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Creative Enterprise Holdings Limited
創毅控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3992)

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

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of Creative Enterprise Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2019, together with the comparative figures for the corresponding period of 2018. The interim results and condensed consolidated interim financial information have not been audited but have been reviewed by the Company’s audit committee and independent auditor.

As a result of the continued increase in property management services contracts obtained throughout the period of the six months ended 30 September 2019, the Group recorded an unaudited revenue of approximately HK\$377.4 million for the six months ended 30 September 2019 (six months ended 30 September 2018: approximately HK\$352.5 million), representing an increase of approximately 7% over the six months ended 30 September 2018.

The unaudited profit of the Group for the six months ended 30 September 2019 was approximately HK\$17.1 million (six months ended 30 September 2018: approximately HK\$8.9 million), representing an increase of approximately 93%.

The basic and diluted earnings per share for the six months ended 30 September 2019 was HK\$3.42 cents (six months ended 30 September 2018: basic and diluted earnings per share of HK\$2.36 cents).

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

		Six months ended	
		30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	377,364	352,525
Other income and gains, net	4	130	925
Employee benefits expenses	5	(304,740)	(281,834)
Subcontracting costs		(34,107)	(33,242)
Other operating expenses		(17,838)	(18,475)
Listing expenses		<u>—</u>	<u>(7,126)</u>
Operating profit		<u>20,809</u>	<u>12,773</u>
Finance income		76	14
Finance costs		<u>(320)</u>	<u>(835)</u>
Finance costs, net	6	<u>(244)</u>	<u>(821)</u>
Profit before income tax	7	20,565	11,952
Income tax expense	8	<u>(3,483)</u>	<u>(3,092)</u>
Profit for the period		<u>17,082</u>	<u>8,860</u>
Earnings per share			
Basic and diluted earnings per share (expressed in HK cents)	9	<u>3.42</u>	<u>2.36</u>
Other comprehensive loss:			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of employee benefit obligations		<u>—</u>	<u>(908)</u>
Other comprehensive loss for the period, net of tax		<u>—</u>	<u>(908)</u>
Total comprehensive income for the period		<u>17,082</u>	<u>7,952</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2019 (Unaudited) <i>HK\$'000</i>	As at 31 March 2019 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		20,357	21,426
Right-of-use assets		410	—
Investment in insurance contracts		27,111	24,278
Trade and other receivables	10	2,477	2,373
Deferred tax assets		131	87
		<u>50,486</u>	<u>48,164</u>
Current assets			
Trade and other receivables	10	188,682	173,988
Tax Recoverable		—	1,621
Pledged bank deposits		39,159	39,095
Cash and bank balances		96,257	97,689
		<u>324,098</u>	<u>312,393</u>
Total assets		<u><u>374,584</u></u>	<u><u>360,557</u></u>
EQUITY			
Share capital		5,000	5,000
Share Premium		111,783	111,783
Reserves		161,053	143,971
Total equity		<u><u>277,836</u></u>	<u><u>260,754</u></u>

		As at 30 September 2019 (Unaudited) <i>HK\$'000</i>	As at 31 March 2019 (Audited) <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		—	277
Lease liabilities		195	—
Long service payment liabilities		13,231	13,149
Deferred tax liabilities		<u>27</u>	<u>—</u>
		<u>13,453</u>	<u>13,426</u>
Current liabilities			
Trade and other payables	<i>11</i>	60,179	57,634
Borrowings		20,373	27,778
Lease liabilities		166	—
Tax payable		2,319	441
Amounts due to related parties		<u>258</u>	<u>524</u>
		<u>83,295</u>	<u>86,377</u>
Total liabilities		<u>96,748</u>	<u>99,803</u>
Total equity and liabilities		<u>374,584</u>	<u>360,557</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information (the “Interim Financial Information”) for the six months ended 30 September 2019 has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The financial information relating to the year ended 31 March 2019 that is included in the Interim Financial Information for the six months ended 30 September 2019 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The accounting policies adopted are consistent with those set out in the Group’s annual report for the year ended 31 March 2019, except for the adoption of HKFRS 16 Leases (“HKFRS 16”) as described in Note 2 below. Other amendments to standards and new interpretation that are effective for the first time for this interim period did not have any material impact to the Group’s accounting policies.

2 CHANGES IN ACCOUNTING POLICIES

The impacts of the adoption of HKFRS 16 on the Group’s Interim Financial Information are detailed below and it also discloses the new accounting policies that have been applied from 1 April 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparative information for the prior reporting period, as permitted under the specific transitional provisions in the standard. Any cumulative effect of initially applying the new standard are therefore recognised on 1 April 2019.

(a) Impacts on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as finance leases under the principles of HKAS 17 Leases (“HKAS 17”). The Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. Accordingly, no adjustments were recognised to the opening balance of retained earnings at the date of initial application.

The Group applied the practical expedient permitted by the standard that allow the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases. Once a lease arrangement is regarded as a short-term lease as defined in the standard, a lessee may elect not to recognise a right-of-use asset and a lease liability in relation to the lease arrangement.

Since the remaining lease term of all operating leases of the Group as at 1 April 2019 are less than 12 months, the Group has elected not to recognise lease liabilities and associated right-of-use assets of these leases on adoption of HKFRS 16.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, the Group relied on its assessment made by applying HKAS 17, for contracts entered into before the transition date.

(b) HKFRS 16 — Accounting policies applied from 1 April 2019

The Group leases various offices, warehouses and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended 31 March 2019, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset (including land use rights which are presented within property, plant and equipment as “leasehold land” in the consolidated statement of financial position) and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;

- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3 REVENUE

Revenue represents income from (i) property management services; (ii) provision of security services and cleaning services; (iii) provision of staff secondment services and (iv) window inspection services. An analysis of the Group's revenue is as follows:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Property management services income	295,631	283,844
Income from the provision of security services	74,927	66,480
Income from the provision of cleaning services	6,806	—
Window inspection services	<u>—</u>	<u>2,201</u>
	<u>377,364</u>	<u>352,525</u>

The executive directors have been identified as the chief operating decision-makers ("CODM") of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of operating profit.

The Group is engaged in the provision of property management and related services in Hong Kong. Since the CODM considers all business is included in a single operating segment and the operation of provision of property management and related services is attributable to all of the Group's revenue, and all of the results and assets, no operating segment analysis is presented accordingly (2018: same).

The Group's revenue is derived from customers in Hong Kong. All the assets of the Group were also located in Hong Kong. Accordingly, no analysis by geographical information is provided.

All of the Group's revenue are recognised over time.

The Group has a right for consideration from customers in an amount that corresponds directly with the value to the customer of the entity's performance completed to date for all its service contracts, the entity recognised revenue in the amount to which the entity has a right to invoice or based on the stage of completion. In accordance with HKFRS 15, the transaction price allocated to these unperformed contracts related to service contracts or those contracts with remaining contract period less than one year are exempted for disclosure. As a result, the Group has made no disclosure on the transaction price allocated to these unperformed contracts.

4 OTHER INCOME AND GAINS, NET

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of property, plant and equipment	—	(23)
Fair value gain on an investment property	—	800
Reversal of allowance for impairment of trade and other receivables	94	—
Others	36	148
	130	925

5 EMPLOYEE BENEFITS EXPENSES

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages, salaries and other allowances (including directors' emoluments)	290,573	269,603
Pension costs — defined contribution plan	11,925	11,021
Accrual for unutilised annual leave	1,811	761
Provision for long service payment	431	449
	304,740	281,834

6 FINANCE COSTS, NET

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	<u>76</u>	<u>14</u>
Interests on borrowings	(312)	(507)
Interests on finance lease liabilities	—	(27)
Interests on lease liabilities	(8)	—
Guarantee fees to shareholders	<u>—</u>	<u>(301)</u>
	<u>(320)</u>	<u>(835)</u>
	<u>(244)</u>	<u>(821)</u>

7 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Employee benefits expenses	304,740	281,834
Depreciation of property, plant and equipment	847	905
Depreciation of right-of-use assets	83	—
Rental expenses	204	112
Reversal of/(allowance) for impairment of trade and other receivables	<u>94</u>	<u>(7)</u>

8 INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax	3,500	3,225
Deferred income tax	<u>(17)</u>	<u>(133)</u>
	<u>3,483</u>	<u>3,092</u>

9 EARNINGS PER SHARE — BASIC AND DILUTED

	Six months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)
Profit for the period (<i>HK\$'000</i>)	17,082	8,860
Weighted average number of ordinary shares in issue (<i>thousands</i>)	500,000	375,000
Basic and diluted earnings per share (<i>HK\$ cents</i>)	<u>3.42</u>	<u>2.36</u>

After the completion of Reorganisation and Capitalisation Issue, the total number of ordinary shares in issue was 375,000,000. In determining the numbers of ordinary shares in issue for the period ended 30 September 2018, a total of 375,000,000 ordinary shares were deemed in issue since 1 April 2018.

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding throughout the six months ended 30 September 2019 (2018: Nil).

10 TRADE AND OTHER RECEIVABLES

	30 September 2019 (Unaudited) <i>HK\$'000</i>	31 March 2019 (Audited) <i>HK\$'000</i>
Non-current:		
Retention money receivables	----- 2,477	----- 2,373
Current:		
Trade and unbilled receivables	181,195	165,639
Less: allowance for impairment	<u>(1,274)</u>	<u>(1,367)</u>
Trade and unbilled receivables — net	----- 179,921	----- 164,272
Reimbursement receivables	4,725	6,504
Less: allowance for impairment	<u>(406)</u>	<u>(406)</u>
Reimbursement receivables — net	4,319	6,098
Utilities deposits	551	413
Prepayments	3,779	3,125
Other receivables	<u>112</u>	<u>80</u>
Total prepayments, deposits and other receivables	----- 8,761	----- 9,716
	<u>188,682</u>	<u>173,988</u>
Total trade and other receivables	<u>191,159</u>	<u>176,361</u>

The following is an aging analysis of trade and unbilled receivables, presented based on the invoice date at the end of the reporting period:

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Unbilled	<u>19,930</u>	<u>17,371</u>
Trade receivables:		
Less than 1 month	61,944	57,724
1 month and less than 3 months	75,818	78,203
3 months and less than 6 months	14,641	3,356
Over 6 months	<u>8,862</u>	<u>8,985</u>
	<u>161,265</u>	<u>148,268</u>
Total trade and unbilled receivables	<u>181,195</u>	<u>165,639</u>

11 TRADE AND OTHER PAYABLES

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Trade payables	<u>11,365</u>	<u>11,487</u>
Provision for unutilised annual leave	11,214	9,403
Accrued wages, salaries and pensions	36,746	34,829
Other accrued expenses and deposits received	<u>854</u>	<u>1,915</u>
Total other payables	<u>48,814</u>	<u>46,147</u>
	<u>60,179</u>	<u>57,634</u>

The ageing analysis of trade payables based on invoice date was as follows:

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
0 to 90 days	11,165	11,187
91 to 180 days	<u>200</u>	<u>300</u>
	<u>11,365</u>	<u>11,487</u>

12 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 September 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in providing property management services and other related services in Hong Kong for both public and private properties. The Company's property management services include estate general management, tenancy management, rent and management fees collection services, security, cleaning, minor repair and maintenance, project management services, legal and administrative support services.

BUSINESS PROSPECTS

As at 30 September 2019, the Housing Authority remains as the Group's largest customer, and the Group's existing property management portfolio comprised 15 public housing contracts, 12 public stand-alone security contracts, 2 public stand-alone cleaning contracts, 62 private property contracts, 5 private stand-alone cleaning contracts, 2 Urban Renewal Authority ("URA") stand-alone security contracts, and 2 URA stand-alone cleansing contract.

The Group foresees that the property management services market in Hong Kong, being labour-intensive and vulnerable to macro-economic conditions, is still growing and full of challenges. In order to enhance the growth of our property management business, increase our market share and to achieve our goal, the Company intends to (i) tender for additional property management services contracts, stand-alone security services contracts and stand-alone cleaning services contracts from the Hong Kong Housing Authority; (ii) expand our service for Home Ownership Scheme estates, non-residential properties and private housing estates; and (iii) grow our business through acquisition of property management company(ies) which provide property management services in the private sector in Hong Kong.

Going forward, in addition to implementing our business strategies as mentioned above, as Mainland China is regarded as a potential market by the Group, if suitable opportunity arises, we will penetrate the property management business into Mainland China by leveraging our industry expertise with an aim to facilitate the long-term growth of the business of the Group. For this purpose, we have processed the feasibility study and we will access the possibility for taking a market share in the property market of Mainland China.

MAJOR SERVICES CONTRACTS ACQUIRED/RENEWED

In the six months ended 30 September 2019, the Group has successfully acquired 4 new private property management contracts. We have also successfully extended 23 contracts.

FINANCIAL REVIEW

	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2018 HK\$'000 (Unaudited)	Change HK\$'000	%
Revenue	377,364	352,525	24,839	7
Other income and gains, net	130	925	(795)	-86
Employee benefits expenses	(304,740)	(281,834)	(22,906)	8
Subcontracting costs	(34,107)	(33,242)	(865)	3
Other operating expenses	(17,838)	(18,475)	637	-3
Listing expenses	—	(7,126)	7,126	-100
Operating profit	20,809	12,773	8,036	63
Finance costs, net	(244)	(821)	577	-70
Profit before income tax	20,565	11,952	8,613	72
Income tax expense	(3,483)	(3,092)	(391)	13
Profit for the period	<u>17,082</u>	<u>8,860</u>	<u>8,222</u>	<u>93</u>

During the six months ended 30 September 2019, the Group recorded the growth in the core businesses. Revenue increased by approximately 7.0% from approximately HK\$352.5 million for the six months ended 30 September 2018 to approximately HK\$377.4 million for the six months ended 30 September 2019. Such increase was primarily due to the increase in revenue generated from the provision of property management services, stand-alone security services and stand-alone cleaning contracts.

Revenue

	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2018 HK\$'000 (Unaudited)	Change HK\$'000
Property management services income	295,631	283,844	11,787
Security services income	74,927	66,480	8,447
Cleaning services income	6,806	—	6,806
Others	—	2,201	(2,201)
	<u>377,364</u>	<u>352,525</u>	<u>24,839</u>

Property management services

The Group continues to increase its portfolio through securing new contracts and renewing existing contracts. For the property management services, revenue increased by approximately 4.2% from approximately HK\$283.8 million for the six months ended 30 September 2018 to approximately HK\$295.6 million for the six months ended 30 September 2019. Such increase was primarily due to (i) the increase in revenue of approximately HK\$11.5 million attributable to four new private property management services contracts obtained that commenced in the first and second half of FY2019; and (ii) the upward price adjustment on our services to some public properties under the adjustment mechanism.

Stand-alone security services

Revenue increased by approximately 12.7% from approximately HK\$66.5 million for the six months ended 30 September 2018 to approximately HK\$74.9 million for the six months ended 30 September 2019. Such increase was primarily due to the upward price adjustment on our services to some public properties under the adjustment mechanism.

Stand-alone cleaning services

Revenue generated from stand-alone cleaning services contracts amounted to approximately HK\$6.8 million for the six months ended 30 September 2019. The revenue generated was primarily attributable to the two new cleaning services contracts obtained from the Housing Authority and one new cleansing contract obtained from URA that commences in the first half of FY 2019.

Other income and gains, net

Other income and gains, net decreased by approximately 85.9% from approximately HK\$0.9 million for the six months ended 30 September 2018 to approximately HK\$0.1 million for the six months ended 30 September 2019.

Employee benefits expenses

Employee benefits expenses continue to represent one of the major expenses. Such expenses increased by approximately 8.1% from approximately HK\$281.8 million for the six months ended 30 September 2018 to approximately HK\$304.7 million for the six months ended 30 September 2019. Such increase was primarily due to (i) increased number of staff hired in 2019 to accommodate new contracts awarded and as a result of the business growth of the Group; and (ii) a general increase in the average salary of our staff.

Subcontracting costs

Subcontracting costs increased by approximately 2.6% from approximately HK\$33.2 million for the six months ended 30 September 2018 to approximately HK\$34.1 million for the six months ended 30 September 2019. Such increase was primarily due to (i) the increase in cleaning subcontracting fee from approximately HK\$23.9 million for the six months ended 30 September 2018 to approximately HK\$24.0 million for the six months ended 30 September 2019 as a result of upward price adjustments for the subcontracting cleaning services contracts; and (ii) the increase in other subcontracting fee from approximately HK\$9.3 million for the six months ended 30 September 2018 to approximately HK\$10.1 million for the six months ended 30 September 2019.

Other operating expenses

Other operating expenses amounted to approximately 5.2% and 4.7% of our total revenue for the six months ended 30 September 2018 and 30 September 2019 respectively. Other operating expenses mainly included insurance expenses, office supplies expenses, guarantee fee for performance bonds, entertainment and estate maintenance expenses. There are no significant change in the cost control policy of the Group and the other operating expenses remained relatively stable.

Operating profit and operating profit margin

As a result of the foregoing, operating profit increased by approximately 62.9% from approximately HK\$12.8 million for the six months ended 30 September 2018 to approximately HK\$20.8 million for the six months ended 30 September 2019. Despite the keen competition and rising costs, the Group successfully maintained a stable operating profit margin amounted to approximately 3.6% for the six months ended 30 September 2018 and approximately 5.5% for the six months ended 30 September 2019.

Finance costs, net

Finance costs, net was approximately HK\$0.2 million for the six months ended 30 September 2019 and remained stable as compared with that of approximately HK\$0.8 million for the six months ended 30 September 2018.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 September 2019, there has been no change in the capital structure of the Group. The capital of the Company only comprises of ordinary shares.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders of the Company (the “**Shareholders**”). Cash and cash equivalents were cash and bank balances deducted by bank overdrafts balances. As at 30 September 2019, the Group had cash and cash equivalents of approximately HK\$96.3 million (31 March 2019: approximately HK\$97.5 million), which were comprised of cash and bank balances of approximately HK\$96.3 million (31 March 2019: approximately HK\$97.7 million) and no bank overdrafts (31 March 2019: approximately HK\$0.2 million).

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 7.3% and 11.0% as at 30 September 2019 and 31 March 2019 respectively. During the period of six months ended 30 September 2019, we have decreased our bank borrowings by approximately HK\$27.4 million. The gearing remained low due to our low level of bank borrowings as well as the increase in our equity contributed by our profitable operations.

The following table sets forth a summary of our cash flows for the periods indicated:

	Six months ended 30 September 2019 HK\$'000 (Unaudited)	Six months ended 30 September 2018 HK\$'000 (Unaudited)
Net cash flows generated from operating activities	9,147	1,843
Net cash flows used in investing activities	(2,672)	(40)
Net cash flows used in financing activities	(7,668)	(18,095)
Net decrease in cash and cash equivalents	(1,193)	(16,292)
Cash and cash equivalents at beginning of period	97,450	33,808
Cash and cash equivalents at end of the period	<u>96,257</u>	<u>17,516</u>

FOREIGN CURRENCY RISK

The Group has no significant exposure to foreign currency risk because the Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were mainly denominated in HK dollars. During the six months ended 30 September 2019, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies. The Group has not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

CHARGES ON ASSETS

As at 30 September 2019, certain insurance policies, property, plant and equipment, bank deposits of the Group with net book value of approximately HK\$67.4 million (31 March 2019: HK\$67.3 million) were pledged to banks to secure credit facilities granted.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there was no significant investment held, no material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the six months ended 30 September 2019. There are no future plans for material investments or capital assets by the Group.

CONTINGENT LIABILITY

As at 30 September 2019, the Company did not have any significant contingent liabilities.

SIGNIFICANT LITIGATION

In HCA 2478 of 2017, Creative Property Services Consultants Limited (“**Creative Property**”) as the plaintiff claimed against the incorporated owners of a private housing estate in Hong Kong (the “**Defendant**”) for its failure in paying our invoices in a total sum of approximately HK\$6.0 million. It is the Defendant's case that Creative Property was in breach of its duties and counterclaims for damages.

After the exchange of evidence and witness statements, the parties attended a mediation session which ended without any agreements for settlement. The Defendant lately took out an application to adduce expert evidence in relation to the accounting records. Subject to any agreements by the parties and directions of the Court, it is expected that an expert report shall be prepared and be adduced at trial.

A Case Management Summons is fixed on 19 February 2020.

After consulting our legal counsel, our Directors are of the view that Creative Property has a strong case in claiming for the outstanding service fees in a total sum of approximately HK\$6.0 million against the Defendant. Further, after consulting our legal counsel, based on the provisions in the professional liability insurance taken out by Creative Property and the insurer's confirmation letter, our Directors are of the view that the counterclaim will be covered by the said professional liability insurance.

Save as disclosed above, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed a total workforce of approximately 4,350 staff members. Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

CORPORATE GOVERNANCE CODE

The Company endeavors to adopt prevailing best corporate governance practices. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company had complied with all the code provisions set out in the CG Code for the six months ended 30 September 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS CONDUCTED BY THE 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 for securities transactions conducted by Directors. Having made specific enquiry with each Director, all Directors have confirmed their compliance with the Model Code for the six months ended 30 September 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend by the Company for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this announcement, at no time during the six months ended 30 September 2019 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CHANGES TO INFORMATION IN RESPECT OF THE DIRECTORS

During the six months ended 30 September 2019, there was no change to the information required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Listing Rules where applicable.

AUDIT COMMITTEE

The unaudited condensed interim results of the Group for the six months ended 30 September 2019 have been reviewed by the audit committee of the Company (the "**Audit Committee**"), which consists of three independent non-executive Directors, namely Mr. Wong Chung Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong Si Yuen, with Mr. Wong Chung Kin Quentin as the chairman of the Audit Committee, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules.

REVIEW OF INTERIM RESULTS

The independent auditor of the Company, namely, PricewaterhouseCoopers has carried out a review of the interim condensed consolidated financial information of the Group in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited condensed interim results for the six months ended 30

September 2019) of the Group. The Audit Committee considered that the interim results of the Group are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkexnews.hk) and the Company (www.cpssc.hk). The interim report of the Company will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Creative Enterprise Holdings Limited
Poon Kin Leung
Chairman and Executive Director

Hong Kong, 26 November 2019

As at the date of this announcement, the Board comprises Mr. Poon Kin Leung, Mr. Lee Siu Wah Albert, Mr. Lam Siu Hung Christopher, Mr. Wong King Cheung, Mr. Lai Wai Man and Mr. Wu Ka Chai as executive Directors; and Mr. Wong Chung Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong Si Yuen as independent non-executive Directors.