



# 2022

Interim Report



## CHINNEY KIN WING HOLDINGS LIMITED

### 建業建榮控股有限公司\*

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



\* for identification purpose only



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### **Executive Directors**

Yuen-Keung CHAN (*Chairman*)  
James Sing-Wai WONG  
Wing-Sang YU (*Managing Director*)  
Philip Bing-Lun LAM  
Hin-Kwong SO

### **Independent Non-Executive Directors**

Siu-Chee KONG  
Ivan Ti-Fan PONG  
Robert Che-Kwong TSUI

## AUDIT COMMITTEE

Siu-Chee KONG (*Chairman*)  
Ivan Ti-Fan PONG  
Robert Che-Kwong TSUI

## REMUNERATION COMMITTEE

Robert Che-Kwong TSUI (*Chairman*)  
Ivan Ti-Fan PONG  
Yuen-Keung CHAN

## NOMINATION COMMITTEE

Ivan Ti-Fan PONG (*Chairman*)  
Robert Che-Kwong TSUI  
Yuen-Keung CHAN  
James Sing-Wai WONG  
Siu-Chee KONG

## COMPANY SECRETARY

Eric Wing-Hung YUEN

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
The Bank of East Asia, Limited  
Hang Seng Bank Limited  
Shanghai Commercial Bank Limited  
Bank of China (Hong Kong) Limited  
China Construction Bank (Asia) Corporation Limited  
Chong Hing Bank Limited

## AUDITOR

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## REGISTERED OFFICE

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2 Church Street  
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Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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## STOCK CODE

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## BUSINESS ADDRESSES AND CONTACTS

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# CHAIRMAN'S STATEMENT

## TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present to our shareholders the interim report of Chinney Kin Wing Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the six months ended 30 June 2022. The Group's revenue in the reporting period decreased by 14.7% to HK\$851.9 million from the previous corresponding period of HK\$998.3 million. The profit and total comprehensive income for the period under review was HK\$35.5 million, represented an increase of 2.6%, compared with the previous corresponding period of HK\$34.6 million.

## INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

## 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.

As at 30 June 2022, the Group had 9 and 51 projects in progress with contract sums of approximately HK\$3,256 million and HK\$756 million in the Foundation and Drilling Divisions respectively.

## OUTLOOK AND FUTURE PLANS

As Hong Kong continues to navigate the waves of the COVID-19 pandemic, we are starting to see signs of an economic upturn. Despite a 4% decline in the overall economy, our construction industry is demonstrating resilience, with current construction works by and large unscathed by health restrictions. There is a disparity between private and public sector works. During the first quarter, the gross value of construction works performed by main contractors fell by 1.1% compared to the previous year. On the other hand, public sector contracts increased by 20.3%. Going forward, we see public sector works leading the industry away from the pandemic gloom.

Closer to our business, we are still struggling with a labour shortage. Many of the current workers are aging out while young adults in Hong Kong are not choosing career opportunities in our industry. At the same time, inflation is raising the price of construction materials and increasing production costs. These two factors put pressure on profit margins.

Our Group is taking pro-active steps to address the growing demand for competent and skilled personnel. We are allocating resources including the setting-up of our Chinney Kin Wing Academy for developing staff competence, with a view to creating greater achievements within the Group and among our workforce.

At the same time, we are constantly reviewing our fleet to optimise our cost structures to protect our operating margins. We will allocate capital to modernise the fleet so as to drive cost efficiencies. Our new depot has an optimised machinery and equipment storage system and is operating at full capacity. It contributes to our operational efficiency by improving productivity and smoothing out project management.

As one of the key players in the foundation industry, we remain prudent and vigilant at all times with a finger on the market's pulse. This allows us to adjust our business strategies with great flexibility.

The Group's drilling and site investigation subsidiary DrilTech is running at full steam as well. Accredited with the Koden Test under The Hong Kong Laboratory Accreditation Scheme ("HOKLAS"), DrilTech will further enhance its field testing services in the drilling industry by applying different categories of testing licenses under HOKLAS. In addition, DrilTech has applied for the list of piling contractors under the Hong Kong Housing Authority. When approved, the listing will enhance its tender opportunities within the public sector. DrilTech will continue to diversify its business by allocating more resources to expand the service scope in marine ground investigation, geotechnical instrumentation and monitoring as well as field testing and is expected to increase its overall contribution to the Group.

The Government is dedicated to investing in construction and infrastructure works across the territory. This includes the development strategy of the Northern Metropolis and Lantau Tomorrow Vision, these projects will not only benefit the construction industry but also Hong Kong as a whole. As stated in the Hong Kong Budget 2022-23, a total of HK\$100 billion was earmarked for accelerating the implementation of infrastructure works relating to lands, housing and transportation within the Northern Metropolis. Such mega public infrastructure projects require a great deal of foundation works, which are translated into ample tender opportunities for the foundations industry. With the Group's strong reputation in the foundation market, alongside our continuous investment in machineries and facilities as well as talent development, we will continue to sharpen our competitive edge and look for appropriate opportunities to further extend our presence in both the private and public foundation sectors for the long-term sustainable growth.

### APPRECIATION

On behalf of the Board, I would like to thank the management team and the entire staff for their contribution and dedication, particularly during the difficult times plagued by the epidemic. I would also like to extend my gratitude to the Group's business partners and shareholders for their stellar support. Going forward, we will make every effort to bolster our fundamentals and safeguard steady business growth for the long run.

**Yuen-Keung Chan**  
*Chairman*

Hong Kong, 30 August 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND OPERATION REVIEW

### REVENUE

The Group's total revenue decreased by 14.7% from last year's corresponding period of HK\$998.3 million to current reporting period of HK\$851.9 million. The decrease of revenue was primarily attributable to the near completion of certain sizeable foundation contracts in the first half of 2022 while the revenue contribution of the new major contracts will only be predominated in the second half of 2022.

### GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit in the reporting period was HK\$127.4 million as compared with the previous corresponding period of HK\$129.2 million, represented a slightly decrease of 1.4%. The overall gross profit margin of the Group however increased from previous corresponding period of 12.9% to current reporting period of 15.0%. The increase of gross profit margin was mainly due to the increased tender opportunities in the foundation market which had in certain extent allowed the reasonableness of the margin being included in the awarded contract price. In addition, the technical difficulties which we anticipated during the site progress were effectively and actively rectified, together with our continually implemented stringent project cost control had minimised our overall project cost accordingly.

### ADMINISTRATIVE EXPENSES

The Group's administrative expenses were HK\$82.6 million in the reporting period, represented a decrease of 2.7% as compared with the previous corresponding of HK\$84.9 million. The stabilisation of administrative expenses in both periods was attributable to the Group's persistently implementation of stringent control on administrative overheads.

### NET PROFIT

The Group's net profit for the reporting period was HK\$35.5 million, represented an increase of 2.6% when comparing with the previous corresponding period of HK\$34.6 million. The slightly increase of net profit was basically due to the decrease of administrative expenses in the reporting period. During the period under review, the Group had received subsidies of HK\$9.7 million from the Employment Support Scheme of the Hong Kong Government but the amount was mostly set-off by the allowance for impairment losses of HK\$9.5 million as provided in the reporting period in view of the long overdue trade receivables and related contract assets.

## FINANCIAL REVIEW

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group had unpledged cash and bank balances of HK\$298.2 million as compared to HK\$186.0 million as at 31 December 2021. The increase of cash and bank balances was primarily due to the net cash inflow from certain sizeable foundation contracts, after the capital payment of HK\$29.9 million for the acquisition of plant and machineries and part consideration payment of HK\$21.0 million for investment in an associate and the corresponding right-of-use assets during the reporting period. The Group had maintained a sound financial position and remained debt free 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 management 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 2022, the Group provided corporate guarantees and counter indemnities to certain banks and an insurance company for an aggregate amount of HK\$231.6 million (31 December 2021: HK\$253.7 million) for the issue of performance bonds in its ordinary course of business.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed 574 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.



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

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>REVENUE</b>	4	<b>851,928</b>	998,278
Cost of construction		<b>(724,505)</b>	(869,031)
Gross profit		<b>127,423</b>	129,247
Other income and gains	4	<b>9,735</b>	6
Administrative expenses		<b>(82,621)</b>	(84,917)
Impairment of trade receivables and contract assets		<b>(9,458)</b>	–
Finance costs	6	<b>(1,097)</b>	(1,730)
<b>PROFIT BEFORE TAX</b>	5	<b>43,982</b>	42,606
Income tax expense	7	<b>(8,461)</b>	(8,000)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>35,521</b>	34,606
Profit and total comprehensive income attributable to: Equity holders of the Company		<b>35,521</b>	34,606
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<b>HK 2.37 cents</b>	HK 2.31 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	260,354	261,589
Right-of-use assets		193,532	197,804
Investment in an associate		121	121
Deposits		1,376	5,527
Total non-current assets		455,383	465,041
<b>CURRENT ASSETS</b>			
Trade receivables	11	149,471	191,808
Contract assets		300,913	332,293
Prepayments, deposits and other receivables		42,699	35,325
Due from a fellow subsidiary		1,790	1,790
Tax recoverable		–	1,764
Cash and cash equivalents		298,208	186,028
Total current assets		793,081	749,008
<b>CURRENT LIABILITIES</b>			
Trade and retention monies payables	12	124,415	214,544
Other payables and accruals		447,186	344,497
Dividend payable		22,500	–
Tax payable		12,779	1,296
Total current liabilities		606,880	560,337
<b>NET CURRENT ASSETS</b>		<b>186,201</b>	<b>188,671</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>641,584</b>	<b>653,712</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payable		20,817	41,325
Deferred tax liabilities		34,916	39,557
Total non-current liabilities		55,733	80,882
Net assets		585,851	572,830
<b>EQUITY</b>			
<b>Equity attributable to holders of the Company</b>			
Issued capital	13	150,000	150,000
Reserves		435,851	422,830
Total equity		585,851	572,830

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (Unaudited) HK\$'000	Share premium* (Unaudited) HK\$'000	Capital reserve* (Unaudited) HK\$'000	Merger reserve* (Unaudited) HK\$'000	Asset revaluation reserve* (Unaudited) HK\$'000	Retained profits* (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2022	150,000	63,628	(1)	20,002	21,294	317,907	572,830
Profit and total comprehensive income for the period	-	-	-	-	-	35,521	35,521
Release of revaluation reserve on leasehold land to retained profits	-	-	-	-	(342)	342	-
Final 2021 dividend declared	-	-	-	-	-	(22,500)	(22,500)
<b>At 30 June 2022</b>	<b>150,000</b>	<b>63,628</b>	<b>(1)</b>	<b>20,002</b>	<b>20,952</b>	<b>331,270</b>	<b>585,851</b>
At 1 January 2021	150,000	63,628	(1)	20,002	-	273,714	507,343
Profit and total comprehensive income for the period	-	-	-	-	-	34,606	34,606
Final 2020 dividend declared	-	-	-	-	-	(22,500)	(22,500)
At 30 June 2021	150,000	63,628	(1)	20,002	-	285,820	519,449

The merger reserve of the Group represents the capital contribution from the equity holders of a subsidiary now comprising the Group before the completion of the Reorganisation.

\* These reserve accounts comprise the consolidated reserves of HK\$435,851,000 in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		43,982	42,606
Adjustments for:			
Finance costs		1,097	1,730
Interest income	4	(19)	(6)
Depreciation of property, plant and equipment	5	31,050	30,010
Depreciation of right-of-use assets	5	4,271	4,682
Impairment of trade receivables	5	5,533	–
Impairment of contract assets	5	3,925	–
Loss on disposal of items of property, plant and equipment	5	–	1,433
		<b>89,839</b>	80,455
Decrease in trade receivables		36,804	100,313
Decrease/(increase) in contract assets		27,455	(29,995)
Increase in prepayments, deposits and other receivables		(3,223)	(139)
Decrease in trade and retention monies payables		(90,129)	(12,532)
Increase/(decrease) in other payables and accruals		82,181	(47,395)
		<b>142,927</b>	90,707
Cash generated from operations		142,927	90,707
Hong Kong profits tax refunded/(paid)		146	(6,036)
		<b>143,073</b>	84,671
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		19	6
Purchase of items of property, plant and equipment		(29,905)	(35,438)
Proceeds from disposal of items of property, plant and equipment		90	–
		<b>(29,796)</b>	(35,432)
Net cash flows used in investing activities		(29,796)	(35,432)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(1,097)	(1,727)
Principal portion of lease payments		–	(853)
		<b>(1,097)</b>	(2,580)
Net cash flows used in financing activities		(1,097)	(2,580)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>112,180</b>	46,659
Cash and cash equivalents at beginning of period	<b>186,028</b>	80,587
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>298,208</b>	127,246
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>208,208</b>	107,246
Non-pledged time deposits with original maturity of less than three months when acquired	<b>90,000</b>	20,000
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>298,208</b>	127,246



## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda with its shares listed on the Main Board of 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 on 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 2021.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for leasehold land which has been measured at fair value. The accounting policies adopted in the preparation of the unaudited 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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs are described below:

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

(continued)

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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

(continued)

- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

## 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 the Group's 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2022

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	702,898	149,030	851,928
Intersegment sales	–	92,893	92,893
Other revenue	7,841	1,894	9,735
	<b>710,739</b>	<b>243,817</b>	<b>954,556</b>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(92,893)
Other revenue			(9,735)
Revenue			<b>851,928</b>
<b>Segment results</b>	<b>33,030</b>	<b>17,972</b>	<b>51,002</b>
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(5,942)
Interest income			19
Finance costs			(1,097)
Profit before tax			<b>43,982</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2022

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment assets</b>	<b>1,015,503</b>	<b>208,929</b>	<b>1,224,432</b>
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<b>24,032</b>
Total assets			<b>1,248,464</b>
<b>Segment liabilities</b>	<b>490,917</b>	<b>144,197</b>	<b>635,114</b>
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<b>27,499</b>
Total liabilities			<b>662,613</b>

Six months ended 30 June 2021

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	873,999	124,279	998,278
Intersegment sales	–	92,491	92,491
Other revenue	6	–	6
	<b>874,005</b>	<b>216,770</b>	<b>1,090,775</b>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(92,491)
Other revenue			(6)
Revenue			<b>998,278</b>
<b>Segment results</b>	<b>38,720</b>	<b>12,839</b>	<b>51,559</b>
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(7,229)
Interest income			6
Finance costs			(1,730)
Profit before tax			<b>42,606</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2021

	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>
<b>Segment assets</b>	995,713	216,882	1,212,595
<i>Reconciliation:</i>			
Corporate and other unallocated assets			1,454
Total assets			1,214,049
<b>Segment liabilities</b>	479,647	153,539	633,186
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			8,033
Total liabilities			641,219

### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Construction services	<b>851,928</b>	998,278

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. REVENUE, OTHER INCOME AND GAINS *(continued)*

#### Revenue from contracts with customers

Disaggregate revenue information

Six months ended 30 June 2022

#### Segments

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Type of services</b>			
Construction services	702,898	149,030	851,928
<b>Geographical market</b>			
Hong Kong	702,898	149,030	851,928
<b>Timing of revenue recognition</b>			
Services transferred over time	702,898	149,030	851,928
<b>Revenue from contracts with customers</b>			
External customers	702,898	149,030	851,928
Intersegment sales	–	92,893	92,893
Other revenue	7,841	1,894	9,735
<b>Segment revenue</b>			
Elimination of intersegment sales	–	(92,893)	(92,893)
Other revenue	(7,841)	(1,894)	(9,735)
Revenue from contracts with customers	702,898	149,030	851,928

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 4. REVENUE, OTHER INCOME AND GAINS (continued)

### Revenue from contracts with customers (continued)

Disaggregate revenue information (continued)

Six months ended 30 June 2021

#### Segments

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Type of services</b>			
Construction services	873,999	124,279	998,278
<b>Geographical market</b>			
Hong Kong	873,999	124,279	998,278
<b>Timing of revenue recognition</b>			
Services transferred over time	873,999	124,279	998,278
<b>Revenue from contracts with customers</b>			
External customers	873,999	124,279	998,278
Intersegment sales	–	92,491	92,491
Other revenue	6	–	6
<b>Segment revenue</b>	874,005	216,770	1,090,775
Elimination of intersegment sales	–	(92,491)	(92,491)
Other revenue	(6)	–	(6)
Revenue from contracts with customers	873,999	124,279	998,278

#### OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Bank interest income	19	6
Government subsidies*	9,716	–
	9,735	6

\* The government subsidies represented mainly grants from the Employment Support Scheme of the Hong Kong Government. There are no unfulfilled conditions or contingencies relating to these subsidies.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation of property, plant and equipment	<b>31,050</b>	30,010
Depreciation of right-of-use assets	<b>4,271</b>	4,682
Employee benefit expense (including directors' remuneration)	<b>177,215</b>	192,022
Lease payments not included in the measurement of lease liabilities	<b>1,628</b>	2,483
Loss on disposal of items of property, plant and equipment	<b>–</b>	1,433
Impairment of trade receivables	<b>5,533</b>	–
Impairment of contract assets	<b>3,925</b>	–
Foreign exchange differences, net	<b>1,147</b>	95

### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on lease liabilities	<b>–</b>	3
Interest on bank borrowings	<b>–</b>	42
Implicit interest on other payable	<b>1,097</b>	1,685
	<b>1,097</b>	1,730

## 7. INCOME TAX

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	13,111	10,230
Overprovision in prior years	(10)	(20)
Deferred	(4,640)	(2,210)
Total tax charge for the period	8,461	8,000

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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.

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$35,521,000 (2021: HK\$34,606,000) and the number of ordinary shares of 1,500,000,000 (2021: 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 2022 and 2021.

## 9. DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

The final dividend of HK1.5 cents per ordinary share for the year ended 31 December 2021 was approved by the Company's shareholders at the annual general meeting of the Company held on 2 June 2022 and paid on 6 July 2022.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with a cost of HK\$29,905,000 (2021: HK\$35,438,000).



## 11. TRADE RECEIVABLES

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Trade receivables	<b>155,004</b>	191,808
Impairment	<b>(5,533)</b>	–
	<b>149,471</b>	191,808

The Group's trading terms with its customers are mainly on credit. The credit period is generally 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 2022, the Group had certain concentration risk that may arise from the exposure to the largest customer and five largest customers, which accounted for 29% and 81% (31 December 2021: 34% and 74%) of the Group's total trade receivable balances, 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:

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Current to 30 days	<b>88,659</b>	131,567
31 to 60 days	<b>19,674</b>	51,089
61 to 90 days	<b>17,548</b>	7,553
Over 90 days	<b>23,590</b>	1,599
	<b>149,471</b>	191,808

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 12. TRADE AND RETENTION MONIES PAYABLES

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Trade payables	<b>70,711</b>	170,917
Retention monies payable	<b>53,704</b>	43,627
	<b>124,415</b>	214,544

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:

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Trade payables		
Current to 30 days	<b>36,205</b>	125,755
31 to 60 days	<b>27,558</b>	29,236
61 to 90 days	<b>4,102</b>	12,188
Over 90 days	<b>2,846</b>	3,738
	<b>70,711</b>	170,917
Retention monies payable	<b>53,704</b>	43,627
	<b>124,415</b>	214,544

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. SHARE CAPITAL

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Authorised:		
3,000,000,000 (31 December 2021: 3,000,000,000) ordinary shares of HK\$0.10 each	<b>300,000</b>	300,000
Issued and fully paid:		
1,500,000,000 (31 December 2021: 1,500,000,000) ordinary shares of HK\$0.10 each	<b>150,000</b>	150,000

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14. CONTINGENT LIABILITIES

As at 30 June 2022, the Group provided corporate guarantees and counter indemnities to certain banks and an insurance company for an aggregate amount of HK\$231,554,000 (31 December 2021: HK\$253,732,000) for the issue of performance bonds in its ordinary course of business.

### 15. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Rent paid to fellow subsidiaries	(i)	1,047	1,047
Rent paid to a related company	(i)	–	97
License fee paid to a related company	(i)	108	–
Purchases from fellow subsidiaries	(ii)	101	884

Notes:

- (i) Rents paid to fellow subsidiaries and a related company as well as license fee paid to a related company are based on the market prices.
- (ii) In the opinion of the directors, the above transactions were made according to the published prices and conditions similar to those offered to other major customers and suppliers.

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short-term employee benefits	19,156	18,532
Post-employment benefits	360	336
Total compensation paid to key management personnel	19,516	18,868

### 16. CAPITAL COMMITMENTS

As at 30 June 2022, the Group had contracted, but not provided for acquisition of plant and machineries in the amount of approximately HK\$4,029,000 (31 December 2021: HK\$17,000,000).

### 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The management has assessed the following instruments at their approximate carrying values because of the short term nature of their maturity dates, these instruments include cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade and retention monies payables, financial liabilities included in other payables and accruals and balances with group companies.

The fair value of the non-current portion of other payable has been calculated by discounting the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities.

#### **Fair value hierarchy**

At 30 June 2022 and 31 December 2021, the Group did not have any financial assets and liabilities measured at fair value.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

## CORPORATE GOVERNANCE

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

### 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 2022.

### Audit Committee

The audit committee of the Company (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 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 2022 have not been audited, but have been reviewed by the Audit Committee.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules, were as follows:

### Long positions in ordinary shares of the Company:

Name of Directors	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests			
Wing-Sang Yu	5,000,000	–	–		5,000,000	0.33%
Hin-Kwong So	2,000,000	–	–		2,000,000	0.13%

Save as disclosed above, as at 30 June 2022, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## OTHER INFORMATION

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six-month period ended 30 June 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, the interests and short positions of those persons in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

#### Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	1	Interest through controlled corporations	1,117,500,000	74.50%
Chinney Alliance Group Limited		Beneficial owner	1,117,500,000	74.50%
Enhancement Investments Limited	1, 2	Interest through a controlled corporation	1,117,500,000	74.50%

Notes:

1. Dr. James Sai-Wing Wong and Enhancement Investments Limited are deemed to be interested in the same parcel of 1,117,500,000 shares by virtue of Section 316 of the SFO; and
2. Enhancement Investments Limited is beneficially wholly-owned by Dr. James Sai-Wing Wong.

Save as disclosed above, as at 30 June 2022, no person had registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### 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 2022.