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Million Hope Industries Holdings Limited

美亨實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1897)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

INTERIM RESULTS

The unaudited consolidated revenue of Million Hope Industries Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) amounted to HK\$153.9 million for the six months ended 30 September 2019, representing a 11.2% decrease as compared to the recorded revenue of HK\$173.4 million for the six months ended 30 September 2018. The drop in revenue was mainly due to the delay of the master programmes of the Group’s certain projects.

The unaudited consolidated profit attributable to owners of the Company for the six months ended 30 September 2019 was HK\$20.6 million, representing an increase of 472.2%, as compared with that of HK\$3.6 million for the six months ended 30 September 2018. The increment in the unaudited consolidated profit of the Group for the current period was mainly due to (i) the absence of one-off listing expenses of HK\$14.1 million incurred during the prior period for preparing the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 March 2019 (the “**Listing**”); and (ii) the increase in other income which was derived from interest income generated from short-term deposits placed at banks during the current period.

The basic earnings per share for the six months ended 30 September 2019 was HK\$0.05 based on the weighted average number of 436,332,630 shares in issue after the Listing, while HK\$36,440 for the six months ended 30 September 2018 was calculated based on the then 100 shares in issue.

DIVIDEND

The board of directors of the Company (the “**Board**”) has resolved to pay an interim dividend of HK1.2 cents per share for the six months ended 30 September 2019 (for the six months ended 30 September 2018: nil) to the shareholders whose names appear on the register of members of the Company on 13 December 2019. The dividend is expected to be paid to the shareholders on 27 December 2019.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The register of members of the Company will be closed from 11 December 2019 to 13 December 2019, both dates inclusive, for the purpose of determining the identity of members who are entitled to the interim dividend for the six months ended 30 September 2019. In order to qualify for the interim dividend for the six months ended 30 September 2019, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10 December 2019.

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

	<i>NOTES</i>	For the six months ended 30 September	
		2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Revenue	3	153,915	173,396
Cost of sales		<u>(121,152)</u>	<u>(142,570)</u>
Gross profit		32,763	30,826
Other income		4,801	1,414
Other gains and losses		1,161	3,765
Reversal of impairment losses		360	208
Gain on change in fair value of investment properties		1,800	2,200
Administrative expenses		(15,919)	(18,155)
Finance costs		(953)	(1,076)
Listing expenses		<u>–</u>	<u>(14,050)</u>
Profit before taxation	4	24,013	5,132
Taxation	5	<u>(3,441)</u>	<u>(1,488)</u>
Profit for the period		20,572	3,644
Other comprehensive expense:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of a foreign operation		<u>(3,518)</u>	<u>(5,731)</u>
Total comprehensive income (expense) for the period		<u><u>17,054</u></u>	<u><u>(2,087)</u></u>
Earnings per share			
basic (HK\$)	7	<u><u>0.05</u></u>	<u><u>36,440</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2019	31 March 2019
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties	8	65,300	63,500
Property, plant and equipment	8	103,479	108,295
Right-of-use assets	8	5,285	–
Prepaid lease payments		–	5,271
Deferred tax assets		161	–
		<u>174,225</u>	<u>177,066</u>
Current assets			
Inventories		32,458	31,182
Prepaid lease payments		–	204
Debtors, deposits and prepayments	9	64,295	100,506
Contract assets		44,115	50,531
Tax recoverable		4,394	7,922
Bank balances and cash		314,592	304,648
		<u>459,854</u>	<u>494,993</u>
Current liabilities			
Trade and other payables	10	47,233	53,812
Provisions		10,339	33,666
Contract liabilities		163	926
Amount due to a related company		–	13,163
Lease liabilities		109	–
		<u>57,844</u>	<u>101,567</u>
Net current assets		<u>402,010</u>	<u>393,426</u>
Total assets less current liabilities		<u>576,235</u>	<u>570,492</u>

		30 September 2019	31 March 2019
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Provisions		58,810	61,589
Deferred tax liabilities		159	85
Lease liabilities		121	–
		59,090	61,674
		517,145	508,818
Capital and reserves			
Share capital	<i>11</i>	43,633	43,633
Reserves		473,512	465,185
		517,145	508,818

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair value.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2019.

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 and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“**HKAS 17**”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to a lease of car parking space that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the condensed consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised lease liability and right-of-use asset at amounts equal to the related lease liability by applying HKFRS 16 C8(b)(ii) transition.

When recognising the lease liability for a lease previously classified as an operating lease, the Group has applied incremental borrowing rate of the relevant group entity at the date of initial application. The lessee's incremental borrowing rate applied is 4.9%.

	At 1 April 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	132
<i>Less:</i> Recognition exemption – short-term lease	<u>(16)</u>
	<u><u>116</u></u>
Lease liability discounted at relevant incremental borrowing rate relating to an operating lease recognised upon application of HKFRS 16 as at 1 April 2019	<u><u>110</u></u>
Analysed as	
Current	59
Non-current	<u>51</u>
	<u><u>110</u></u>

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets <i>HK\$'000</i>
Right-of-use asset relating to an operating lease recognised upon application of HKFRS 16	110
Reclassified from prepaid lease payments (<i>note</i>)	<u>5,475</u>
	<u><u>5,585</u></u>
By class:	
Leasehold lands	5,475
Buildings	<u>110</u>
	<u><u>5,585</u></u>

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets. The discounting effect has no material impact on the condensed consolidated financial statements of the Group for the current period.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	5,585	5,585
Prepaid lease payments (<i>note</i>)	5,271	(5,271)	–
Current assets			
Prepaid lease payments (<i>note</i>)	204	(204)	–
Current liability			
Lease liability	–	(59)	(59)
Non-current liability			
Lease liability	–	(51)	(51)

Note: Upfront payments for leasehold lands in the People’s Republic of China (the “PRC”) were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$204,000 and HK\$5,271,000 respectively, were reclassified to right-of-use assets.

For the purpose of reporting cash flows under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of design, supply and installation of aluminium windows and curtain walls services by the Group to external customers which is recognised over time as the Group's contract work enhances an asset that the external customers control as the Group performs. The Group's revenue is derived from long-term contracts in relation to provision of design, supply and installation of aluminium windows and curtain walls services in Hong Kong and Mainland China during both periods.

Disaggregation of revenue

By contract type

	For the six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Design, supply and installation for curtain walls, aluminium windows, doors and other products for new buildings (<i>notes i and ii</i>)	88,556	64,891
Design, supply and installation for aluminium windows, doors and other products for new buildings (<i>note ii</i>)	57,969	106,677
Design, supply and installation for renovation works for existing buildings	3,373	892
Repairing, maintenance and others (<i>note iii</i>)	4,017	936
Total	<u>153,915</u>	<u>173,396</u>

Notes:

- (i) The contract type involves aluminium windows, doors and other products in addition to curtain walls. The curtain walls are the principal products for the contract type and the principal revenue from this contract type is also from curtain walls.
- (ii) Other products represent balustrade, louvre, cladding, window wall, canopy and grille.
- (iii) Others mainly represent mock up.

Segment information

The Group is engaged in a single operating segment focusing on the provision of the design, supply and installation of aluminium windows and curtain walls services. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the directors of the Company, being the chief operating decision makers, for the purpose of result allocation and performance assessment. Therefore, no further analysis of segment information is presented.

Geographical information

Information about the Group's revenue from external customers is presented based on the geographical location of the projects:

	For the six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong	145,516	167,248
Mainland China	8,399	1,619
Other (Saipan)	–	4,529
	<u>153,915</u>	<u>173,396</u>

4. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	127	N/A
Depreciation of property, plant and equipment	3,323	3,556
Less: Depreciation expenses included in the cost of inventories	<u>(1,035)</u>	<u>(1,404)</u>
	<u>2,415</u>	<u>2,152</u>
Short-term lease payments	17	N/A
Release of prepaid lease payments included in cost of inventories	<u>N/A</u>	<u>103</u>

5. TAXATION

	For the six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Current taxation		
Hong Kong Profits Tax	3,528	532
PRC Enterprise Income Tax	<u>–</u>	<u>666</u>
	<u>3,528</u>	<u>1,198</u>
Deferred taxation	<u>(87)</u>	<u>290</u>
	<u><u>3,441</u></u>	<u><u>1,488</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5% (six months ended 30 September 2018: 16.5%).

For both periods, the Hong Kong Profits Tax of the elected Hong Kong subsidiary is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiaries was 25% for both periods. No provision for taxation in the PRC has been made as there is no assessable profits for the six months ended 30 September 2019.

6. DIVIDENDS

During the period, a final dividend of HK2.0 cents per share totalling HK\$8,727,000 in respect of the year ended 31 March 2019 was paid to shareholders (six months ended 30 September 2018: nil).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK1.2 cents per share amounting to HK\$5,236,000 in aggregate (2018: nil) will be paid to the owners of the Company whose names appear in the register of members of the Company on 13 December 2019.

7. EARNINGS PER SHARE

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

	For the six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>20,572</u>	<u>3,644</u>
Weighted average number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>436,332,630</u>	<u>100</u>

No diluted earnings per share is presented as there was no potential ordinary shares for both periods.

8. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Investment properties

	1.4.2019 to	1.4.2018 to
	30.9.2019	30.9.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
FAIR VALUE		
At the beginning of the period	63,500	60,300
Gain on change in fair value	<u>1,800</u>	<u>2,200</u>
At the end of the period	<u>65,300</u>	<u>62,500</u>

The fair values of the Group's investment properties at 30 September 2019 and 31 March 2019 have been arrived at on the basis of a valuation carried out on that date by Jones Lang LaSalle Limited ("JLL"), independent property valuer not connected with the Group. JLL has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As at 30 September 2019, the valuation of properties amounting to HK\$65,300,000 (31 March 2019: HK\$63,500,000) was arrived at by reference to the income capitalisation method which is based on the capitalisation of the net income potential by adopting an appropriate capitalisation rate, which is derived from analysis of sale transactions and interpretation of prevailing investor requirements or expectations.

Property, plant and equipment

During the current period, the Group acquired property, plant and equipment of HK\$195,000 (for the six months ended 30 September 2018: HK\$3,031,000).

During the six months ended 30 September 2019, the Group disposed of certain property, plant and equipment with carrying amount of HK\$676,000 at a sale proceed of HK\$676,000.

During the six months ended 30 September 2018, the Group also disposed of certain property, plant and equipment with carrying amount of HK\$39,000 at a sale proceed of HK\$24,000, resulting in a loss on disposal of HK\$15,000.

Right-of-use assets

During the six months ended 30 September 2019, the Group entered into a new lease agreement for the use of a car parking space for 3 years. The Group recognised a right-of-use asset of HK\$150,000 and a lease liability of HK\$150,000.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows a credit period of 30 to 90 days to its customers.

The following is an aged analysis of the trade debtors presented based on the invoice date at the end of the reporting period:

	30.09.2019 <i>HK\$'000</i> (Unaudited)	31.03.2019 <i>HK\$'000</i> (Audited)
Within 30 days	23,903	43,724
31 – 60 days	11,863	20,189
61 – 90 days	7,422	12,995
Over 90 days	13,888	15,384
	57,076	92,292

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	30.09.2019 <i>HK\$'000</i> (Unaudited)	31.03.2019 <i>HK\$'000</i> (Audited)
Within 30 days	4,276	4,122
31 – 60 days	551	1,491
61 – 90 days	255	1,562
Over 90 days	1,904	2,838
	6,986	10,013

11. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each			
Authorised:			
At 1 April 2018		3,800,000	380
Increase on 22 February 2019	<i>(i)</i>	<u>4,996,200,000</u>	<u>499,620</u>
At 31 March 2019 and 30 September 2019		<u><u>5,000,000,000</u></u>	<u><u>500,000</u></u>
Issued and fully paid:			
At 1 April 2018		100	–
Issue of shares	<i>(ii)</i>	<u>436,332,530</u>	<u>43,633</u>
At 31 March 2019 and 30 September 2019		<u><u>436,332,630</u></u>	<u><u>43,633</u></u>

Notes:

- (i) Pursuant to written resolutions passed by the sole shareholder of the Company on 22 February 2019, the authorised share capital of the Company was increased from HK\$380,000 to HK\$500,000,000 by the creation of 4,996,200,000 additional new shares of HK\$0.1 each in the capital of the Company.
- (ii) On 14 March 2019, 436,332,530 ordinary shares of HK\$0.1 each of the Company were allotted and issued to Hanison Construction Holdings (BVI) Limited, the immediate holding company of the Company prior to the Listing, at par for the Listing at a cash consideration of HK\$43,633,000. The new shares issued rank pari passu in all respects with the existing shares in issue. On 19 March 2019, the Company's shares were listed on the Main Board of the Stock Exchange.

OPERATIONS REVIEW

Major Projects Completed During the Six Months Ended 30 September 2019

- (1) Residential development at TP TL 225, Pak Shek Kok, Tai Po, New Territories – Design, supply and installation of curtain wall system to residential tower
- (2) Commercial development at ST TL 143, New Town Plaza, Shatin, New Territories – Design, supply and installation of glass wall, shop front, bi-folding door, glass balustrade, aluminium cladding and louvre
- (3) Residential development at ST TL 605 Lok Wo Sha Lane at Ma On Shan, Shatin, New Territories – Design, supply and installation of sliding folding door, window and glass wall

Major Projects Undertaken During the Six Months Ended 30 September 2019

- (1) Residential development at Site N of TKOTL 70 RP, Lohas Park Package 6 – Design, supply and installation of aluminium window and door
- (2) Residential development at Site N of TKOTL 70 RP, Lohas Park Package 6 – Design, supply and installation of aluminium grille and cladding work to AC platform
- (3) Residential development at Site C1 of TKOTL 70 RP, Lohas Park Package 7 – Design, supply and installation of tower curtain wall and podium glass wall
- (4) Residential development at TM TL 541, So Kwun Wat Road, Area 56, Tuen Mun, New Territories – Design, supply and installation of aluminium window and door
- (5) Residential development at TS WTL 34, Area 115, Tin Shui Wai, New Territories – Design, supply and installation of curtain wall

- (6) Residential development at Site I of TKOTL 70 RP, Lohas Park Package 10 – Design, supply and installation of curtain wall system and aluminium window and door
- (7) House development at No. 1 Plantation Road, Hong Kong – Design, supply and installation of aluminium window, glass door, curtain wall and metal cladding
- (8) Commercial development at No. 75-85 Lockhart Road, Wan Chai, Hong Kong – Design, supply and installation of aluminium unitised curtain wall, glass wall, aluminium cladding, stone cladding, glass canopy and louvre
- (9) Residential development at TMTL 539, Hoi Wing Road and Hang Fu Street, Area 16, Tuen Mun, New Territories – Design, supply and installation of curtain wall to tower
- (10) Residential development at 16 and 18 Cape Road, Chung Hom Kok, Hong Kong – Design, supply and installation of aluminium window

Major Projects Awarded During the Six Months Ended 30 September 2019

- (1) Residential development at N.K.I.L. 6565, Kai Tak, Kowloon – Design, supply and installation of curtain wall, aluminium window system and façade lighting
- (2) Residential development at N.K.I.L. 6565, Kai Tak, Kowloon – Design, supply and installation of glass balustrade
- (3) Residential development at 294-296A Prince Edward Road, Kowloon – Design, supply and installation of curtain wall, aluminium window and door
- (4) Residential development at N.K.I.L. 6564, Kai Tak, Kowloon – Design, supply and installation of curtain wall

The total amount of contracts on hand of the Group as at 30 September 2019 was HK\$971.6 million.

OUTLOOK

Apart from the Hong Kong Government's ten Mega Infrastructure Projects to improve Hong Kong's infrastructure and the Government's housing policies to increase public housing to Hong Kong people, there are various development plans such as MTR extension lines, North East New Territories New Development Areas and Kai Tak development which will create potential construction project works. These government construction project works together with the private sector's building construction works have brought and will continue to bring business opportunities to the construction industry in Hong Kong.

In a typical new building project, tower façade and curtain wall works are considered part of the building construction works. Over the past decade, tower façade and curtain wall works have grown from a niche market to a distinct sub-sector of the construction industry. Therefore the prosperity of building construction industry will also benefit the aluminium window and curtain wall industry.

Recently Hong Kong is experiencing fading economic momentum which is further worsened by the continuing China-US trade conflicts and Hong Kong's social unrest. However, the Government's infrastructure work and the public housing supply are social welfare and basic needs that should not be affected and dispensed with under the current situation. Therefore we are cautiously optimistic about the aluminium window and curtain wall business in the years ahead.

The challenges that are generally facing our industry is increasing costs and competition which will impact on our profit margins. Looking forward, we have to distinguish ourselves in the market and create competitive edge by consolidating our strong design team with our project, procurement and manufacturing teams to deliver quality products to fulfill our customers' needs. We should also make persistent efforts to search for innovative materials for improving the conditions, such as the energy efficiency of residential and commercial buildings to adapt to the changes in market preference.

FINANCIAL REVIEW

Group liquidity and financial resources

The Group is prudent in managing its cash balance and maintains sound cash flow generating capability. The total cash and bank balances of the Group amounted to HK\$314.6 million as at 30 September 2019 (31 March 2019: HK\$304.6 million), which accounted for 68.4% of the current assets (31 March 2019: 61.5%).

The Group mainly financed its operations through internally generated cash flows and utilised the banking facilities for performance bonds for carrying out its projects during the six months ended 30 September 2019. The Group has access to facilities from banks with an aggregate amount of HK\$260.0 million, of HK\$78.8 million has been utilised for performance bonds as at 30 September 2019. There was no bank loans drawn down by the Group as at 30 September 2019. The performance bonds under these banking facilities bear charges at prevailing market condition.

As at 30 September 2019, the Group was in a net cash position as there was no bank loans outstanding. As at 30 September 2019, the Group's net current assets was HK\$402.0 million (31 March 2019: HK\$393.4 million) and the current ratio (current assets divided by current liabilities) was 7.95 times (31 March 2019: 4.87 times).

With its sufficient cash balances and banking facilities available, the Group's liquidity position will remain healthy in the coming year, with sufficient financial resources to meet its obligations, operation and future development requirements.

Treasury policy

The Group's treasury policy aims to minimise its exposure to fluctuations in the exchange rate and not to engage in any highly leveraged or speculative derivative products. Foreign currency exposures of the Group arise mainly from the purchase of raw materials using Renminbi in the Mainland China. The Group currently does not have any hedging arrangements to control the risks related to fluctuations in exchange rates, and will determine if any hedging is required, depending upon the size and nature of the exposure, and the prevailing market circumstances.

The Group does not have significant exposure to gains or losses arising from the movement of foreign currency exchange rate against the Hong Kong dollar as most of the income, expenses, assets and liabilities of the Group are denominated in Hong Kong dollar.

Capital structure

The capital structure of the Group consists of equity, comprising share capital and reserves. There was no change to the authorised and issued share capital of the Company for the six months ended 30 September 2019. As at 30 September 2019, the total number of issued shares of the Company was 436,332,630 with par value of HK\$0.1 each (31 March 2019: 436,332,630 shares with par value of HK\$0.1 each).

Major acquisitions and disposals

There was no significant investment, acquisition and disposals that should be notified to the shareholders of the Company during the six months ended 30 September 2019.

Details of charges on assets

As at 30 September 2019, the Group did not pledge any assets to banks or other financial institutions (31 March 2019: nil).

Performance bonds and contingent liabilities

As at 30 September 2019, the Group had outstanding performance bonds in respect of construction contracts amounting to HK\$78.8 million (31 March 2019: HK\$110.6 million).

Capital commitments

As at 30 September 2019, the Group has no capital commitment (31 March 2019: nil).

CORPORATE GOVERNANCE

The corporate governance principles of the Company emphasise a quality Board and transparency and accountability to all shareholders.

Throughout the six months ended 30 September 2019, the Company has complied with all the Code Provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules, except for the following deviations:

- Code Provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Mr. Poon Kan Young and Professor Ho Richard Yan Ki, the independent non-executive directors of the Company, were unable to attend the Company’s 2019 annual general meeting due to other important engagements.

- Code Provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting and he should also invite the chairman of the audit, remuneration and nomination committees to attend the annual general meeting. Mr. Cha Mou Sing, Payson, the Chairman of the Board, Mr. Poon Kan Young, the Chairman of the remuneration committee of the Company, and Professor Ho Richard Yan Ki, the Chairman of the nomination committee of the Company, were unable to attend the Company’s 2019 annual general meeting due to their other important engagements. Mr. Wong Sue Toa, Stewart, the Deputy Chairman of the Board, took the chair of that meeting in accordance with the articles of association of the Company and other directors were of sufficient caliber and knowledge for answering questions at that meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 regarding directors’ securities transactions.

Having made specific enquiry to all directors of the Company, all directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2019 or the period from his appointment to 30 September 2019 (as for the director appointed during the period).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group had 252 full time employees (of which 134 employees were in Mainland China). The Group offers competitive remuneration packages, including discretionary bonus and depending on the position, cash allowances, to its employees. The Group also provides retirement schemes, medical benefits, on-the-job training to its employees and sponsors its employees to attend various external training courses.

REVIEW OF INTERIM RESULTS

The Company has engaged Messrs. Deloitte Touche Tohmatsu, the Group's auditor, to assist the audit committee of the Company (the "**Audit Committee**") to review the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019. The unaudited condensed consolidated financial statements for the six months ended 30 September 2019 has been reviewed by the Audit Committee.

By order of the Board
Million Hope Industries Holdings Limited
Wong Sue Toa, Stewart
Deputy Chairman

Hong Kong, 26 November 2019

As at the date of this announcement, the Board comprises:

Non-executive Chairman

Mr. Cha Mou Sing, Payson

Executive Directors

Mr. Chuk Kin Lun (*Joint Managing Director*)

Mr. Lee Cheuk Hung (*Joint Managing Director*)

Alternate Director

Dr. Zhang Wei

(*Alternate to Mr. Cha Mou Sing, Payson*)

Non-executive Directors

Mr. Wong Sue Toa, Stewart (*Deputy Chairman*)

Mr. Chung Sam Tin Abraham

Mr. Tai Sai Ho

Independent Non-executive Directors

Professor Ho Richard Yan Ki

Mr. Poon Kan Young

Mr. Yip Kai Yung