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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 2019

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 2019 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 together with comparative figures in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)
REVENUE	4	518,096	528,969
Cost of construction		(393,939)	(403,298)
Gross profit		124,157	125,671
Other income and gains	4	1,933	1,364
Administrative expenses		(90,978)	(88,815)
Finance costs		(301)	—
PROFIT BEFORE TAX	5	34,811	38,220
Income tax expense	6	(7,463)	(7,366)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		27,348	30,854
Profit and total comprehensive income attributable to: Equity holders of the Company		27,348	30,854
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		HK 1.82 cents	HK 2.06 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	263,694	277,290
Right-of-use assets		14,210	–
Total non-current assets		277,904	277,290
CURRENT ASSETS			
Trade receivables	10	115,604	157,730
Contract assets		342,023	270,895
Prepayments, deposits and other receivables		28,469	18,772
Due from a fellow subsidiary		1,790	1,790
Due from a related company	11	5,250	10,500
Tax recoverable		7,769	11,274
Cash and cash equivalents		77,646	193,661
Total current assets		578,551	664,622
CURRENT LIABILITIES			
Trade and retention monies payables	12	136,898	169,395
Other payables and accruals		197,141	297,906
Dividend payable		30,000	–
Due to the ultimate holding company		1,795	–
Due to a fellow subsidiary		708	–
Tax payable		10,192	4,381
Lease liabilities		8,899	–
Total current liabilities		385,633	471,682
NET CURRENT ASSETS		192,918	192,940
TOTAL ASSETS LESS CURRENT LIABILITIES		470,822	470,230
NON-CURRENT LIABILITIES			
Lease liabilities		5,436	–
Deferred tax liabilities		42,948	45,140
		48,384	45,140
Net assets		422,438	425,090
EQUITY			
Equity attributable to owners of the Company			
Issued capital		150,000	150,000
Reserves		272,438	275,090
Total equity		422,438	425,090

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 2018.

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 2018, 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 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's unaudited condensed consolidated interim financial information.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

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

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) <i>HK\$'000</i> (Unaudited)
Assets	
Increase in right-of-use assets and total assets	18,668
Liabilities	
Increase in lease liabilities and total liabilities	18,668

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

- Foundation construction and ancillary services; and
- Drilling and site investigation.

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, finance costs as well as 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.

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2019

	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	426,377	91,719	518,096
Intersegment sales	–	42,918	42,918
Other revenue			
Rental income from leasing of machinery	1,500	–	1,500
Others	76	357	433
	<u>427,953</u>	<u>134,994</u>	<u>562,947</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(42,918)
Other revenue			<u>(1,933)</u>
Revenue			<u><u>518,096</u></u>
Segment results	24,559	14,542	39,101
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(4,368)
Interest income			379
Finance costs			<u>(301)</u>
Profit before tax			<u><u>34,811</u></u>

As at 30 June 2019

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	649,074	175,275	824,349
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>32,106</u>
Total assets			<u><u>856,455</u></u>
Segment liabilities	226,667	171,287	397,954
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>36,063</u>
Total liabilities			<u><u>434,017</u></u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2018

	Foundation construction and ancillary services (Unaudited) <i>HK\$'000</i> (Restated)	Drilling and site investigation (Unaudited) <i>HK\$'000</i> (Restated)	Total (Unaudited) <i>HK\$'000</i> (Restated)
Segment revenue:			
Sales to external customers	454,918	74,051	528,969
Intersegment sales	–	45,693	45,693
Other revenue	650	714	1,364
	<u>455,568</u>	<u>120,458</u>	<u>576,026</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(45,693)
Other revenue			<u>(1,364)</u>
Revenue			<u><u>528,969</u></u>
Segment results	27,913	11,672	39,585
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(2,015)
Interest income			<u>650</u>
Profit before tax			<u><u>38,220</u></u>

As at 31 December 2018

	Foundation construction and ancillary services (Audited) <i>HK\$'000</i>	Drilling and site investigation (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Segment assets	718,980	221,410	940,390
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>1,522</u>
Total assets			<u><u>941,912</u></u>
Segment liabilities	350,214	161,900	512,114
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>4,708</u>
Total liabilities			<u><u>516,822</u></u>

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Type of services		
Foundation construction and ancillary services	426,377	454,918
Drilling and site investigation services	91,719	74,051
	<u>518,096</u>	<u>528,969</u>
Timing of revenue recognition		
Over time	<u>518,096</u>	<u>528,969</u>

Other income and gains

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	379	650
Rental income from leasing of machinery	1,500	—
Foreign exchange differences, net	54	—
Others	<u>—</u>	<u>714</u>
	<u>1,933</u>	<u>1,364</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	31,241	31,720
Less: Amount included in cost of construction	(4,360)	(4,001)
	26,881	27,719
Depreciation of right-of-use assets	4,458	–
Employee benefit expense (including directors' remuneration)	148,607	128,765
Less: Amount included in cost of construction	(112,158)	(93,600)
	36,449	35,165
Minimum lease payments under operating leases	772	4,838
Loss on disposal of items of property, plant and equipment	15	824
Impairment of goodwill	–	398
Foreign exchange differences, net	(54)	31

6. INCOME TAX

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		<i>(Restated)</i>
Current – Hong Kong		
Charge for the period	9,655	6,688
Current – Elsewhere		
Charge for the period	–	1,146
Deferred	(2,192)	(468)
Total tax charge for the period	7,463	7,366

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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\$27,348,000 (2018 restated: HK\$30,854,000) and the number of ordinary shares of 1,500,000,000 (2018: 1,500,000,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2019 and 2018.

8. DIVIDENDS

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

The final dividend of HK2.0 cents per ordinary share for the year ended 31 December 2018 was approved by the Company's shareholders at the general meeting of the Company held on 4 June 2019 and paid on 2 July 2019.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with a cost of HK\$17,660,000 (2018: HK\$10,520,000).

10. TRADE RECEIVABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Trade receivables	115,604	157,730

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 2019, the Group has certain concentration risk that may arise from the exposure to the largest customer and five largest customers, which accounted for 28% and 66% (31 December 2018: 23% and 71%) of the Group's total trade receivables balance, respectively.

The 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 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Current to 30 days	96,242	118,572
31 to 60 days	4,027	29,111
61 to 90 days	–	2,259
Over 90 days	15,335	7,788
	115,604	157,730

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 and Mr. Philip Bing-Lun Lam are common directors of the Company and Hon Kwok.

12. TRADE AND RETENTION MONIES PAYABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Trade payables	107,881	139,960
Retention monies payable	29,017	29,435
	<u>136,898</u>	<u>169,395</u>

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Current to 30 days	81,247	125,209
31 to 60 days	9,189	11,187
61 to 90 days	16,726	153
Over 90 days	719	3,411
	<u>107,881</u>	<u>139,960</u>
Retention monies payable	29,017	29,435
	<u>136,898</u>	<u>169,395</u>

The trade and retention monies payables are non-interest-bearing. Trade payables are normally settled on 30-day terms. Retention monies payable had repayment terms ranging from one to two years.

13. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with current period's presentation, which would better reflect the financial performance and position of the Group.

RESULTS

The Board is pleased to announce that the Group recorded a turnover of HK\$518.10 million for the six months ended 30 June 2019 (2018: HK\$528.97 million) and achieved a profit of HK\$27.35 million (2018: HK\$30.85 million).

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2019 (2018: 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 2019, the Group had completed 2 and 13 projects in the Foundations Division and the Drilling Division with contract sum of approximately HK\$344 million and HK\$10 million, respectively.

As at 30 June 2019, the Group had 11 and 39 projects in progress with contract sum of approximately HK\$1,901 million and HK\$386 million in the Foundation Division and Drilling Division, respectively.

Revenue

The Group recorded a total revenue of HK\$518.10 million in the reporting period, representing a slightly decrease of 2.06% when comparing with last year’s corresponding period of HK\$528.97 million. The decrease of revenue was due to the reduced amount of HK\$28.54 million from the Foundation Division, while the magnitude was partly set-off by the increased amount of HK\$17.67 million from the Drilling Division as compared with the previous corresponding period. Keen competition among the market players in the foundation industry still persist during the reporting period which in turn reduced the overall awarded contract price of the foundation contracts as well as the revenue being recorded. The increased revenue from the Drilling Division in the current period was mainly attributed to the increased contribution from the down-the-hole contracts as compared with the previous corresponding period.

Gross profit and gross profit margin

During the period under review, the Group’s total gross profit was HK\$124.16 million as compared with the previous corresponding period of HK\$125.67 million, representing a decrease of 1.20%. The gross profit margin of the Group for both periods was maintained at approximately of 24%. The stabilised gross profit margin was benefited from the Group’s successful ongoing implementations of stringent project cost control policies and closely monitoring of the progress of the projects.

Administrative expenses

The Group's administrative expenses was HK\$90.98 million in the reporting period, representing an increase of 2.44% as compared with the previous corresponding period of HK\$88.82 million. The increase of administrative expenses in the current period was mainly due to the increase of repair and maintenance costs of HK\$2.64 million for up-keeping the working efficiencies of our fleet of machineries.

Net profit

The Group's net profit for the reporting period was HK\$27.35 million, representing a decrease of 11.36% when comparing with the previous corresponding period of HK\$30.85 million. The decrease of net profit was due to the decrease of the Group's gross profit and the increase of administrative expenses under the reporting period.

Financial Review

Liquidity and financial resources

As at 30 June 2019, the Group had cash and bank balances of HK\$77.65 million as compared to HK\$193.66 million as at 31 December 2018. The decrease of cash and bank balances was due to the capital payment of HK\$17.66 million for the acquisition of plant and machineries during the reporting period. In addition, net cash had been expended for certain sizeable projects before the end of the reporting period and certification of progress payments were still pending from our customers. 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.

Contingent liabilities

As at 30 June 2019, the Group provided corporate guarantees and indemnities to certain banks and an insurance company for an aggregate amount of HK\$205.03 million (31 December 2018: HK\$167.45 million) for the issue of performance bonds in its ordinary course of business.

Employees and remuneration policies

As at 30 June 2019, the Group employed 558 staff 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.

CONNECTED TRANSACTIONS

On 20 September 2016, Gold Famous, an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, Limited (“Chinney Investments”), as the employer entered into a framework agreement (the “Framework Agreement”) with Kin Wing Foundations Limited (“KWF”), an indirect wholly-owned subsidiary of the Company and an indirect non wholly-owned subsidiary of Chinney Alliance Group Limited (“CAG”), as a contractor for the construction of piling foundation, pipe piling, bored pile wall works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong at a contract sum of HK\$210 million (the “Foundation Construction Works”). The entering into the Framework Agreement constituted a connected transaction of each of Chinney Investments, Hon Kwok, CAG and the Company under the Listing Rules. On 7 November 2016, at the respective extraordinary general meetings held by each of Chinney Investments and Hon Kwok and at the respective special general meetings held by each of CAG and the Company, the transaction was approved by the independent shareholders of each of Chinney Investments, Hon Kwok, CAG and the Company.

Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok, CAG and the Company dated 20 September 2016 and the Company’s circular dated 21 October 2016. During the six months ended 30 June 2019, revenue of HK\$6,708,000 was recognised by KWF under the Foundation Construction Works.

OUTLOOK AND FUTURE PLANS

As disclosed in our 2018 annual report, a slight upturn in the foundation market was observed in early 2019. By grasping this instant uptrend, we had been awarded three sizeable private foundation contracts during and subsequent to the reporting period with aggregate contract sum of approximately HK\$1,500 million. Our revenue for the second half of 2019 and the year 2020 will therefore to certain extent be ascertained. However, the foundation market in Hong Kong is still competitive, together with the recent uncertain social and economic factors, the foundation industry is adversely affected. To cope with the increasing complexities and demanding contract requirements for foundation projects, we had recruited different levels of competent staffs in order to further sharpen our competitive edge in providing the best technical and cost effective solutions to our customers. Our Group will consistently adopt stringent cost control measures on projects; strengthen the project management team; optimise the design capabilities and enhance the production efficiency in ensuring the timely and cost effectively completion of the contracts in hand.

DrilTech continued to perform well in the reporting period with steady increase in both contract revenue and profit contribution to the Group. New customer base from private sectors had been developed and we directly acted as main contractor for several newly awarded down-the-hole contracts. DrilTech had also applied for inclusion in other categories of specialist contractors of the Development Bureau in order to expand the tender opportunities for the public works. In maintaining a stable and sustainable development of the Drilling Division, DrilTech will explore to the extension of the scope of services in marine ground investigation, instrumentation and field testing. Adequate resources will be invested in line with such business diversification. It is expected that DrilTech will continue to grow with increasing contribution to the Group in 2019.

OUTLOOK AND FUTURE PLANS *(continued)*

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. We are prudently optimistic as to the long term demands for reliable and reputable contractors in the construction industry. In particular, we are looking 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 thank my fellow Directors for their advice and guidance, the Execution Panel for their management of operation departments and all colleagues for their hard working, loyalty and contributions which are essential to the Group's overall performance during the period under review.

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 2019.

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 2019.

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 2019 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 2019.

By Order of the Board
Yuen-Keung Chan
Chairman

Hong Kong, 28 August 2019

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*