CR Construction Group Holdings Limited
華營建築集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1582)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The total revenue of the Group for the six months ended 30 June 2020 decreased to approximately HK$2,180.9 million as compared to that of approximately HK$2,393.9 million for the six months ended 30 June 2019.

The total gross profit of the Group increased to approximately HK$106.0 million for the six months ended 30 June 2020 as compared to that of approximately HK$98.8 million for the six months ended 30 June 2019.

Profit attributable to the equity holders of the Company for the six months ended 30 June 2020 amounted to approximately HK$28.4 million as compared to that of approximately HK$31.2 million for the six months ended 30 June 2019.

The Board has resolved to declare the payment of an interim dividend of HK2.5 cents per share to shareholders whose names appear on the register of members of the Company on Thursday, 3 September 2020 and such interim dividend will not be subject to any withholding tax in Hong Kong.

The board (the "**Board**") of directors (the "**Directors**") of CR Construction Group Holdings Limited (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**"), together with the comparative figures for 2019, as follows:

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

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**2,180,915**	2,393,936
Contract costs		**(2,074,927)**	(2,295,140)
Gross profit		**105,988**	98,796
Other income	*4*	**881**	817
Administrative expenses		**(58,339)**	(51,186)
Other operating expenses, net		**(7,705)**	(2,221)
Finance costs	*6*	**(6,694)**	(6,521)
Listing expenses	*5*	**–**	(2,775)
PROFIT BEFORE TAX	*5*	**34,131**	36,910
Income tax expense	*7*	**(5,732)**	(5,688)
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**28,399**	31,222
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*9*	**HK5.68 cents**	HK8.65 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2020

	Notes	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**19,167**	21,423
Right-of-use assets	*10*	**32,477**	3,751
Prepayments and deposits		**8,159**	1,519
Deferred tax assets		**594**	–
Total non-current assets		**60,397**	26,693
CURRENT ASSETS			
Contract assets	*11*	**1,741,133**	1,569,973
Trade receivables	*12*	**401,145**	384,094
Prepayments, deposits and other receivables		**46,170**	46,005
Pledged deposits		**–**	26,338
Cash and cash equivalents		**121,736**	150,798
Total current assets		**2,310,184**	2,177,208
CURRENT LIABILITIES			
Trade and retention payables	*13*	**644,318**	1,123,797
Other payables and accruals		**942,285**	533,821
Dividend payable	*8*	**25,000**	–
Interest-bearing bank borrowings	*14*	**185,000**	–
Lease liabilities	*10*	**13,539**	2,202
Tax payable		**7,799**	15,955
Total current liabilities		**1,817,941**	1,675,775
NET CURRENT ASSETS		**492,243**	501,433
TOTAL ASSETS LESS CURRENT LIABILITIES		**552,640**	528,126

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2020

	Note	**30 June 2020 (Unaudited)** ***HK$'000***	31 December 2019 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Provision for reinstatement		**4,000**	–
Lease liabilities	*10*	**19,603**	1,513
Deferred tax liabilities		**–**	975
Total non-current liabilities		**23,603**	2,488
Net assets		**529,037**	525,638
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**5,000**	5,000
Reserves		**524,037**	520,638
Total equity		**529,037**	525,638

Notes:

1. CORPORATE AND GROUP INFORMATION

CR Construction Group Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit Nos. 3–16, Level 32, Standard Chartered Tower of Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the provision of building construction services and repair, maintenance, addition and alteration ("**RMAA**") works in Hong Kong.

On 16 October 2019, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**").

CR Construction Investments Limited ("**CR Investments**"), a company incorporated in the British Virgin Islands (the "**BVI**"), is the immediate holding company of the Company. In the opinion of the Directors, Zhejiang State-owned Capital Operation Company Limited, a company established in the People's Republic of China (the "**PRC**"), is the ultimate holding company of the Company.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 is unaudited and has been prepared in accordance with Hong Kong Accounting Standards ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The unaudited interim condensed consolidated financial information has been prepared under the historical cost convention and is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The adoption of the above revised standards has had no significant financial effect on the Group's unaudited interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, of which the Group engages in contract work as a main contractor or subcontractor, primarily in respect of building construction, repair, maintenance and addition and alteration works. Accordingly, no segment information is presented.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Building construction	**1,906,477**	2,283,246
RMAA	**274,438**	110,690
	2,180,915	2,393,936

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Services transferred over time	**2,180,915**	2,393,936

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income	**117**	320
Gross rental income	**478**	450
Others	**286**	47
	881	817

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Contract costs	**2,074,927**	2,295,140
Depreciation of property, plant and equipment	**3,226**	3,559
Less: Amount included in contract costs	**(933)**	(851)
Amount included in administrative expenses	**2,293**	2,708
Depreciation of right-of-use assets	**7,065**	8,250
Less: Amount included in contract costs	**(1,292)**	(2,143)
Amount included in administrative expenses	**5,773**	6,107
Lease payments not included in the measurement of lease liabilities	**10,344**	15,319
Less: Amount included in contract costs	**(10,311)**	(15,272)
Amount included in administrative expenses	**33**	47
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	**155,515**	187,904
Pension scheme contributions	**6,274**	7,126
	161,789	195,030
Less: Amount included in contract costs	**(123,643)**	(158,923)
Amount included in administrative expenses	**38,146**	36,107
Auditor's remuneration	**950**	688
Listing expenses	**–**	2,775
Impairment of trade receivables*	**7,629**	2,000
Foreign exchange differences, net*	**(4)**	–
Gain on disposal of items of property, plant and equipment, net*	**–**	(7)
Gain on termination of leases*	**–**	(4)

* These items are included in "Other operating expenses, net" on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**4,018**	6,301
Increase in discounted amounts of retention payables arising from the passage of time	**2,126**	–
Interest on lease liabilities	**550**	220
	6,694	6,521

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	**7,301**	7,341
Overprovision in prior periods	**–**	(850)
Deferred	**(1,569)**	(803)
Total tax charge for the period	**5,732**	5,688

8. DIVIDEND

The final dividend of HK5 cents per ordinary share, in an aggregate amount of HK$25,000,000 for the year ended 31 December 2019, was approved by the Company's shareholders at the annual general meeting of the Company held on 26 June 2020 and paid on 31 July 2020.

On 18 August 2020, the board of directors declared an interim dividend of HK2.5 cents (six months ended 30 June 2019: Nil) per ordinary share, in an aggregate amount of HK$12,500,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$28,399,000 (2019: HK$31,222,000), and the weighted average number of ordinary shares of 500,000,000 (2019: 361,150,000) in issue during the period, on the assumption that the capitalisation issue in connection with the Listing of the Company had been completed on 1 January 2019.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 June 2019 was based on 361,150,000 ordinary shares, representing the number of ordinary shares of the Company immediately after the capitalisation issue, as if all these shares had been in issue throughout the six months ended 30 June 2019.

No adjustment has been made to the basic earnings per share amounts for the six months ended 30 June 2020 and 2019 as the Group had no potentially dilutive ordinary share in issue during those periods.

10. LEASES

The Group has entered into new lease agreements during the six months ended 30 June 2020 and resulted in an addition of right-of-use assets and lease liabilities of HK$35,791,000 (six months ended 30 June 2019: HK$646,000).

11. CONTRACT ASSETS

	Notes	**30 June 2020** *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Contract assets arising from construction services	*(a)*	**1,105,840**	1,024,970
Retention receivables	*(b)*	**635,808**	545,518
		1,741,648	1,570,488
Impairment		**(515)**	(515)
		1,741,133	1,569,973

Notes:

(a) Contract assets consist of the Group's rights to consideration for works completed but unbilled amounts resulting from construction contracts and RMAA services. The contract assets are transferred to trade receivables when the rights become unconditional which is generally one to three months.

The expected timing of recovery or settlement for contract assets, net of loss allowances, arising from construction services as at 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Within one year	**1,105,504**	1,024,634

(b) Retention receivables held by contract customers arising from the Group's construction work and certain RMAA work are settled within a period ranging from one year to two years after the completion of the construction work and acceptance by customers, as stipulated in the construction contracts.

The due date for settlement of the Group's retention receivables, net of loss allowances, as at 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Due within one year	**380,415**	332,974
Due after one year	**255,214**	212,365
	635,629	545,339

12. TRADE RECEIVABLES

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Trade receivables	**411,547**	386,867
Impairment	**(10,402)**	(2,773)
	401,145	384,094

The Group's trading terms with its customers are on credit. The Group's credit period with customers range from 14 to 45 days. 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.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Within 1 month	**311,851**	305,324
1 to 2 months	**65,976**	41,015
2 to 3 months	**–**	–
Over 3 months	**23,318**	37,755
	401,145	384,094

13. TRADE AND RETENTION PAYABLES

	Notes	**30 June 2020** *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Trade payables	*(a)*	**190,871**	714,681
Retention payables	*(b)*	**453,447**	409,116
		644,318	1,123,797

Notes:

(a) 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 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Within 1 month	**116,946**	458,713
1 to 2 months	**8,548**	118,856
2 to 3 months	**8,445**	126,120
Over 3 months	**56,932**	10,992
	190,871	714,681

The trade payables are non-interest-bearing and are normally settled within one month.

(b) Retention payables held by the Group arose from the Group's construction work and RMAA work and are normally settled to subcontractors within a period ranging from one year to two years after the completion of the contract work by the subcontractors, as stipulated in the subcontracting contracts.

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2020			31 December 2019		
	Effective interest rate (%)	***Maturity***	***HK$'000*** **(Unaudited)**	*Effective interest rate (%)*	*Maturity*	*HK$'000* (Audited)
Current						
Bank loans - secured	**2.0–4.6**	**On demand**	**185,000**	–	–	–

	30 June 2020 ***HK$'000*** **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Analysed into:		
Bank loans repayable:		
On demand	**185,000**	–

Notes:

(a) As at 30 June 2020, all of the Group's bank loans were secured by corporate guarantees given by the Company.

(b) All borrowings were in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the leading building contractors in Hong Kong and principally acts as a main contractor in building construction works and repair, maintenance, alteration and addition ("**RMAA**") works across the public and private sectors in Hong Kong.

The building construction services provided by the Group primarily consist of building works for new buildings, including residential, commercial and industrial buildings, while the Group's RMAA works include the general upkeep, maintenance, improvement, refurbishment, alteration and addition of existing facilities and components of buildings and their surroundings.

As at 30 June 2020, the Group had 24 (31 December 2019: 19) projects on hand with an aggregate original contract sum of approximately HK$16.4 billion (31 December 2019: approximately HK$13.8 billion), which includes projects in progress and projects that have been awarded to the Group but not yet commenced.

During the Reporting Period, the Group had been awarded six new projects with an aggregate original contract sum of approximately HK$3.0 billion and had completed one project with an original contract sum of approximately HK$0.4 billion.

THE PROSPECTS

From July to early August 2020, the Group had been further awarded three new projects relating to two building construction contracts with an aggregate contract sum of approximately HK$1.1 billion and a RMAA contract with an original contract sum of approximately HK$385.0 million. Nevertheless, the Directors believe that the Group still faces fierce competition in tendering for building construction and RMAA contracts, and the Group will continue to strengthen its market position by implementing the business strategies as set out in the prospectus of the Company dated 27 September 2019 (the "**Prospectus**"), including but not limited to further expanding its building construction works and RMAA works business, strengthening the manpower, enhancing information technology and adhering to prudent financial management to ensure sustainable growth and capital sufficiency of the Group.

With the recent and rapid development of the coronavirus outbreak ("**COVID-19**"), limitations including but not limited to suspension of business operations, implementation of travel restrictions and quarantine measures have caused certain disruption to businesses across industries. The construction industry was similarly affected, whereby the construction schedule and tendering opportunities for new projects were disrupted due to COVID-19.

The Group has assessed the impact of its building construction and RMAA projects and considered that the impact is not significant in the immediate future.

Amongst all, the Group had two projects in which construction works were temporarily suspended. The Group has worked closely with key stakeholders and implemented strict controlling measures to reduce the impact to a minimal.

While the economic outlook continues to deteriorate, the Group believes that the construction industry will inevitably face challenges and expects a certain time lag for tendering opportunities and economic activity to resume to a level prior to the outbreak of COVID-19. We will continue to monitor the situation and strive to mitigate the adverse consequences.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately HK$213.0 million or approximately 8.9% from approximately HK$2,393.9 million for the six months ended 30 June 2019 to approximately HK$2,180.9 million for the six months ended 30 June 2020.

Building Construction Works

The revenue generated from the building construction works decreased by approximately HK$376.7 million or approximately 16.5% from approximately HK$2,283.2 million for the six months ended 30 June 2019 to approximately HK$1,906.5 million for the six months ended 30 June 2020. The decrease in revenue was attributable to less work progress of three main projects.

RMAA Works

The revenue generated from the RMAA works increased by approximately HK$163.7 million or approximately 147.9% from approximately HK$110.7 million for the six months ended 30 June 2019 to approximately HK$274.4 million for the six months ended 30 June 2020. The increase was mainly attributable to three new projects which had substantial work progress in the current period.

Contract Costs

The Group's contract costs primarily consisted of subcontracting costs, material costs, direct staff costs and site overheads. The contract costs of the Group decreased by approximately HK$220.2 million or approximately 9.6% from approximately HK$2,295.1 million for the six months ended 30 June 2019 to approximately HK$2,074.9 million for the six months ended 30 June 2020. Such decrease was attributable to the decrease in subcontracting costs, material costs and direct staff costs which was partly offset by the increase in site overheads during the six months ended 30 June 2020.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from approximately HK$98.8 million for the six months ended 30 June 2019 to approximately HK$106.0 million for the six months ended 30 June 2020. The Group's gross profit margin was approximately 4.9% and 4.1% for the six months ended 30 June 2020 and 2019, respectively. The gross profit margin of the Group increased by approximately 0.8 percentage points by comparing the six months ended 30 June 2020 against the six months ended 30 June 2019.

Building Construction Works

The gross profit of building construction works was approximately HK$96.8 million for the six months ended 30 June 2020, representing a decrease of approximately HK$2.6 million from approximately HK$99.4 million for the six months ended 30 June 2019. The decrease in gross profit was mainly attributable to the decrease in revenue derived from the building constriction works. The gross profit margin increased from approximately 4.4% for the six months ended 30 June 2019 to approximately 5.1% for the six months ended 30 June 2020. The increase in gross profit margin was mainly due to a reduction of subcontracting fees paid for two projects which was practically completed, whereby there were significant cost saving measures upon the certification of contract works to the subcontractors.

RMAA Works

The gross profit of RMAA works was approximately HK$9.2 million for the six months ended 30 June 2020, representing an increase of approximately HK$9.8 million from the gross loss of approximately HK$0.6 million for the six months ended 30 June 2019. The gross profit margin increased by approximately 3.9 percentage points from gross loss margin of approximately 0.5% for the six months ended 30 June 2019 to gross profit margin of approximately 3.4% for the six months ended 30 June 2020. The gross loss for the six months ended 30 June 2019 was mainly due to additional cost incurred during the negotiation of the final account with a subcontractor for a term contract.

Other Income

The other income of the Group remained stable of approximately HK$0.9 million and HK$0.8 million for the six months ended 30 June 2020 and 2019, respectively.

Administrative Expenses

Administrative expenses of the Group increased from approximately HK$51.2 million for the six months ended 30 June 2019 to approximately HK$58.3 million for the six months ended 30 June 2020. The increase was mainly due to the increase in staff cost and professional fee.

Other Operating Expenses, net

The other operating expenses of the Group increased by approximately HK$5.5 million, from approximately HK$2.2 million for the six months ended 30 June 2019 to approximately HK$7.7 million for the six months ended 30 June 2020. The increase was primarily due to the increase in impairment on trade receivables.

Finance Costs

The finance costs of the Group increased by approximately HK$0.2 million, from approximately HK$6.5 million for the six months ended 30 June 2019 to approximately HK$6.7 million for the six months ended 30 June 2020. The increase was mainly due to the increase in the interest expense for discounted amounts of retention payables arising from the passage of time, which was partly offset by the decrease in interest on bank loans.

Income Tax Expenses

The income tax expenses remained stable of approximately HK$5.7 million for the six months ended 30 June 2020 and 2019. The effective tax rate was approximately 16.8% and 15.4% for the six months ended 30 June 2020 and 2019, respectively. The increase of approximately 1.4 percentage points comparing the six months ended 30 June 2020 and 2019 was mainly due to the overprovision of tax expenses in prior periods recorded during the six months ended 30 June 2019.

Net Profit

The net profit of the Group decreased by approximately HK$2.8 million, or approximately 9.0%, from approximately HK$31.2 million for the six months ended 30 June 2019 to approximately HK$28.4 million for the six months ended 30 June 2020. The net profit margin for the six months ended 30 June 2020 and 2019 were approximately 1.3% and 1.3%, respectively.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 638 employees as at 30 June 2020 (30 June 2019: 707). Total staff costs of the Group (excluding the Directors' remuneration) for the six months ended 30 June 2020 were approximately HK$155.9 million (six months ended 30 June 2019: approximately HK$189.6 million). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees. The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary, bonus and other cash subsidies system. The Group conducts review on salary adjustment, discretionary bonuses and promotions based on the performance of each employee twice a year. The emoluments of the Directors and the senior management are decided by the Board after recommendation from the remuneration committee of the Company, having considered factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company provides introductory training at the time when members of our staff first join us and thereafter regular on-the-job training, depending on his or her role. In addition, it is our policy to provide training to our staff on an as-needed basis to enhance their technical and industry knowledge.

The Company has adopted a share option scheme (the "**Share Option Scheme**") as an incentive to the Directors and eligible employees. No share option has been granted, exercised, expired or lapsed under the Share Option Scheme since its adoption and up to the date of this announcement. During the Reporting Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, the Group did not have any significant investment held, any material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

CAPITAL EXPENDITURE

During the Reporting Period, the Group invested approximately HK$1.0 million on the acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources and net proceeds from the Listing.

CAPITAL COMMITMENTS

The Group had capital commitments of approximately HK$3.0 million as at 30 June 2020 (31 December 2019: Nil).

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no other contingent liabilities as at 30 June 2020:

(a) As at 30 June 2020, performance bonds of approximately HK$1,150,575,000 (31 December 2019: HK$775,629,000) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work.

    At the end of the Reporting Period, the Directors do not consider it is probable that such claim will be made against the Group.

(b) In the ordinary course of the Group's construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or of the Group's subcontractors in accidents arising out of and in the course of their employment. At the end of the Reporting Period, the Directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

FOREIGN EXCHANGE EXPOSURE

The Group has a minimal exposure to foreign currency risk as most of its business transactions and assets and liabilities are principally denominated in Hong Kong dollar. As such, the Directors believe that the Group's risk in foreign exchange is insignificant, thus it is not necessary for the Group to arrange any foreign currency hedging policy currently. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

GEARING RATIO

As at 30 June 2020, the gearing ratio of the Group, which is calculated by dividing net debt with the total capital plus net debt, was approximately 76.1% (31 December 2019: approximately 74.2%). Net debt includes trade and retention payables, other payables, accruals and provision, interest-bearing bank borrowings and lease liabilities less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Reporting Period, the Group maintained a healthy liquidity position, with working capital financed mainly by internal resources.

As at 30 June 2020, the Group reported net current assets of approximately HK$492.2 million, as compared with approximately HK$501.4 million as at 31 December 2019. As at 30 June 2020, the Group's pledged deposits and cash and cash equivalents in aggregate accounted for approximately HK$121.7 million, representing a decrease of approximately HK$55.4 million as compared to approximately HK$177.1 million as at 31 December 2019.

The shares of the Company were successfully listed on the Stock Exchange on 16 October 2019. There has been no change in the capital structure of the Group since then.

DEBTS AND CHARGE ON ASSETS

The Group had interest-bearing bank borrowings of approximately HK$185.0 million as at 30 June 2020 (31 December 2019: Nil). The banking facilities of the Group were secured by the corporate guarantees executed by the Group.

Borrowings were denominated in Hong Kong dollar and interests on borrowings were mainly charged at floating rate. The Group did not employ any financial instrument for hedging purpose during the Reporting Period. However, the Group pays vigilant attention to and monitors interest rate risks continuously and cautiously.

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Group's liquidity and financing requirements are frequently reviewed. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

USE OF PROCEEDS

The shares of the Company were successfully listed on the Stock Exchange on 16 October 2019 (the "**Listing Date**"). The net proceeds, after deducting related underwriting commission and listing expenses, were approximately HK$97.7 million. The net proceeds from the Listing Date to 30 June 2020 (the "**Relevant Period**") were utilised as follows:

	Planned use of proceeds in total	**Planned use of proceeds from the Listing Date to 30 June 2020**	**Actual use of proceeds from the Listing Date to 30 June 2020**	**Remaining Balance**	**Expected timeline for utilising the unutilised net proceeds**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
Financing the upfront costs of potential new projects	85,263	55,606	27,070	58,193	Expected to be fully utilised on or before 31 December 2021
Strengthening manpower	7,813	4,106	4,901	2,912	Expected to be fully utilised on or before 31 December 2020
Enhancing information technology system	4,591	2,563	2,875	1,716	Expected to be fully utilised on or before 31 March 2021
	97,667	62,275	34,846	62,821	

During the Relevant Period, the Group utilised approximately HK$27.1 million, HK$4.9 million and HK$2.9 million for financing the upfront costs of newly awarded projects, strengthening manpower and for enhancing information technology system, respectively.

The delay in utilisation of the remaining proceeds for upfront cost was due to the recent market climate and low number of successful tender applications for new residential projects during the Relevant Period. The application of the proceeds were subject to certain factors including but not limited to the actual development of the Group's business, industry and market conditions. As such, the Group will continue to consider new tender opportunities from time to time as and when appropriate. The Group expects to fully utilise the remaining proceeds to finance the upcoming newly awarded residential projects by the end of year 2021.

The Group utilised the proceeds regarding to strengthening manpower and enhancing information technology system as planned and expect to fully utilise the relevant proceeds on or before 31 December 2020 and 31 March 2021, respectively.

There has not been any material change to the plan as to the use of the net proceeds and considered that the slight delay in the utilisation will not have any material adverse impact on the operation of the Group. As at 30 June 2020, the unused proceeds were deposited with the licensed banks in Hong Kong.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from strengthening the Group's current business and future plans as disclosed in the Prospectus, the Group may from time to time consider appropriate new business opportunities as and when appropriate, in order to enhance its shareholders' value. Save as disclosed herein, there was no specific plan for material investments or capital assets as at 30 June 2020.

DIVIDEND

The Board recommended the payment of an interim dividend of HK2.5 cents (six months ended 30 June 2019: Nil) per ordinary share of the Company for the six months ended 30 June 2020. The interim dividend will be paid on or around Wednesday, 16 September 2020 to shareholders whose names appear on the register of members of the Company on Thursday, 3 September 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 1 September 2020 to Thursday, 3 September 2020, both days inclusive, in order to determine the entitlement of the Company's shareholders who are entitled to receive the interim dividend, during which period no transfers of the Company's shares shall be effected. In order to qualify for the entitlement of interim dividend, all transfer of the Company's shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 31 August 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated, and should not be performed by the same individual.

Before the appointment of chief executive officer, the chairman of the Board is Mr. Guan Manyu.

Mr. Li Kar Yin, an executive Director, was appointed as chief executive officer of the Company on 1 April 2020. Following his appointment, the roles of the chairman and the chief executive officer remain separated with a clear division of responsibilities performed by different individuals to maintain their independence, accountability, well-balanced power and authority.

The Company has complied with all applicable code provisions of the CG Code for the Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The unaudited consolidated interim results for the six months ended 30 June 2020 have been reviewed by the auditor of the Company, in accordance with 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 Board, through the audit committee, has also conducted a review of the internal control and the interim report for the six months ended 30 June 2020.

SUBSEQUENT EVENT

As at date of this announcement, there is no significant event that requires additional disclosures or might affect the Group after the Reporting Period.

PUBLICATION OF THE INTERIM RESULTS AND 2020 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.cr-construction.com.hk), and the interim report of the Group for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
CR Construction Group Holdings Limited
Guan Manyu
Chairman

Hong Kong, 18 August 2020

As at the date of this announcement, the Company has five executive directors, namely Mr. Guan Manyu, Mr. Li Kar Yin, Ms. Chu Ping, Mr. Law Ming Kin, Mr. Chan Tak Yiu; one non-executive director, namely Mr. Yang Haojiang; and three independent non-executive directors, namely The Honourable Tse Wai Chun Paul JP, Mr. Li Ka Fai David and Mr. Ho Man Yiu Ivan.