Company passed on 16 June 2020, the Directors were authorised to capitalise a sum of HK\$5,999,899 standing to the share premium account of the Company by applying such sum in paying up in full at par of 599,989,900 ordinary shares of HK\$0.01 each.

Accordingly, 599,989,900 ordinary shares of par value HK\$0.01 each were issued and HK\$5,999,899 were credited to share capital on 17 July 2020.

- (b) On 17 July 2020, the shares of the Company were listed on the Main Board of the Stock Exchange. 200,000,000 ordinary shares of par value of HK\$0.01 each were issued at a price of HK\$0.63 per share in relation to the Listing on 17 July 2020. Upon the Listing, the net proceeds of the Company raised from the IPO was approximately HK\$79.4 million, after deducting the underwriting fees and commissions and other relevant listing expenses.
- (c) The amounts due from related companies of approximately HK\$177,680,000 were fully settled before the Listing.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Revenue**

The revenue of the Group decreased by approximately 16.5% from approximately HK\$354,952,000 for the six months ended 30 June 2019 to approximately HK\$296,233,000 for the six months ended 30 June 2020.

The decrease in revenue was mainly attributable to (i) the decrease in the number of fitting-out projects with revenue contribution from 46 projects for the six months ended 30 June 2019 to only 23 projects for the six months ended 30 June 2020 as certain large-scale fitting-out projects (i.e. 12 projects with total contract sum of HK\$50.0 million or above carried forward from the year ended 31 December 2019) had been practically completed as at 31 December 2019; and (ii) combined impact of the seasonal fluctuations and the outbreak of Coronavirus Disease 2019 (“COVID-19”) on the Group’s operations (as the Chinese New Year in the year 2020 was in late January, the Group’s operations was not in full swing shortly after the Chinese New Year and was further slowed down by the outbreak of COVID-19 in Hong Kong that caused two-week closure for four of the Group’s fitting-out project worksites in early February 2020).

#### **Gross profit and gross profit margin**

The gross profit of the Group was approximately HK\$31,418,000 and approximately HK\$26,592,000 for the six months ended 30 June 2020 and 2019, respectively, while the gross profit margin of the Group was approximately 10.6% and approximately 7.5% for the six months ended 30 June 2020 and 2019, respectively.

The increase in both gross profit and gross profit margin for six months ended 30 June 2020 was mainly contributed by the higher profit margin projects recognised for the six months ended 30 June 2020.

#### **Other income**

The other income of the Group recognised for the six months ended 30 June 2020 represented the subsidy granted under the Employment Support Scheme launched by the Government of the HKSAR.

#### **Administrative expenses**

The administrative expenses of the Group increased by approximately 30.7% from approximately HK\$28,366,000 for the six months ended 30 June 2019 to approximately HK\$37,073,000 for the six months ended 30 June 2020.

The increase in administrative expenses was mainly attributable to the increase in the employee benefit expenses (including Directors’ emoluments) and the expenses incurred in relation to the Listing for the six months ended 30 June 2020.

## **Finance costs**

The finance costs of the Group increased by approximately 14.7% from approximately HK\$7,268,000 for the six months ended 30 June 2019 to approximately HK\$8,337,000 for the six months ended 30 June 2020.

The increase in finance costs was primarily due to the increase in usage of the bank borrowings and other banking facilities for the six months ended 30 June 2020.

## **Loss and total comprehensive loss for the period attributable to owners of the Company**

As a result of the abovementioned, for the six months ended 30 June 2020, the Group reported a net loss of approximately HK\$9,038,000 (six months ended 30 June 2019: approximately HK\$6,691,000).

## **BUSINESS REVIEW AND PROSPECTS**

### **Businesses**

The Group is an established contractor based in Hong Kong with over 15 years of operating history providing fitting-out services and repair and maintenance services with the qualifications as a registered electrical contractor, registered sub-contractor and registered minor works contractor in Hong Kong.

During the six months ended 30 June 2020, the Group is principally engaged in the provision of fitting-out services and repair and maintenance services for residential and commercial properties in Hong Kong.

As at 30 June 2020, the Group had a total of 39 fitting-out projects on hand, which included fitting-out projects that have commenced but not completed and fitting-out projects that have been awarded to us but not yet commenced, with an aggregate total contract sum of approximately HK\$2,931.4 million. Among these projects on hand, 21 projects were with total contract sum of approximately HK\$50.0 million or above. The aggregate total contract sum of these 21 projects amounted to approximately HK\$2,564.2 million.

### **Impact of COVID-19**

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the outbreak of COVID-19 and evaluate its impact on the financial position and operating results of the Group. Four of the Group's fitting-out project worksites were temporarily closed for two weeks in early February 2020, all of which have resumed operation as at the date of this announcement. Management is of opinion that the Group's operations is not affected or delayed by a large extent as a result of the outbreak of COVID-19. For the six months ended 30 June 2020, due to the outbreak of COVID-19, the Group formulated business contingency plans as to sourcing of materials, sub-contracting services and delays in work progress or cancellation of project (if any). As at 30 June 2020 and up to the date of this announcement, the Group was not aware of any material adverse effects on the condensed consolidated interim financial statements as a result of the outbreak of COVID-19.

## **Future prospects and strategies**

Looking ahead to the second half of 2020, it is unavoidable that overall economy in the short term will be affected by the persistent outbreak of COVID-19. As such, it is expected that the Group's business will continue to encounter tough challenges for a while.

However, as supported by both 2018 and 2019 policy address of Hong Kong, the Government of the HKSAR will develop land resources in a persistent manner to satisfy the short to medium term housing demand. Therefore, the Group expects that the business of the Group will remain stable in the fitting-out industry in Hong Kong in the long term. The Group will devote necessary resources to further increase its market share if appropriate.

The Board is of the view that through the Group's continuing organic growth and, if necessary, by means of adopting the Group's invested technologies and devised technical solutions like three-dimensional laser scanning which has been utilised in the last fiscal year, the Group will further enhance its competence and leading position in the fitting-out industry. In particular, the Board continues to explore and apply up-to-date technologies to develop and formulate strategies which could further aid the Group's future growth and possible expansion of the Group's fitting-out business to serve a broader group of potential customers and related markets.

Looking ahead, the Board remains prudent and optimistic about the prospects of the Group's business in the long term. The Group will continue to adopt a cautious approach to ensure corporate sustainability in the second half of 2020. The Group will consider to streamline its business and operations and monitor its working capital management closely. The Group will also closely and carefully monitor the latest development in its business; and the latest development of the epidemic effect and adjust its business strategies from time to time if required.

## **DEBTS AND CHARGE ON ASSETS**

As at 30 June 2020, total debt of the Group, including bank borrowings and lease liabilities, was approximately HK\$382,522,000 (31 December 2019: approximately HK\$390,372,000).

As at 30 June 2020, the Group's banking facilities were secured/guaranteed by:

- (i) Personal guarantees provided by the Directors, Mr. Ng and Ms. Zhao;
- (ii) Corporate guarantees provided by Success Base Group Holding Limited and related companies commonly controlled by Mr. Ng;
- (iii) Properties held by the Directors, Mr. Ng and Ms. Zhao, and related companies;
- (iv) Investments in insurance contracts of approximately HK\$15,026,000 (31 December 2019: approximately HK\$14,792,000); and
- (v) Pledged time deposits of approximately HK\$3,121,000 (31 December 2019: approximately HK\$3,100,000).

In addition, as at 30 June 2020, the Directors, Mr. Ng, Ms. Zhao, Success Base Group Holding Limited and Success Base Engineering Limited provided personal and corporate guarantees of surety bonds.

The Group currently does not have any interest rate hedging policy while the Group pays vigilant attention to and monitors interest rate risks continuously and cautiously.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The principal liquidity and working capital requirements of the Group primarily related to the Group's operating expenses. Historically, the Group had met its working capital and other liquidity requirements principally through a combination of cash generated from the Group's operations and bank borrowings. After the Listing, the Group expects to fund its working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from the Group's operations, bank borrowings, the net proceeds from the initial public offering (the "IPO") as well as other external equity and debt financings as and when appropriate.

As at 30 June 2020, the Group had pledged time deposits of approximately HK\$3,121,000 (31 December 2019: approximately HK\$3,100,000). Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents and pledged time deposits. Total capital is calculated as "equity" as shown in the condensed consolidated statement of financial position, plus net debt. As at 30 June 2020, the gearing ratio of the Group was approximately 95.4% (31 December 2019: approximately 70.7%). As at 30 June 2020, the current ratio of the Group was approximately 0.9 (31 December 2019: approximately 1.2).

## **FOREIGN EXCHANGE EXPOSURE**

Most of the income and expenditures of the Group are denominated in Hong Kong Dollars, being the functional currency of the subsidiaries now comprising the Group, and hence, the Group does not have any material foreign exchange risk exposure. During the six months ended 30 June 2020, the Group did not employ any financial instruments for hedging purpose. The Group monitors its foreign currency exposure closely and will consider adopting hedging policy should the need arise.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2020, the Group employed a total of 248 employees (31 December 2019: 251). The remuneration package the Group offered to its employees includes salary, discretionary year-end bonus and other cash subsidies. The Group provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all eligible employees. The Group determines the salary of its employees mainly based on their qualifications, experiences and performance. The Group carries out regular review on the performance of employees to determine any salary adjustments, bonuses and promotions.

During the six months ended 30 June 2020, the staff costs (including Directors' emoluments) amounted to approximately HK\$48,316,000 (six months ended 30 June 2019: approximately HK\$43,081,000).

## **USE OF PROCEEDS**

Upon the Listing, the net proceeds of the Company raised from the IPO was approximately HK\$79.4 million, after deducting the underwriting fees and commissions and other relevant listing expenses. The net proceeds will be used according to the manner as set out in the section headed “Future plans and use of proceeds” in the Prospectus.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS**

Saved as disclosed elsewhere in this announcement, during the six months ended 30 June 2020, the Group did not have any significant investments, material acquisitions or disposals.

There was no formal plan authorised by the Board for any significant investments, material acquisitions or disposals as at 30 June 2020 and up to the date of this announcement.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group did not have other future plans for material investments or capital assets during the six months ended 30 June 2020.

## **CAPITAL COMMITMENTS**

As at 30 June 2020, the Group did not have any significant capital commitments.

## **CONTINGENT LIABILITIES**

Save as disclosed elsewhere in this announcement, as at 30 June 2020, the Group did not have any significant contingent liabilities.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed elsewhere in this announcement, there have been no other material events occurring after the reporting period and up to the date of this announcement.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend to the shareholders of the Company (the “**Shareholders**”) during the six months ended 30 June 2020.

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

Since 17 July 2020, the date of Listing (the “**Listing Date**”) and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any other listed securities of the Company.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. All the Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code since the Listing Date and up to the date of this announcement.

## **CORPORATE GOVERNANCE PRACTICES**

Save as disclosed below, since the Listing Date and up to the date of this announcement, the Company had complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as stated in the Listing Rules.

In respect of code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of the Group’s operations, and Mr. Ng’s in-depth knowledge and experience in the industry and familiarity with the operations of the Group, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Group and that it is in the best interest of the Group to have Mr. Ng taking up both roles. As such, the roles of the chairman and chief executive officer of the Group are not being separated pursuant to the requirement under the code provision A.2.1 of the CG Code.

## **SHARE OPTIONS**

The Company’s share option scheme (the “**Share Option Scheme**”) was conditionally adopted on 16 June 2020. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider that the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and general information — D. Share Option Scheme” in Appendix IV to the Prospectus.

From the adoption date of the Share Option Scheme and up to the date of this announcement, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

## **REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The unaudited condensed consolidated interim financial statements have not been audited or reviewed by the Company’s auditors, but have been reviewed by the Audit Committee. The Audit Committee has reviewed with the management of the Company on the accounting principles and practices adopted by the Group, the interim report and the interim results announcement of the Group for the six months ended 30 June 2020, and is of the view that such results comply with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the websites of the Stock Exchange and the Company. The interim report of the Company will be despatched to the Shareholders and will also be published on the above websites in due course.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our Shareholders, customers, suppliers, sub-contractors, bankers and professional parties for their continuous support, as well as our management team and staff for their hard work and contributions during the period.

By Order of the Board  
**Superland Group Holdings Limited**  
**Mr. Ng Chi Chiu**  
*Chairman, chief executive officer and executive Director*

Hong Kong, 28 August 2020

*As at the date of this announcement, the executive Directors are Mr. Ng Chi Chiu and Ms. Zhao Haiyan Chloe; the non-executive Director is Mr. Chan Ming Yim and the independent non-executive Directors are Dr. Ho Chung Tai Raymond, Mr. Yip Chun On and Prof. Chau Kwong Wing.*

*Please also refer to the published version of this announcement on the Company’s website at [www.superland-group.com](http://www.superland-group.com).*