建榮地基
KIN WING

CHINNEY KIN WING HOLDINGS LIMITED
建業建榮控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1556)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Board") of Chinney Kin Wing Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 together with comparative figures in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**538,713**	590,931
Cost of construction		**(413,844)**	(428,000)
Gross profit		**124,869**	162,931
Other income and gains	*4*	**1,364**	1,537
Administrative expenses		**(88,815)**	(104,960)
PROFIT BEFORE TAX	*5*	**37,418**	59,508
Income tax expense	*6*	**(7,234)**	(9,807)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**30,184**	49,701
Profit and total comprehensive income attributable to:			
Equity holders of the Company		**30,184**	49,701
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic and diluted		**HK 2.01 cents**	HK 3.31 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 (Unaudited)** *HK$'000*	31 December 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**294,080**	320,777
CURRENT ASSETS			
Gross amount due from contract customers		-	58,157
Trade receivables	*10*	**120,190**	112,123
Contract assets		**75,528**	-
Retention monies receivable		**165,102**	168,686
Prepayments, deposits and other receivables		**17,197**	17,526
Due from a fellow subsidiary		**1,790**	1,790
Due from a related company	*11*	**34,518**	37,282
Tax recoverable		**2,125**	2,587
Pledged time deposits		**-**	3,598
Cash and cash equivalents		**193,201**	291,676
Total current assets		**609,651**	693,425
CURRENT LIABILITIES			
Gross amount due to contract customers		-	364,843
Trade payables	*12*	**87,105**	97,328
Retention monies payable		**23,622**	22,661
Other payables and accruals		**316,538**	47,407
Tax payable		**16,386**	8,956
Total current liabilities		**443,651**	541,195
NET CURRENT ASSETS		**166,000**	152,230
TOTAL ASSETS LESS CURRENT LIABILITIES		**460,080**	473,007
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**48,219**	48,687
Net assets		**411,861**	424,320
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**150,000**	150,000
Reserves		**261,861**	274,320
Total equity		**411,861**	424,320

NOTES:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the Company's head office and principal place of business is located at Room 2308, 23/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.

The Company is an investment holding company. During the period under review, the Company's subsidiaries were principally involved in foundation construction, and drilling and site investigation works for both public and private sectors in Hong Kong and overseas.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except as described below. In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRS", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group's financial year beginning on or after 1 January 2018.

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 40	*Transfers of Investment Property*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as further explained below, the adoption of the new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated interim financial statements of the Group.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, and presentation of contract assets and contract liabilities.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 9 Financial instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. The standard introduces new requirements for classification and measurement and impairment. The Group has adopted HKFRS 9 from 1 January 2018.

(a) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

From 1 January 2018, the Group classified its financial assets as debt instruments measured at amortised cost as they are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables, retention monies receivable, contract assets and deposits and other receivables.

The accounting for financial liabilities remains largely the same as it was under HKAS 39.

(b) Impairment of financial assets

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit losses ("ECLs") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that are expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

At 1 January 2018 and 30 June 2018, the directors reviewed and assessed the Group's financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact were considered insignificant to the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 *Revenue* and related Interpretations, which covered revenue arising from sale of goods and rendering of services, and HKAS 11 *Construction Contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of retained profits at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on retained profits and the related tax impact at 1 January 2018:

	HK$'000
Retained profits	
Adjustments of gross amount due from contract customers	2,823
Related tax	(466)
	2,357

Further details of the nature and effect of the changes on previous accounting policies are set out below:

Previously, revenue arising from construction contracts was recognised by applying the percentage-of-completion method.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

(a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The effects of the adoption of HKFRS 15 on construction contracts are further explained as follows:

Under HKFRS 15, when the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, the Group recognises revenue as the performance obligation is satisfied over time.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings for construction work is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued and delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The excess of cumulative billings for construction work over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The contract liabilities are recognised as revenue when the Group satisfies its performance obligations.

To follow the terminology used under HKFRS 15, the Group has made the following adjustments at 1 January 2018:

1) "Gross amount due from contract customers" in relation to construction work has been reclassified as "Contract assets"; and

2) "Gross amount due to contract customers" in relation to construction work has been reclassified as "Other payables and accruals".

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Remeasurement	Carrying amounts under HKFRS 15 at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Gross amount due from contract customers	58,157	-	(58,157)	-
Contract assets	-	-	60,980	60,980
Current liabilities				
Gross amount due to contract customers	364,843	(364,843)	-	-
Other payables and accruals	47,407	364,843	-	412,250
Tax payable	8,956	-	466	9,422
Equity				
Retained profits	190,691	-	2,357	193,048

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position as at 30 June 2018

	As Reported	Reclassification	Remeasurement	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Gross amount due from contract customers	-	-	71,280	71,280
Contract assets	75,528	-	(75,528)	-
Current liabilities				
Gross amount due to contract customers	-	276,690	-	276,690
Other payables and accruals	316,538	(276,690)	-	39,848
Tax payable	16,386	-	(701)	15,685
Equity				
Retained profits	178,232	-	(3,547)	174,685

Impact on the condensed consolidated statement of profit or loss for the six months ended 30 June 2018

	As Reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Revenue	538,713	(14,548)	524,165
Cost of construction	(413,844)	13,123	(400,721)
Gross profit	124,869	(1,425)	123,444
Profit before tax	37,418	(1,425)	35,993
Income tax expense	(7,234)	235	(6,999)
Profit and total comprehensive income attributable to:			
Equity holders of the Company	30,184	(1,190)	28,994

3. OPERATING SEGMENT INFORMATION

The Group is organised into business units based on their services and has two reportable operating segments as follows:

- Foundation construction and ancillary services (the "Foundation Division"); and
- Drilling and site investigation (the "Drilling Division").

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted operating profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income and unallocated corporate gains and expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Six months ended 30 June 2018

	Foundation construction and ancillary services (Unaudited) *HK$'000*	**Drilling and site investigation (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Segment revenue:			
Sales to external customers	**445,268**	**93,445**	**538,713**
Intersegment sales	**-**	**26,298**	**26,298**
Other revenue	**650**	**714**	**1,364**
	445,918	**120,457**	**566,375**
Reconciliation:			
Elimination of intersegment sales			**(26,298)**
Other revenue			**(1,364)**
Revenue			**538,713**
Segment results	**24,982**	**13,801**	**38,783**
Reconciliation:			
Corporate and other unallocated expenses			**(2,015)**
Interest income			**650**
Profit before tax			**37,418**

3. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2018

	Foundation construction and ancillary services (Unaudited) *HK$'000*	Drilling and site investigation (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment assets	**689,565**	**212,195**	**901,760**
Reconciliation:			
Corporate and other unallocated assets			**1,971**
Total assets			**903,731**
Segment liabilities	**339,092**	**150,178**	**489,270**
Reconciliation:			
Corporate and other unallocated liabilities			**2,600**
Total liabilities			**491,870**

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2017

	Foundation construction and ancillary services (Unaudited) *HK$'000*	Drilling and site investigation (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:			
Sales to external customers	513,217	77,714	590,931
Intersegment sales	-	16,682	16,682
Other revenue			
Rental income from leasing of machinery	636	-	636
Others	701	-	701
	514,554	94,396	608,950
Reconciliation:			
Elimination of intersegment sales			(16,682)
Other revenue			(1,337)
Revenue			590,931
Segment results	50,752	9,991	60,743
Reconciliation:			
Corporate and other unallocated expenses			(1,818)
Interest income			583
Profit before tax			59,508

As at 31 December 2017

	Foundation construction and ancillary services (Audited) *HK$'000*	Drilling and site investigation (Audited) *HK$'000*	Total (Audited) *HK$'000*
Segment assets	832,635	180,364	1,012,999
Reconciliation:			
Corporate and other unallocated assets			1,203
Total assets			1,014,202
Segment liabilities	446,612	139,053	585,665
Reconciliation:			
Corporate and other unallocated liabilities			4,217
Total liabilities			589,882

4. REVENUE, OTHER INCOME AND GAINS

Disaggregation of revenue

	Six months ended 30 June 2018 (Unaudited) *HK$'000*
Type of services	
Foundation construction and ancillary services	**445,268**
Drilling and site investigation services	**93,445**
	538,713
Timing of revenue recognition	
Over time	**538,713**

Other income and gains

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**650**	583
Rental income from leasing of machinery	**-**	636
Exchange gains, net	**-**	318
Others	**714**	-
	1,364	1,537

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**31,720**	33,770
Less: Amount included in contract cost	**(4,001)**	(256)
	27,719	33,514
Employee benefit expense (including directors' remuneration)	**128,765**	136,858
Less: Amount included in contract cost	**(93,600)**	(96,413)
	35,165	40,445
Minimum lease payments under operating leases	**4,838**	3,929
Loss on disposal of items of property, plant and equipment	**824**	832
Impairment of goodwill	**398**	-
Foreign exchange differences, net	**31**	(318)

6. INCOME TAX

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**6,556**	9,853
Current – Elsewhere		
Charge for the period	**1,146**	482
Deferred	**(468)**	(528)
Total tax charge for the period	**7,234**	9,807

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$30,184,000 (2017: HK$49,701,000) and the number of ordinary shares in issue during both periods.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2018 and 2017.

8. DIVIDENDS

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with a total cost of HK$10,520,000 (2017: HK$54,928,000).

10. TRADE RECEIVABLES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**120,190**	112,123

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing. At 30 June 2018, the Group had certain concentration risk that may arise from the exposure to the five largest customers which accounted for 67% (31 December 2017: 77%) of the Group's total trade receivables. At 30 June 2018, the Group had certain concentration risk that may arise from the exposure to the largest customer which accounted for 20% (31 December 2017: 21%) of the Group's total trade receivables.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	HK$'000	*HK$'000*
Current to 30 days	**91,462**	81,489
31 to 60 days	**16,715**	13,640
61 to 90 days	**4,383**	3,232
Over 90 days	**7,630**	13,762
	120,190	112,123

11. DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contracting income certified from Gold Famous Development Limited ("Gold Famous"). Gold Famous is an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") of which Dr. James Sai-Wing Wong, a controlling shareholder of the Company, is also a director of and has a beneficial interest in. Mr. James Sing-Wai Wong is a common director of the Company and Hon Kwok.

12. TRADE PAYABLES

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Trade payables	**87,105**	97,328

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

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Current to 30 days	**78,353**	89,790
31 to 60 days	**4,589**	4,920
61 to 90 days	**759**	253
Over 90 days	**3,404**	2,365
	87,105	97,328

The trade payables are non-interest bearing and normally settled on 30-day terms.

RESULTS

The Board is pleased to announce that the Group recorded a turnover of HK$538.71 million for the six months ended 30 June 2018 (2017: HK$590.93 million) and achieved a profit of HK$30.18 million (2017: HK$49.70 million).

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months end 30 June 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

The Group is engaged in foundation construction and ancillary services (the "Foundation Division"), and drilling and site investigation works (the "Drilling Division") for both public and private sectors in Hong Kong and overseas.

During the six months ended 30 June 2018, the Group had completed 7 and 12 projects in the Foundation Division and the Drilling Division with contract sum of approximately HK$178 million and HK$7 million respectively.

As at 30 June 2018, the Group had 11 and 31 projects in progress with contract sum of approximately HK$2,144 million and HK$252 million in the Foundation Division and the Drilling Division respectively.

Revenue

The Group's total revenue for the period under review was HK$538.71 million, representing a decrease of 8.84% as compared with the six months ended 30 June 2017 of HK$590.93 million. The decrease of revenue was mainly attributed to the reduced revenue of HK$67.95 million from the Foundation Division which was partly set-off by the increased revenue of HK$15.73 million from the Drilling Division as compared with the previous corresponding period. Continuing weakness of the foundation market and keen competition among the market players had resulted in reduced contract value of individual projects and in turn had a negative impact on our revenue. The increased revenue from the Drilling Division was mainly due to the award of certain "Down-the-hole" projects at the year-end of 2017 and in the reporting period.

Gross profit and gross profit margin

During the period under review, the Group's total gross profit was HK$124.87 million as compared with the previous corresponding period of HK$162.93 million, representing a decrease of 23.36%. The gross profit margin of the Group was also decreased from the previous corresponding period of 27.57% to the reporting period of 23.18%. The decrease of gross profit and gross profit margin was due to our Group had adopted a short term tendering strategy of lowering the bidding prices for new contracts in order to maintain our positioning under the weak and competitive foundation market.

Administrative expenses

The Group's administrative expenses was HK$88.82 million in the reporting period, representing a decrease of 15.38% as compared with the previous corresponding of HK$104.96 million. The decrease of administrative expenses was directly due to the Group's continuing implementation of stringent cost control on our overhead.

Net profit

The Group's net profit for the reporting period was HK$30.18 million, representing a decrease of 39.27% as compared with the previous corresponding period of HK$49.70 million. The decrease of net profit was mainly due to the decrease of the Group's gross profit under the reporting period.

Financial Review

Liquidity and financial resources

As at 30 June 2018, the Group had unpledged cash and bank balances of HK$193.20 million as compared with HK$291.68 million as at 31 December 2017. The decrease of cash and bank balances was mainly due to the payment of HK$45.00 million of 2017 final dividend to our shareholders and the acquisition of plant and machineries amounted to HK$10.52 million during the reporting period. In addition, net cash was used in certain of our sizable projects due to their early stage of project progress. The Group had maintained a sound financial position during the period under review.

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. 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 31 December 2017, time deposits of HK$3.60 million were pledged to banks to secure the performance bonds issued in favour of the Group's clients on contracting works. All such deposits were released as at 30 June 2018.

Contingent liabilities

As at 30 June 2018, the Group provided corporate guarantees and indemnities to certain banks and an insurance company for an aggregate amount of HK$172.94 million (31 December 2017: HK$261.70 million) for the issue of performance bonds in its ordinary course of business. As at 31 December 2017, certain of these performance bonds were also secured by time deposits amounted to HK$3.60 million.

Employees and remuneration policies

As at 30 June 2018, the Group employed 500 staffs in Hong Kong. The Group is proud of the professional foundation and drilling contracting team formed by these colleagues. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

OUTLOOK AND FUTURE PLANS

The foundation industry in Hong Kong in the first half of 2018 remained difficult and tough; we do not see and optimistically expect any momentum of recovery of the foundation market in the short run. Increased number of market players and reduced number of foundation contracts from both the public and private sectors resulted in intensive competition in the foundation market. In addition, the increasing price of major construction material costs further sacrificed the contract profit. Under such circumstances, the Group will undoubtedly be more restrained from increment in terms of revenue income and project profit margin. To cope with this challenging environment, the Group will continue to implement stringent project and overhead cost control measures; strengthen the project management team; optimise our design capabilities; and improve our production efficiency to minimise any negative impact to the Group. In fact, observable enhancements in various operation departments have been achieved as driven by the intense market competition.

Our DrilTech, on the other hand, had performed satisfactory in the reporting period with steady increment in terms of both contract revenue and profit contribution to the Group. The specialised technical know-how of DrilTech in ground investigation, instrumentation and Down-the-hole drilling had added value to its revenue and profit margin. Other than the specialist contractors of ground investigation, DrilTech had applied for inclusion in different categories of specialist contractors under the Works Bureau so as to further widen the business opportunities to work for the public sector of the construction industry. The Group expects DrilTech will continually to develop and perform well in 2018.

Given the Group's established reputation in the market, together with our talented and highly motivated staff led by a committed Execution Panel, we trust the Group's business will remain stable and our client base will continue to expand. Despite the current weak foundation market conditions, we are still prudently optimistic as to the long term demands for reliable and reputable contractors in the construction industry. In particular, we look forward to the Government fulfilling its commitment to long term public housing development and land supply for the next decade.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our customers, business partners and shareholders for their long-lasting support. I would also like to thank my fellow Directors for their advice and guidance, the Execution Panel for their management of operation departments and all colleagues for their hard work, loyalty and contributions which are essential to the Group's overall performance during the period under review.

Finally, I would like to thank Mr. Herman Man-Hei Fung, our ex-Chairman, for his valuable contributions to the Group and leading the Board over the past years.

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

Compliance with the Corporate Governance Code

In the opinion of the directors, the Company has complied with all relevant code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2018.

Audit Committee

The Audit Committee comprises all the three independent non-executive directors namely Mr. Siu-Chee Kong (Chairman of the Audit Committee), Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui. Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and oversee the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 June 2018 have not been audited, but have been reviewed by the Audit Committee.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2018.

By Order of the Board
Yuen-Keung Chan
Chairman

Hong Kong, 28 August 2018

At the date of this announcement, the Board comprises of eight directors, of which five are executive directors, namely Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong, Mr. Wing-Sang Yu, Mr. Philip Bing-Lun Lam and Mr. Hin-Kwong So; and three are independent non-executive directors, namely Mr. Siu-Chee Kong, Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui.

* *For identification purpose only*