

DCB Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8040)

The background features a white marble pattern with grey veins. Overlaid on this are several geometric shapes: a large dark brown wood-textured rectangle on the left, a smaller light brown wood-textured square on the right, and a wide light brown wood-textured horizontal bar at the bottom. On the far left, there are grey and white hexagonal shapes with a marble-like texture. On the far right, there are vertical grey and white textured bars.

2021

Interim Report

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized, 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 report, for which the directors (the “Directors”) of DCB 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 (collectively referred to as the “Group”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2021 (the “Period”)

- Revenue of the Group was approximately HK\$103.1 million, representing a decrease of approximately 19.8% as compared to that of approximately HK\$128.5 million for the six months ended 30 September 2020 (the “**Previous Period**”).
- The Group records a loss and other comprehensive expense of approximately HK\$3.2 million for the Period, as compare to that of a profit and other comprehensive income of approximately HK\$1.8 million for the Previous Period.
- The Board does not recommend the payment of an interim dividend for the Period.
- Loss per share of the Company was approximately HK1.01 cents (Previous Period: earnings per share of HK0.56 cents).

INTERIM RESULT

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2021, together with the unaudited comparative figures for the corresponding period in 2020, as follows:

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

For the three months and six months ended 30 September 2021

	Notes	Three months ended 30 September		Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	55,206	69,643	103,077	128,538
Cost of services		(54,829)	(66,198)	(100,879)	(124,421)
Gross profit		377	3,445	2,198	4,117
Other income and gains	5	578	2,819	1,389	4,138
Administrative expenses		(3,439)	(2,972)	(6,780)	(6,381)
Finance costs	6	(18)	(34)	(40)	(71)
(Loss)/profit before tax	7	(2,502)	3,258	(3,233)	1,803
Income tax expenses	8	–	–	–	–
(Loss)/profit and other comprehensive (expense)/ income for the period		(2,502)	3,258	(3,233)	1,803
(Loss)/earnings per share					
Basic (HK cents)	10	(0.78)	1.02	(1.01)	0.56

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	11	703	417
Right-of-use assets	12	2,140	2,279
		2,843	2,696
Current assets			
Trade and other receivables	13	36,379	10,242
Contract assets	14	67,261	55,106
Pledged bank deposits	15	10,078	10,076
Bank balances and cash		11,721	47,050
		125,439	122,474
Current liabilities			
Trade and other payables	16	11,658	7,740
Contract liabilities	17	24,982	26,886
Lease liabilities	18	1,704	2,021
Borrowings	19	8,000	–
		46,344	36,647
Net current assets		79,095	85,827
Total assets less current liabilities		81,938	88,523
Non-current liabilities			
Lease liabilities	18	459	291
Other non-current liabilities		258	258
		717	549
Net assets		81,221	87,974
Capital and reserves			
Share capital	20	3,200	3,200
Reserves		78,021	84,774
Total equity		81,221	87,974

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2020 (Audited)	3,200	48,097	10,010	26,509	87,816
Profit and other comprehensive income for the period	-	-	-	1,803	1,803
Dividends recognised as distribution	-	-	-	(2,400)	(2,400)
At 30 September 2020 (Unaudited)	3,200	48,097	10,010	25,912	87,219
At 1 April 2021 (Audited)	3,200	48,097	10,010	26,667	87,974
Loss and other comprehensive expense for the period	-	-	-	(3,233)	(3,233)
Dividends recognised as distribution (note 9)	-	-	-	(3,520)	(3,520)
At 30 September 2021 (Unaudited)	3,200	48,097	10,010	19,914	81,221

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2021

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
(Loss)/profit before tax:	(3,233)	1,803
Adjustments for:		
Finance costs	40	71
Depreciation of plant and equipment	113	115
Depreciation of right-of-use assets	1,130	1,126
Net gain on disposal of plant and equipment	(21)	–
Interest income	(14)	(45)
Operating cash flows before movements in working capital	(1,985)	3,070
Increase in trade and other receivables	(26,134)	(18,060)
Increase in contract assets	(12,155)	(3,058)
Increase/(decrease) in trade and other payables	3,918	(2,064)
(Decrease)/increase in contract liabilities	(1,904)	8,343
Net cash used in operating activities	(38,260)	(11,769)
Investing activities		
Interest received	6	37
Purchase of plant and equipment	(411)	(37)
Proceeds from disposal of plant and equipment	33	–
(Increase)/decrease in pledged bank deposits	(2)	4,057
Net cash (used in)/from investing activities	(374)	4,057

**Six months ended
30 September**

	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Financing activities		
Repayments of lease liabilities	(1,175)	(1,171)
Proceeds from new bank loans	8,000	–
Dividends paid	(3,520)	(2,400)
Net cash from/(used in) financing activities	3,305	(3,571)
Net decrease in cash and cash equivalents	(35,329)	(11,283)
Cash and cash equivalents at beginning of period	47,050	31,532
Cash and cash equivalents at end of period represented by bank balances and cash	11,721	20,249

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 14 February 2018. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY 1-1111, Cayman Islands. The address of its principal place of business is located at Room D, 12/F, Lucky Factory Building, 63-65 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The directors consider the ultimate holding company to be the Company’s parent company, Advance Goal Group Limited (“Advance Goal”), a private company incorporated in the British Virgin Islands (“BVI”), of which the Company’s directors, Mr. Cheng Tsang Wai (“Mr. Dick Cheng”), Mr. Cheng Tsang Fu Dennis (“Mr. Dennis Cheng”) and Ms. Liu Lee Lee (“Ms. Lily Liu”) are shareholders.

The Company is an investment holding company. The Company’s operating subsidiary is principally engaged in the provision of fitting-out and renovation services.

The condensed consolidated financial statements have not been audited by the Company’s independent auditor, but have been reviewed by the Company’s audit committee and approved for issue by the Board on 8 November 2021.

The unaudited consolidated financial statements of the Group for the six months ended 30 September 2021 are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 September 2021 (the “Financial Statements”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. Besides, the Financial Statements include applicable disclosures required by the GEM Listing Rules. The Financial Statements have been prepared under the historical cost convention and are presented in Hong Kong dollar and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income and expenses. Actual results may differ from these estimates.

3. APPLICATION OF NEW AND REVISED HKFRSs

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 April 2021:

Amendments to	Interest Rate Benchmark Reform – Phase 2
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	
Amendment to HKFRS 16	Covid-19 Related Rent Concessions

The adoption of the new and amendments to HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

4. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

Information reported to the executive directors of the Company, who are also the chief operating decision maker (“CODM”) and the directors of the operating subsidiary, for the purposes of resource allocation and performance assessment.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

- (i) Fitting-out work – refers to works conducted on new buildings.
- (ii) Renovation work – refers to works carried out on existing buildings that involve upgrades and/or makeovers and/or demolition of existing works.

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

	Three months ended					
	30 September 2021			30 September 2020		
	Fitting-out	Renovation	Total	Fitting-out	Renovation	Total
	work	work		work	work	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Segment revenue	18,066	37,140	55,206	54,840	14,803	69,643
Segment profit/(loss)	1,423	(1,046)	377	1,550	1,895	3,445
Unallocated income			578			2,819
Unallocated expenses			(3,457)			(3,006)
(Loss)/profit before tax			(2,502)			3,258

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Six months ended					
	30 September 2021			30 September 2020		
	Fitting-out work	Renovation work	Total	Fitting-out work	Renovation work	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenue	53,809	49,268	103,077	90,845	37,693	128,538
Segment profit/(loss)	4,264	(2,066)	2,198	(384)	4,501	4,117
Unallocated income			1,389			4,138
Unallocated expenses			(6,820)			(6,452)
(Loss)/profit before tax			(3,233)			1,803

No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the chief operating decision maker ("CODM").

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, administrative expenses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Geographical information

The Group's revenue is all derived from operations in Hong Kong and the Group's non-current assets are all located in Hong Kong.

5. OTHER INCOME AND GAINS

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other income				
Bank interest income	2	28	6	37
Consultancy fee income	551	979	1,338	2,284
Government grants (note (i))	–	1,810	–	1,810
Other interest income	4	4	8	8
Sundry income	–	–	21	–
Other net gains or losses				
Net exchange loss	–	(2)	(5)	(1)
Net gain on disposal of plant and equipment	21	–	21	–
	578	2,819	1,389	4,138

- (i) During the Previous Period, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on lease liabilities	18	34	40	71

7. (LOSS)/PROFIT BEFORE TAX

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(Loss)/profit before tax has been arrived at after charging:				
Directors' emolument				
Fees	54	54	108	108
Salaries, allowances and other benefits	1,313	970	2,626	2,078
Retirement benefit scheme contributions	9	13	18	27
	1,376	1,037	2,752	2,213
Other staff costs				
Salaries, allowances and other benefits	6,579	6,411	12,960	13,313
Retirement benefit scheme contributions	225	231	445	470
	6,804	6,642	13,405	13,783
Total staff costs	8,180	7,679	16,157	15,996
Less: amounts included in cost of services	(6,234)	(5,834)	(12,064)	(12,266)
Amounts included in administrative expenses	1,946	1,845	4,093	3,730
Auditor's remuneration	125	125	250	250
Depreciation of plant and equipment	63	58	113	115
Depreciation of right-of-use assets	568	563	1,130	1,126

8. INCOME TAX EXPENSES

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong profit tax				
– current period	–	–	–	–

No provision for the Hong Kong Profits Tax has been made since the Company has no assessable profits for the Period (Previous Period: nil).

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

A final dividend in respect of the year ended 31 March 2021 of HK1.1 cents per ordinary share, in an aggregate amount of HK\$3,520,000, has been approved by the shareholders of the Company in the annual general meeting and paid during the six months ended 30 September 2021.

10. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)

(Loss)/earnings:

(Loss)/earnings for the purpose of basic earnings per share ((loss)/profit for the period attributable to the owners of the Company)

	(2,502)	3,258	(3,233)	1,803
	'000	'000	'000	'000

Number of shares:

Number of ordinary shares for the purpose of basic earnings per share

	320,000	320,000	320,000	320,000
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No diluted earnings per share are presented as there were no potential ordinary shares in issue.

11. PLANT AND EQUIPMENT

	Furniture and equipment <i>HK\$'000</i>	Decoration <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Audited				
Cost				
As at 1 April 2020	485	237	1,243	1,965
Additions	53	–	–	53
As at 31 March 2021	538	237	1,243	2,018
Accumulated depreciation				
As at 1 April 2020	282	41	1,050	1,373
Charge for the year	115	47	66	228
As at 31 March 2021	397	88	1,116	1,601
Carrying amount				
As at 31 March 2021	141	149	127	417
Unaudited				
Cost				
As at 1 April 2021	538	237	1,243	2,018
Additions	46	–	365	411
Disposals	–	–	(259)	(259)
As at 30 September 2021	584	237	1,349	2,170
Accumulated depreciation				
As at 1 April 2021	397	88	1,116	1,601
Charge for the period	46	24	43	113
Written back as disposal	–	–	(247)	(247)
As at 30 September 2021	443	112	912	1,467
Carrying amount				
As at 30 September 2021	141	125	437	703

12. RIGHT-OF-USE ASSETS

	Leased properties <i>HK\$'000</i>
Audited	
Cost	
As at 1 April 2020	3,481
Additions	3,152
Derecognised upon termination of lease	(1,824)
As at 31 March 2021	4,809
Accumulated depreciation	
As at 1 April 2020	2,104
Charge for the year	2,250
Derecognised upon termination of lease	(1,824)
As at 31 March 2021	2,530
Carrying amount	
As at 31 March 2021	2,279
Unaudited	
Cost	
As at 1 April 2021	4,809
Additions	991
Derecognised upon termination of lease	(892)
As at 30 September 2021	4,908
Accumulated depreciation	
As at 1 April 2021	2,530
Charge for the period	1,130
Derecognised upon termination of lease	(892)
As at 30 September 2021	2,768
Carrying amount	
As at 30 September 2021	2,140

12. RIGHT-OF-USE ASSETS (Continued)

The right-of-use assets represent the Group's rights to use certain leased properties as office and staff quarter for its operations under operating lease arrangement over the lease terms, which ranged from one to two years.

Expenses have been charged to the consolidated statement profit or loss and other comprehensive income in respect of the Period as follows:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	1,130	1,126
Interest on lease liabilities	40	71

The total cash outflow for leases for the six months ended 30 September 2021 is approximately HK\$1,175,000 (six months ended 30 September 2020: HK\$1,171,000), of which nil and approximately HK\$1,175,000 (six months ended 30 September 2020: nil and HK\$1,171,000) are included in operating activities and financing activities respectively.

13. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2021	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables, gross	33,875	7,577
Less: Impairment loss recognised	(208)	(208)
Trade receivables, less impairment losses	33,667	7,369
Other receivables, gross	1,516	1,521
Less: Impairment loss recognised	(30)	(30)
Other receivables, less impairment losses	1,486	1,491
Deposits and prepayments	1,226	1,382
Total trade and other receivables	36,379	10,242

The Group's trade receivables as at 30 September 2021 with aggregate carrying amount of approximately HK\$33,667,000 (31 March 2021: HK\$7,369,000) were past due at the reporting date. The Group does not hold any collateral over these balances. Trade receivables are non-interest bearing.

Ageing of trade receivables which are past due based on invoice date but not impaired:

	30 September	31 March
	2021	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Over due:		
0 to 30 days	14,093	4,835
31 to 60 days	18,955	56
61 to 90 days	40	2,368
Over 90 days	579	110
Total	33,667	7,369

Other receivables mainly represent advance to a third party amounted to HK\$1,516,000 (31 March 2021: HK\$1,521,000). The advance is unsecured, interest free and repayable on demand.

14. CONTRACT ASSETS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Fitting-out works	34,029	27,157
Renovation works	33,723	28,440
	67,752	55,597
Less: Impairment loss recognised	(491)	(491)
	67,261	55,106

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are classified to trade receivables when the rights become unconditional.

The Group's contracts include payment schedules which require stage payments over the contract period once certain specified milestones are reached.

15. PLEDGED BANK DEPOSITS

Bank deposits of approximately HK\$10,078,000 (31 March 2021: HK\$10,076,000) have been pledged to banks for general banking facilities granted to the Group.

16. TRADE AND OTHER PAYABLES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Trade payables	7,040	4,203
Accruals	4,618	3,537
	11,658	7,740

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

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
1 to 30 days	6,577	3,728
31 to 60 days	–	5
61 to 90 days	–	7
Over 90 days	463	463
	7,040	4,203

17. CONTRACT LIABILITIES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Fitting-out works	11,420	21,957
Renovation works	13,562	4,929
	24,982	26,886

18. LEASE LIABILITIES

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Lease liabilities payable:		
Within one year	1,704	2,021
Within a period of more than one year but not more than two years	459	291
	2,163	2,312
Less: Amount due for settlement within twelve months included in current liabilities	(1,704)	(2,021)
Amount due for settlement after twelve months shown under non-current liabilities	459	291

19. BORROWINGS

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Revolving bank loans classified under current liabilities	8,000	–

The variable-rate bank borrowings carried interests at certain basis points over Hong Kong Interbank Offered Rate ("HIBOR").

The range of effective interest rates (which were also equal to contracted interest rates) of the Group's bank borrowings was as follows:

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Effective interest rate: Variable-rate borrowings	HIBOR +2%	–

The loans are classified as current liabilities since the Company has no unconditional right to defer settlement of any portion of the liabilities for at least twelve months after the reporting date. The loans are secured by the charge over deposits and corporate guarantees provided by the Company.

20. SHARE CAPITAL

	30 September 2021		31 March 2021	
	<i>Number of shares</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>Number of shares</i> (Audited)	<i>HK\$'000</i> (Audited)
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid				
Ordinary shares of HK\$0.01 each	320,000,000	3,200	320,000,000	3,200

21. SURETY BOND AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require a group entity to issue guarantees for performance of contract works in the form of surety bonds. At the end of the reporting period, the Group had outstanding performance bonds as follows:

	30 September	31 March
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Issued by banks	27,553	14,517

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of fitting-out and renovation services in the private sector in Hong Kong. The Group's clientele comprises (i) property developers, some of which are (or whose holding companies are) listed on the Stock Exchange; (ii) main contractors or direct contractors of the fitting-out and renovation projects; and (iii) owners or tenants of properties.

The Group's fitting-out and renovation services mainly include provision of fitting-out and renovation solutions for different types of premises in the private sector, including residential apartments and residential dwellings, show flats, clubhouses, sales office, public area in residential and commercial buildings, offices, shopping malls and shops in Hong Kong.

As the project manager and principal coordinator, the Group is responsible for the overall implementation of projects that included planning, coordinating, monitoring and supervising the project from the commencement of service to the delivery of certificate of completion, and follow up on rectification of defects during the defect liability period, among other things.

During the Period, the Group was awarded a total of five projects (Previous Period: two projects) each with contract sum over HK\$10 million, which comprises one fitting-out project and four renovation projects (Previous Period: one fitting-out project and one renovation project) with a total contract sum of approximately HK\$117.8 million (Previous Period: HK\$118.1 million) and contributed a revenue of approximately HK\$34.9 million (Previous Period: HK\$7.0 million) for the Period.

Looking forward, the Group will continue to focus on the development of the sector of large-size and high-end fitting-out and renovation works.

FINANCIAL REVIEW

Revenue

The Group's revenue is principally generated from provision of fitting-out and renovation services to its customers.

The following table shows our revenue by operating segment during the six months ended 30 September 2021 and 2020:

	For the six months ended 30 September			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Fitting-out work	53,809	52.2	90,845	70.7
Renovation work	49,268	47.8	37,693	29.3
	103,077	100.0	128,538	100.0

For the six months ended 30 September 2021, the Group's revenue was approximately HK\$103.1 million, representing a decrease of approximately 19.8% as compared to the revenue of approximately HK\$128.5 million for the six months ended 30 September 2020. The revenue for fitting-out works for the Period was approximately HK\$53.8 million, represented a decrease of approximately 40.8% from approximately HK\$90.8 million for the Previous Period. The decrease was mainly due to a substantial portion of the fitting-out works for several large-scaled fitting-out projects located in Deep Water Bay, Mid-level East and Jardine's Lockout carried in last financial year and as such the aggregate revenue contributed from these large-scaled projects decreased from approximately HK\$59.8 million for the Previous Period to approximately HK\$27.2 million for the Period.

The revenue for renovation works for the Period was approximately HK\$49.3 million, represented an increase of approximately 30.7% from approximately HK\$37.7 million for the Previous Period. The increase was mainly due to revenue contributed from several large-scaled renovation projects located in Causeway Bay, Stanley, Shatin and the Peak which contributed an aggregate revenue of approximately HK\$30.9 million for the Period.

Cost of Services and Gross Profit

The Group's cost of services decreased from approximately HK\$124.4 million for the Previous Period to approximately HK\$100.9 million for the Period, representing a decrease of approximately 18.9%. Such decrease was mainly due to the decrease in cost of subcontractors for the Period.

The following table shows our gross profit and gross profit margin by operating segment during the six months ended 30 September 2021 and 2020:

	For the six months ended 30 September			
	2021		2020	
	Gross Profit/ (Loss)	Gross Profit Margin	Gross Profit/ (Loss)	Gross Profit Margin
	HK\$'000	%	HK\$'000	%
Fitting-out work	4,264	7.9	(384)	(0.4)
Renovation work	(2,066)	(4.2)	4,501	11.9
	2,198	2.1	4,117	3.2

The overall gross profit decreased by approximately HK\$1.9 million or 46.6% from approximately HK\$4.1 million for the Previous Period to approximately HK\$2.2 million for the Period, which was primarily attributable to the decrease in revenue for the Period as mentioned above and cost overrun of certain large-scaled renovation projects for the Period.

Other Income and Gains

The Group's other income and gains decreased by approximately HK\$2.7 million from approximately HK\$4.1 million for the six months ended 30 September 2020 to approximately HK\$1.4 million for the six months ended 30 September 2021. Such decrease was primarily due to a decrease in government grants of approximately HK\$1.8 million for the Period and a decrease in consultancy fee income of approximately HK\$1.0 million in relation to the provision of consulting services to a PRC developer for a renovation project in the PRC.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$6.8 million and approximately HK\$6.4 million for the six months ended 30 September 2021 and 2020 respectively, representing an increase of approximately 6.3%. Such increase was primarily due to an increase in staff costs by approximately HK\$0.5 million.

Finance Costs

For the six months ended 30 September 2021 and 2020, the Group's finance costs amounted to approximately HK\$40,000 and HK\$71,000 respectively, representing a decrease of approximately 43.7%. Such decrease was mainly due to a decrease in interests on lease liabilities for the Period.

Income Tax Expense

No provision for the Hong Kong Profits Tax has been made since the Company has sufficient tax losses brought forward to set off against the estimated assessable profits for the Period and in the Previous Period.

(Loss)/Profit and Other Comprehensive (Expense)/Income for the Period

As a result of aforesaid, the Group records a loss and other comprehensive expense of approximately HK\$3.2 million for the Period, as compare to that of a profit and other comprehensive income of approximately HK\$1.8 million for the Previous Period.

Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

A final dividend in respect of the year ended 31 March 2021 of HK1.1 cents per ordinary share, in an aggregate amount of HK\$3,520,000, has been approved by the shareholders of the Company in the annual general meeting and paid during the Period.

BORROWING FACILITIES

As at 30 September 2021, the Group has obtained credit facilities from banks up to a maximum amount of approximately HK\$81.9 million (31 March 2021: HK\$81.9 million), which include, but not limited to, revolving loan, overdraft and bank guarantee. Out of total banking facilities, revolving loan facility of HK\$8.0 million (31 March 2021: nil) was outstanding and repayable within one year. As at 30 September 2021, the total value of guarantees under surety bonds issued in favour of the Group's customers amounted to approximately HK\$27.6 million (31 March 2021: HK\$14.5 million). The bank borrowings are denominated in Hong Kong dollars and carried at variable rate of Hong Kong Inter-Bank Offered Rate ("HIBOR") + 2% (31 March 2021: N/A).

GEARING RATIO

The gearing ratio of the Group as at 30 September 2021 was 9.8% (31 March 2021: nil). Such increase is mainly due to the drawdown of the bank borrowings to finance the Company's operations. The gearing ratio is calculated based on the total bank borrowings at the end of the respective periods divided by total equity at the end of the respective periods and multiplied by 100%.

LIQUIDITY AND FINANCIAL RESOURCES

The bank balances and cash of the Group as at 30 September 2021 were approximately HK\$11.7 million (31 March 2021: approximately HK\$47.1 million). The Group intends to finance its future operations and capital expenditures with cash flow from operating activities and banking facilities available to the Group. The Group's primary uses of cash have been and are expected to continue to be operating costs and capital expenditure. The Group's cash level is affected mainly by the fluctuation of trade receivables, contract assets, trade payables and contract liabilities. The current ratio of the Group as at 30 September 2021 was comfortably maintained at 2.7 (31 March 2021: 3.3). As at 30 September 2021, the Group's bank balances and cash, except a small aggregate amount of approximately HK\$299,000 in foreign currencies including Renminbi and United States dollars, were held in Hong Kong dollars.

CAPITAL STRUCTURE

As at 30 September 2021 and 31 March 2021, the Company's issued share capital was HK\$3,200,000 and the number of its issued ordinary shares was 320,000,000 of HK\$0.01 each.

FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICY

The Group's core business operation is in Hong Kong and its assets are principally in Hong Kong. Hence, the Group is not exposed to significant foreign exchange risk as the majority of its business transactions are denominated in Hong Kong dollars (being the functional currency of the Group) and there were only insignificant balances of financial assets that were denominated in foreign currency as at 30 September 2021.

The Group does not have a foreign currency hedging policy. The Group will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. 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.

PLEDGE OF ASSETS

As at 30 September 2021, the Group had bank deposits amounted to approximately HK\$10.1 million (31 March 2021: HK\$10.1 million) which were pledged to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2021 (31 March 2021: Nil).

CAPITAL COMMITMENTS

As at 30 September 2021, the Group did not have any capital commitments (31 March 2021: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

The Group did not have any other plans for material investment and capital assets as at 30 September 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 September 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group had a total of 64 employees (31 March 2021: 65 employees). Total staff costs amounted to approximately HK\$16.2 million for the Period, as compared to approximately HK\$16.0 million for the Previous Period. The remuneration package offered by the Group to its employees includes basic salary, bonuses and mandatory provident fund. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee.

CORPORATE GOVERNANCE CODE

The Company's corporate governance code are based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Company is committed to ensure a quality board and transparency and accountability to shareholders. During the Period and up to the date of this report, the Company had complied with the applicable code provisions set out in the CG Code.

CODE OF CONDUCT REGARDING DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Director's 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 been made a specific enquiry by the Company, all Directors confirmed that they had complied with such code of conduct and the required standard of dealings regarding securities transactions by directors adopted by the Company throughout the Period and up to the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATE CORPORATIONS

As at 30 September 2021, the interests and short positions of the directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Interests in Shares	Approximate percentage shareholding
Mr. Cheng Tsang Wai	Interest in controlled corporation ^(Note 1)	214,400,000	67%
Mr. Cheng Tsang Fu Dennis	Interest in controlled corporation ^(Note 1) / interest of spouse ^(Note 2)	214,400,000	67%
Ms. Liu Lee Lee Lily	Interest in controlled corporation ^(Note 1) / interest of spouse ^(Note 2)	214,400,000	67%

Notes:

- The entire issued share capital of Advance Goal Group Limited ("Advance Goal") is legally and beneficially owned as to 55.0%, 35.0% and 10.0% by Mr. Cheng Tsang Wai, Mr. Cheng Tsang Fu Dennis and Ms. Liu Lee Lee Lily, respectively. Mr. Cheng Tsang Wai, Mr. Cheng Tsang Fu Dennis and Ms. Liu Lee Lee Lily are parties acting in concert. Accordingly, Mr. Cheng Tsang Wai, Mr. Cheng Tsang Fu Dennis and Ms. Liu Lee Lee Lily altogether are deemed to be collectively interested in the 214,400,000 Shares held by Advance Goal by virtue of the SFO. On 7 October 2021, Advance Goal has entered into sale and purchase agreements to dispose 50,200,000 shares of the Company. Immediately after completion of the disposal, the number of shares held by Advance Goal decreased to 164,200,000 shares, representing 51.3% of the total number of issued shares at the date of this report.
- Each of Mr. Cheng Tsang Fu Dennis and Ms. Liu Lee Lee Lily is spouse to each other. Therefore, Mr. Cheng Tsang Fu Dennis is deemed to be interested in the Shares held by Ms. Liu Lee Lee Lily, and vice versa pursuant to the SFO.

Save as disclosed above, as at 30 September 2021, none of the directors nor chief executive of the Company has registered an interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 30 September 2021, other than the directors or chief executives of the Company whose interests or short positions are as disclosed under the paragraph headed "Directors' and Chief Executives' Interests and/or Short Positions in shares, Underlying Shares and Debentures of the Company or its Associated Corporations" above, the following person has an interest or short position in the shares or underlying shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the issued shares of the Company are listed as follows:

Long position in the ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Interests in shares	Approximate percentage shareholding
Advance Goal <i>(Note 1)</i>	Beneficial owner	214,400,000	67%
Ms. Chow Siu Shan Juliana <i>(Note 2)</i>	Interest of spouse	214,400,000	67%
Active Achievor Limited ("Active Achievor")	Beneficial owner	19,200,000	6%
Ms. Cheng Fat Ning Lenda <i>(Note 3)</i>	Interest in controlled corporation	19,200,000	6%

Notes:

1. These shares have been disclosed in the section headed “Directors’ and Chief Executives’ Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associate Corporations” above.
2. Ms. Chow Siu Shan Juliana is the spouse of Mr. Cheng Tsang Wai. Under the SFO, Ms. Chow Siu Shan Juliana is deemed to be interested in the 214,400,000 Shares owned by Mr. Cheng Tsang Wai through Advance Goal.
3. Active Achievor is wholly-owned by Ms. Cheng Fat Ning Lenda. Accordingly, Ms. Cheng Fat Ning Lenda is deemed to be interested in all the Shares held by Active Achievor. On 7 October 2021, Active Achievor has entered into an sale and purchase agreement to dispose 19,200,000 shares of the Company.

Saved as disclosed above, as at 30 September 2021, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed “Directors’ and Chief Executives’ Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Its Associated Corporations” above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued shares of the Company.

DIRECTORS’ RIGHTS TO ACQUIRE SECURITIES OR DEBENTURE

Other than as disclosed under the section “Directors’ and Chief Executives’ Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations” above, at no time during the Period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

COMPETITION OF INTERESTS

During the Period, none of the directors or the controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (“Share Option Scheme”), which was approved by written resolutions passed by its shareholders on 19 January 2018 and became unconditional on 14 February 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The Share Option Scheme is valid and effective for a period of 10 years from 14 February 2018, after which no further options will be granted or offered.

There was no option outstanding, granted, cancelled, exercised or lapsed as at 30 September 2021.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDIT COMMITTEE

The Company has set up an audit committee (the “Committee”) on 19 January 2018 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code. The primary duties of the Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee risk management and internal control procedures of the Company. The Committee comprises the three independent non-executive Directors, namely Mr. Cheung Kwok Keung, who is the chairman of the Committee, Mr. Chak Chi Man and Mr. Chu Wai Wa Fangus. The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

By order of the Board
DCB Holdings Limited
Cheng Tsang Fu Dennis
Executive Director

Hong Kong, 8 November 2021

At the date of this report, the executive directors of the Company are Mr. Cheng Tsang Wai, Mr. Cheng Tsang Fu Dennis and Ms. Liu Lee Lee Lily; and the independent non-executive directors of the Company are Mr. Cheung Kwok Keung, Mr. Chak Chi Man and Mr. Chu Wai Wa Fangus.