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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 2023

FINANCIAL HIGHLIGHTS

The total revenue of the Group for the six months ended 30 June 2023 decreased to approximately HK\$2,832.1 million as compared to that of approximately HK\$2,919.9 million (restated) for the six months ended 30 June 2022.

The total gross profit of the Group increased to approximately HK\$150.5 million for the six months ended 30 June 2023 as compared to that of approximately HK\$135.8 million (restated) for the six months ended 30 June 2022.

Profit attributable to owners of the Company for the six months ended 30 June 2023 amounted to approximately HK\$45.5 million as compared to that of approximately HK\$41.5 million (restated) for the six months ended 30 June 2022. If excluding the restatement resulted from the acquisition under common control of Zhejiang Construction Investment Environment Engineering Company Limited, the previously reported profit attributable to the equity holders of the Company would amount to approximately HK\$36.2 million for the six months ended 30 June 2022.

The Board has resolved to declare the payment of an interim dividend of HK1.5 cents per share to shareholders whose names appear on the register of members of the Company on Tuesday, 12 September 2023 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 2023 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2022, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	<i>Notes</i>	Six months ended 30 June	
		2023 (Unaudited) <i>HK\$’000</i>	2022 (Unaudited) (Restated) <i>HK\$’000</i>
REVENUE	4	2,832,073	2,919,864
Contract costs		(2,681,593)	(2,784,108)
Gross profit		150,480	135,756
Other income	4	2,235	6,075
Administrative expenses		(80,890)	(72,375)
Other operating income/(expenses), net		2,102	(14,404)
Finance costs	6	(19,109)	(7,965)
PROFIT BEFORE TAX	5	54,818	47,087
Income tax expense	7	(8,864)	(5,419)
PROFIT FOR THE PERIOD		45,954	41,668
Attributable to:			
Owners of the Company		45,457	41,460
Non-controlling interests		497	208
		45,954	41,668
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	HK9.09 cents	HK8.29 cents

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	45,954	41,668
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(18,465)</u>	<u>(21,329)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(18,465)</u>	<u>(21,329)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>27,489</u>	<u>20,339</u>
Attributable to:		
Owners of the Company	27,489	21,067
Non-controlling interests	<u>–</u>	<u>(728)</u>
	<u>27,489</u>	<u>20,339</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		30 June 2023 (Unaudited)	31 December 2022 (Audited) (Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		30,108	28,935
Right-of-use assets		44,662	48,578
Operating concession rights		33,091	34,855
Receivables under service concession arrangements		192,931	149,184
Other intangible assets		238	307
Prepayments and deposits		8,691	9,169
Deferred tax assets		10,995	3,665
		<hr/>	<hr/>
Total non-current assets		320,716	274,693
CURRENT ASSETS			
Receivables under service concession arrangements		6,194	6,326
Contract assets	10	2,330,628	2,114,130
Trade receivables	11	691,573	873,426
Prepayments, deposits and other receivables		78,367	53,758
Amounts due from an intermediate holding company		92,472	15,000
Amounts due from fellow subsidiaries		47,503	40,546
Loan to a fellow subsidiary		–	33,025
Tax recoverable		369	5,754
Restricted cash		–	168
Cash and cash equivalents		87,496	158,153
		<hr/>	<hr/>
Total current assets		3,334,602	3,300,286
CURRENT LIABILITIES			
Trade and retention payables	12	1,129,881	1,514,497
Other payables, accruals and provision		1,006,588	930,584
Dividend payable		9,000	–
Interest-bearing bank borrowings	13	327,344	172,239
Amounts due to an intermediate holding company		5,107	4,187
Amounts due to fellow subsidiaries		27,763	17,266
Loans from an intermediate holding company		443,407	18,988
Lease liabilities		21,066	18,765
Tax payable		11,317	5,080
		<hr/>	<hr/>
Total current liabilities		2,981,473	2,681,606
NET CURRENT ASSETS		<hr/> 353,129	<hr/> 618,680
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 673,845	<hr/> 893,373

		30 June	31 December
		2023	2022
		(Unaudited)	(Audited)
			(Restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Provision		5,700	5,700
Lease liabilities		23,365	28,953
Interest-bearing bank borrowings	<i>13</i>	37,027	24,965
		<hr/>	<hr/>
Total non-current liabilities		66,092	59,618
		<hr/>	<hr/>
Net assets		607,753	833,755
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		5,000	5,000
Reserves		587,402	811,315
		<hr/>	<hr/>
		592,402	816,315
Non-controlling interests		15,351	17,440
		<hr/>	<hr/>
Total equity		607,753	833,755
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 principal activities of Company and its subsidiaries (collectively referred to as the “**Group**”) are the construction operations which comprised of the provision of building construction services and repair, maintenance, addition and alteration (“**RMAA**”) works in Hong Kong, Malaysia and the United Kingdom and the environmental operations business in the People’s Republic of China (the “**PRC**”).

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 PRC, is the ultimate holding company of the Company.

2.1 ACQUISITION UNDER COMMON CONTROL

On 31 January 2023, the Company entered into a share purchase agreement (the “**Share Purchase Agreement**”) with China Zhejiang Construction Group (H.K.) Limited (“**CZH**”), an intermediate holding company of the Company, pursuant to which the Company agreed to purchase the entire issued share capital of Zhejiang Construction Investment Environment Engineering Company Limited (“**ZCIEE**”), a company incorporated in the PRC (the “**Acquisition**”).

The consideration payable under the Share Purchase Agreement for the Acquisition was RMB201,000,000 (approximately HK\$228,409,090). Further details of the Acquisition are set out in the Circular of the Company dated 31 March 2023. The consideration paid was approximately HK\$227,876,000 and the Acquisition was completed on 8 May 2023.

The Company, CZH and ZCIEE were under the common control of Zhejiang Construction Investment Group Company Limited (“**ZCI**”), an intermediate holding company of the Company, before and after the Acquisition. The Acquisition has been accounted for based on the principles of merger accounting as if the Acquisition had occurred on the date when the combining entities first came under the common control of ZCI. Accordingly, the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the six months ended 30 June 2023 and 2022 include the results and cash flows of ZCIEE and its subsidiaries (the “**ZCIEE Group**”) from the earliest date presented or since the date when the subsidiaries and/or business first came under the common control of ZCI, where this is a shorter period. The condensed consolidated statement of financial position as at 31 December 2022 have been restated to include the carrying amounts of the assets and liabilities of the ZCIEE Group.

The comparative amounts of the financial statements of the Group have been restated to include the financial statement items of the ZCIEE Group. The effect of the Acquisition on and, hence, the items so restated in the comparative financial statements are summarised below:

Effect on the condensed consolidated statement of profit or loss for the six months ended 30 June 2022

	At previously reported <i>HK\$'000</i>	Acquisition of the ZCIEE Group <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
REVENUE	2,870,415	49,449	–	2,919,864
Contract costs	<u>(2,749,634)</u>	<u>(34,474)</u>	–	<u>(2,784,108)</u>
Gross profit	120,781	14,975	–	135,756
Other income	3,709	2,366	–	6,075
Administrative expenses	(61,787)	(10,588)	–	(72,375)
Other operating income/ (expenses), net	(14,430)	26	–	(14,404)
Finance costs	<u>(7,093)</u>	<u>(872)</u>	–	<u>(7,965)</u>
PROFIT BEFORE TAX	41,180	5,907	–	47,087
Income tax expense	<u>(4,993)</u>	<u>(426)</u>	–	<u>(5,419)</u>
PROFIT FOR THE PERIOD	<u><u>36,187</u></u>	<u><u>5,481</u></u>	<u><u>–</u></u>	<u><u>41,668</u></u>
Attributable to:				
Owners of the Company	36,187	5,273	–	41,460
Non-controlling interests	<u>–</u>	<u>208</u>	<u>–</u>	<u>208</u>
	<u><u>36,187</u></u>	<u><u>5,481</u></u>	<u><u>–</u></u>	<u><u>41,668</u></u>

Effect on the condensed consolidated statement of comprehensive income for the six months ended 30 June 2022

	At previously reported HK\$'000	Acquisition of the ZCIEE Group HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
PROFIT FOR THE PERIOD	36,187	5,481	–	41,668
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	(10,208)	(11,121)	–	(21,329)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(10,208)	(11,121)	–	(21,329)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	25,979	(5,640)	–	20,339
Attributable to:				
Owners of the Company	25,979	(4,912)	–	21,067
Non-controlling interests	–	(728)	–	(728)
	25,979	(5,640)	–	20,339

Effect on the condensed consolidated statement of financial position as at 31 December 2022

	At previously reported HK\$'000	Acquisition of the ZCIEE Group HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	25,998	2,937	–	28,935
Right-of-use assets	48,322	256	–	48,578
Operating concession rights	–	34,855	–	34,855
Receivables under service concession arrangements	–	149,184	–	149,184
Other intangible assets	–	307	–	307
Prepayments and deposits	9,169	–	–	9,169
Deferred tax assets	3,500	165	–	3,665
Total non-current assets	86,989	187,704	–	274,693
CURRENT ASSETS				
Receivables under service concession arrangements	–	6,326	–	6,326
Contract assets	2,064,030	50,100	–	2,114,130
Trade receivables	861,294	12,132	–	873,426
Prepayments, deposits and other receivables	49,010	4,748	–	53,758
Amounts due from an intermediate holding company	–	15,000	–	15,000
Amounts due from fellow subsidiaries	–	40,546	–	40,546
Loan to a fellow subsidiary	–	33,025	–	33,025
Tax recoverable	5,754	–	–	5,754
Restricted cash	–	168	–	168
Cash and cash equivalents	93,278	64,875	–	158,153
Total current assets	3,073,366	226,920	–	3,300,286
CURRENT LIABILITIES				
Trade and retention payables	1,491,780	22,717	–	1,514,497
Other payables, accruals and provision	848,985	81,599	–	930,584
Interest-bearing bank borrowings	170,000	2,239	–	172,239
Amounts due to an intermediate holding company	4,187	–	–	4,187
Amounts due to fellow subsidiaries	–	17,266	–	17,266
Loans from an intermediate holding company	18,988	–	–	18,988
Lease liabilities	18,765	–	–	18,765
Tax payable	3,905	1,175	–	5,080
Total current liabilities	2,556,610	124,996	–	2,681,606

	At previously reported HK\$'000	Acquisition of the ZCIEE Group HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
NET CURRENT ASSETS	516,756	101,924	–	618,680
TOTAL ASSETS LESS CURRENT LIABILITIES	603,745	289,628	–	893,373
NON-CURRENT LIABILITIES				
Provision	5,700	–	–	5,700
Lease liabilities	28,953	–	–	28,953
Interest-bearing bank borrowings	–	24,965	–	24,965
Total non-current liabilities	34,653	24,965	–	59,618
Net assets	569,092	264,663	–	833,755
EQUITY				
Share capital	5,000	212,134	(212,134)	5,000
Reserves	564,092	35,089	212,134	811,315
Non-controlling interests	569,092	247,223	–	816,315
	–	17,440	–	17,440
Total equity	569,092	264,663	–	833,755

2.2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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.

2.3 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 2022, except for the adoption of accounting policy of a common control acquisition as set out in note 2.1 to the interim condensed consolidated financial information and the adoption of the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The adoption of the above new and 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 is organised into business units based on their products and services and has two reportable operating segments as follows:

- (i) The construction operations segment engages in contract works as a main contractor primarily in respect of building construction works and RMAA works in Hong Kong, Malaysia and the United Kingdom.
- (ii) The environmental operations segment engages in construction, rehabilitation and operation of sewage and reclaimed water treatment plants as well as water distribution plants and other environmental related facilities and infrastructure in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss is measured consistently with the Group's profit before tax except that interest income, corporate and other unallocated expenses, finance costs (other than interest on lease liabilities and discounted amounts of retention payables arising from the passage of time) are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable and balances/loans with related parties as these assets are managed on a group basis.

Segment liabilities exclude dividend payable, balances/loans with related parties, tax payable and interest-bearing bank borrowings as these liabilities are managed on a group basis.

There were no material intersegmental sales and transfers during the period.

	Construction operations		Environmental operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)		(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (note 4)						
Sales to external customers	2,717,304	2,870,415	114,769	49,449	2,832,073	2,919,864
Segment results	70,918	51,082	11,600	5,533	82,518	56,615
<u>Reconciliation:</u>						
Interest income					1,333	1,309
Corporate and other unallocated expenses					(13,715)	(6,331)
Finance costs (other than interest on lease liabilities and discounted amounts of retention payables arising from passage of time)					(15,318)	(4,506)
Profit before tax					54,818	47,087
Income tax expense					(8,864)	(5,419)
Profit for the period					45,954	41,668

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022:

	Construction operations		Environmental operations		Total	
	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) (Restated) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) (Restated) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) (Restated) HK\$'000
Segment assets	3,175,231	3,151,099	328,748	325,890	3,503,979	3,476,989
Reconciliation:						
Deferred tax assets					10,995	3,665
Tax recoverable					369	5,754
Amounts due from an intermediate holding company					92,472	15,000
Amounts due from fellow subsidiaries					47,503	40,546
Loan to a fellow subsidiary					-	33,025
Total assets					3,655,318	3,574,979
Segment liabilities	2,037,419	2,394,181	149,181	104,318	2,186,600	2,498,499
Reconciliation:						
Dividend payable					9,000	-
Amounts due to an intermediate holding company					5,107	4,187
Amounts due to fellow subsidiaries					27,763	17,266
Loans from an intermediate holding company					443,407	18,988
Tax payable					11,317	5,080
Interest-bearing bank borrowings					364,371	197,204
Total liabilities					3,047,565	2,741,224

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) (Restated) HK\$'000
<i>Revenue from contracts with customers</i>	2,828,163	2,916,904
<i>Revenue from other source</i>		
Finance income from service concession arrangements	3,910	2,960
	2,832,073	2,919,864

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
			(Restated)
<i>Disaggregated revenue information</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Types of goods or services			
	<u>Construction operations segment</u>		
	Building construction works	2,455,898	2,235,499
	RMAA works	<u>261,406</u>	<u>634,916</u>
		<u>2,717,304</u>	<u>2,870,415</u>
	<u>Environmental operations segment</u>		
	Construction and rehabilitation services for environmental related facilities	72,867	11,268
	Sewage and reclaimed water treatment services	34,192	31,362
	Water distribution services	<u>3,800</u>	<u>3,859</u>
		<u>110,859</u>	<u>46,489</u>
	<i>Total revenue from contracts with customers</i>	2,828,163	2,916,904
	<i>Revenue from other sources</i>		
	Finance income from service concession arrangements	<u>3,910</u>	<u>2,960</u>
	Total revenue	<u>2,832,073</u>	<u>2,919,864</u>
(b) Geographical markets			
	<u>Hong Kong</u>		
	Construction operations segment	2,381,555	2,685,819
	<u>Mainland China</u>		
	Environmental operations segment	110,859	46,489
	<u>Malaysia and United Kingdom</u>		
	Construction operations segment	<u>335,749</u>	<u>184,596</u>
	<i>Total revenue from contracts with customers</i>	2,828,163	2,916,904
	<i>Revenue from other sources</i>		
	Finance income from service concession arrangements	<u>3,910</u>	<u>2,960</u>
	Total revenue	<u>2,832,073</u>	<u>2,919,864</u>

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
<i>Disaggregated revenue information</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(c) Timing of revenue recognition		
<u>Goods transferred at a point in time</u>		
Environmental operations segment	3,800	3,859
<u>Services transferred over time</u>		
<u>Construction operations segment</u>	2,717,304	2,870,415
Environmental operations segment	107,059	42,630
	2,824,363	2,913,045
<i>Total revenue from contracts with customers</i>	2,828,163	2,916,904
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	3,910	2,960
Total revenue	2,832,073	2,919,864
	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Other income</u>		
Bank interest income	477	298
Interest income on a loan to a fellow subsidiary	856	1,011
Consultancy service income	–	1,253
Government grants (<i>note</i>)	347	2,873
Others	555	640
	2,235	6,075

Note: Being wage subsidies provided by the Government of Hong Kong Special Administrative Region (the “**HKSAR Government**”) under the Employment Support Scheme (“**ESS**”) and subsidies for the incurred operating expenses arising from research and development activities provided by The People’s Government of Zhejiang Province. There are no unfilled conditions or contingencies related to these subsidies.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs	2,681,593	2,784,108
Depreciation of property, plant and equipment	4,711	5,333
Less: Amount included in contract costs	<u>(1,285)</u>	<u>(2,841)</u>
Amount included in administrative expenses	<u>3,426</u>	<u>2,492</u>
Depreciation of right-of-use assets	11,099	10,853
Less: Amount included in contract costs	<u>(3,370)</u>	<u>(3,235)</u>
Amount included in administrative expenses	<u>7,729</u>	<u>7,618</u>
Amortisation of operating concession rights included in contract costs	702	751
Amortisation of other intangible assets	72	130
Less: Amount included in contract costs	<u>(32)</u>	<u>(86)</u>
Amount included in administrative expenses	<u>40</u>	<u>44</u>
Lease payments not included in the measurement of lease liabilities	28,505	28,616
Less: Amount included in contract costs	<u>(28,193)</u>	<u>(28,086)</u>
Amount included in administrative expenses	<u>312</u>	<u>530</u>
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	207,309	211,931
Pension scheme contributions	<u>11,453</u>	<u>11,680</u>
	218,762	223,611
Less: Amount included in contract costs	<u>(169,267)</u>	<u>(174,475)</u>
Amount included in administrative expenses	<u>49,495</u>	<u>49,136</u>

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited) (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	3,614	1,565
Impairment/(reversal of impairment) of trade receivables*	(686)	10,898
Impairment/(reversal of impairment) of contract assets*	(983)	3,334
Impairment of receivables under service concession arrangements*	15	–
Loss/(gain) on disposal of items of property, plant and equipment	(640)	17
Provision for rectification works and claims**	38,804	–
Foreign exchange differences, net*	(93)	1
	<u> </u>	<u> </u>

* These items are included in “Other operating income/(expenses), net” on the face of the interim condensed consolidated statement of profit or loss.

** The provision for rectification works and claims is included in “Contract costs” on the face of the interim condensed consolidated statement of profit or loss are for the rectification works and claims in relation to the fire accident which broke out on 2 March 2023 at the construction site for the Main Contract Works for the Proposed Redevelopment of the Mariners’ Club on 11 Middle Road, Tsim Sha Tsui, Hong Kong. The amount of provision was estimated by management and is reviewed on an ongoing basis and revised where appropriate.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited) (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	10,865	4,506
Interest on a loan from an intermediate holding company	4,453	–
Interest on discounted amounts of retention payables arising from the passage of time	3,208	2,960
Interest on lease liabilities	583	499
	<u> </u>	<u> </u>
	<u>19,109</u>	<u>7,965</u>

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% (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) (Restated) HK\$'000
Current – Hong Kong		
Charge for the period	13,169	6,468
Current – Elsewhere	3,033	159
Deferred	(7,338)	(1,208)
	<hr/>	<hr/>
Total tax charge for the period	8,864	5,419

8. DIVIDEND

The final dividend of HK1.8 cents (for the year ended 31 December 2021: HK1.8 cents) per ordinary share, in an aggregate amount of HK\$9,000,000 for the year ended 31 December 2022 (for the year ended 31 December 2021: HK\$9,000,000), was approved by the Company's shareholders at the annual general meeting of the Company held on 23 June 2023 and paid on 28 July 2023.

On 24 August 2023, the board of directors declared an interim dividend of HK1.5 cents (six months ended 30 June 2022: HK2.5 cents) per ordinary share, in an aggregate amount of HK\$7,500,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$12,500,000).

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\$45,457,000 (2022 (restated): HK\$41,460,000), and the weighted average number of ordinary shares of 500,000,000 (2022: 500,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts for the six months ended 30 June 2023 and 2022 as the Group had no potentially dilutive ordinary share in issue during those periods.

10. CONTRACT ASSETS

		30 June 2023 (Unaudited)	31 December 2022 (Audited) (Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets arising from:			
Construction operations	<i>(a)</i>	1,450,340	1,242,059
Environmental operations	<i>(b)</i>	60,006	50,433
Retention receivables	<i>(c)</i>	827,638	830,276
		2,337,984	2,122,768
Impairment		(7,356)	(8,638)
		2,330,628	2,114,130

Notes:

- (a) Contract assets consist of the Group's rights to consideration for works completed but unbilled amounts resulting from construction and RMAA contracts. The contract assets are transferred to trade receivables when the rights become unconditional which is generally one to three months.
- (b) Contract assets mainly consist of Group's rights to consideration for works completed and services provided but unbilled amounts resulting from construction and rehabilitation contracts for environmental related facilities as well as sewage and reclaimed water treatment services. The contract assets are transferred to trade receivables when the rights become unconditional.
- (c) Retention receivables held by contract customers arising from the Group's construction operations for construction works and certain RMAA works 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 expected timing of recovery or settlement for contract assets, net of loss allowance, as at 30 June 2023 and 31 December 2022 is as follows:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,033,984	1,784,462
Over 1 year	296,644	329,668
	<hr/>	<hr/>
Total contract assets	2,330,628	2,114,130
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE RECEIVABLES

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

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	435,395	580,154
1 to 2 months	66,801	155,930
2 to 3 months	3,079	22,762
3 to 12 months	121,677	63,298
Over 1 year	64,621	51,282
	<hr/>	<hr/>
	691,573	873,426
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND RETENTION PAYABLES

		30 June 2023 (Unaudited)	31 December 2022 (Audited) (Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<i>(a)</i>	474,800	836,360
Retention payables	<i>(b)</i>	655,081	678,137
		<u>1,129,881</u>	<u>1,514,497</u>

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 2023 (Unaudited)	31 December 2022 (Audited) (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	74,341	88,101
1 to 2 months	83,503	198,711
2 to 3 months	110,697	234,621
Over 3 months	206,259	314,927
	<u>474,800</u>	<u>836,360</u>

The average credit period on trade payables is 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

- (b) Retention payables held by the Group arose from the Group's construction works and RMAA works 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.

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2023 (Unaudited)			31 December 2022 (Audited) (Restated)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans – unsecured	Hong Kong Interbank Offered Rate ("HIBOR")+ 1.4% – 1.6%	On demand	325,000	HIBOR+ 1.4% – 1.7%	On demand	170,000
Bank loans – secured	China Loan Prime Rate ("LPR") – 0% – 0.5%	2024	<u>2,344</u>	LPR	2023	<u>2,239</u>
			<u>327,344</u>			<u>172,239</u>
Non-current						
Bank loans – secured	LPR– 0% – 0.5%	2025-2034	<u>37,027</u>	LPR	2024-2034	<u>24,965</u>
Total			<u><u>364,371</u></u>			<u><u>197,204</u></u>

Note: All bank borrowings were denominated in Hong Kong dollars or Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Construction Operations

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, Malaysia and the United Kingdom.

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 2023, the Group had 45 projects on hand with an aggregate original contract sum of approximately HK\$24.6 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 6 new projects with an aggregate original contract sum of approximately HK\$0.4 billion and had completed 9 projects with original contract sum of approximately HK\$1.5 billion. During the first half of 2023, the Group received a total of 19 honours, including but not limited to once again receiving the “Top 10 Contractor Award” by BCI Asia; succeeded in being named as a finalist at the “2022 Quality Building Award – Hong Kong Non-Residential (New Building – Non-Government, Institution of Community) award” for its “Yue Man Square” project; succeeded in being selected as a Top 10 “Green Craftsmanship” International Project of Zhejiang in 2023 for its One Hennessy project. During the first half of 2023, the Group has appeared in 4 articles by media platforms at provincial level and above, namely the China Daily Hong Kong Edition, Zhejiang TV, and China News Service.

Environmental Operations

The acquisition of Zhejiang Construction Investment Environment Engineering Company Limited in May 2023 is expected to further diversify the Group’s business. Leveraging on its existing contracts and the network, licences and qualifications of Zhejiang Construction Investment Environment Engineering Company Limited, the Group can expand and venture into the environmental improvement and protection related construction services; and sewage and reclaimed water treatment services. As such, the Group, since May 2023, is also engaged in construction, rehabilitation and operation of sewage and reclaimed water treatment plants as well as water distribution plants and other environmental related facilities and infrastructure in the People’s Republic of China (the “**PRC**”).

The PRC government is committed to addressing environmental issues, developing ecological conservation and achieving sustainable development, regulating relevant industries and companies as well as leading them towards high-quality growth, which was reflected in ecological and environmental protection guidelines and policies such as the Urban Waste Sorting and Treatment Facility Development Scheme for the 14th Five-Year Plan Period and the Urban Waste water Treatment and Recycling Program for the 14th Five-Year Plan Period. Taking into account of (i) stable revenue stream contributed by Zhejiang Construction Investment Environment Engineering Company Limited and its subsidiaries as seen from its historical combined financial performance; (ii) the PRC government's commitment in environmental industry; and (iii) the expected stable demand of environmental improvement and protection related services in the PRC, the Group is optimistic about the cash flow and profitability of the Group in environmental improvement and protection related construction services; and sewage and reclaimed water treatment services.

THE PROSPECTS

During the Reporting Period, there were positive indications of economic recovery globally as the coronavirus outbreak 2019 (“**COVID-19**”) travel restrictions and quarantine requirements in Hong Kong were eased. Additionally, by adhering to the Group's diversified development strategy, the acquisition of Zhejiang Construction Investment Environment Engineering Company Limited from one of the controlling shareholders in May 2023 will enable the Group to expand its service scopes which generally entail relatively high gross profit margins as compared to its existing construction operations of building construction and RMAA.

Subsequent to 30 June 2023, the Group has been further awarded 2 new projects in relation to RMAA contracts with original contract sum of approximately HK\$10.6 million.

The Group has also placed great emphasis on technological innovation to enhance its core competitiveness in the construction industry. The total expenditure for the research and development is approximately HK\$10.7 million during the Reporting Period. Our self-developed Digital Works Supervision System (“**DWSS**”), SmarTick Pro has obtained the ISO27001 Certification for Information Security Management System, meeting the requirements of this international standard, and becoming the first company to obtain this certificate for DWSS in Hong Kong. As construction digitalisation continues to accelerate, the Group are keeping pace with the industry by adopting more digital tools at our sites to enhance management and construction safety. Meanwhile, the Group also developed new sewage treatment membrane to be used in sewage and reclaimed water treatment services in the PRC.

In the second half of 2023, the city's economic activities will have returned to normal levels, while the cost pressures will be increased alongside the recovery. As the government recently introduce labour importation schemes for the construction industry, we expect that it may help alleviate some of the challenges associated with the skilled-labour shortages. The company will continue to put in dedicated efforts in seeking out new and promising construction business opportunities that can generate profitable growth for the Group. Meanwhile, leveraging on our industrial knowledge, the Company is keen to explore suitable business opportunities in the Construction area locally or overseas.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately HK\$87.8 million or approximately 3.0% from approximately HK\$2,919.9 million for the six months ended 30 June 2022 to approximately HK\$2,832.1 million for the six months ended 30 June 2023.

Construction Operations

Building Construction Works

The revenue generated from the building construction works increased by approximately HK\$220.4 million or approximately 9.9% from approximately HK\$2,235.5 million for the six months ended 30 June 2022 to approximately HK\$2,455.9 million for the six months ended 30 June 2023. The increase in revenue was attributable to the increase in revenue generated from new projects and existing projects to the group during the Reporting Period.

RMAA Works

The revenue generated from the RMAA works decreased by approximately HK\$373.5 million or approximately 58.8% from approximately HK\$634.9 million for the six months ended 30 June 2022 to approximately HK\$261.4 million for the six months ended 30 June 2023. The decrease was mainly attributable to existing major projects were close to completion during the Reporting Period.

Environmental Operations

The revenue generated from the environmental operations increased by approximately HK\$65.3 million or approximately 132% from approximately HK\$49.5 million for the six months ended 30 June 2022 to approximately HK\$114.8 million for the six months ended 30 June 2023. The increase was mainly attributable to increase in revenue from new and existing projects from construction and rehabilitation services during the Reporting 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\$102.5 million or approximately 3.7% from approximately HK\$2,784.1 million for the six months ended 30 June 2022 to approximately HK\$2,681.6 million for the six months ended 30 June 2023. Such decrease was attributable to the decrease in subcontracting costs, material costs and direct staff costs for new projects and existing projects, which was partly offset by increase in provision of rectification works and claims, during the Reporting Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from approximately HK\$135.8 million for the six months ended 30 June 2022 to approximately HK\$150.5 million for the six months ended 30 June 2023. The Group's gross profit margin was approximately 5.3% and 4.7% for the six months ended 30 June 2023 and 2022, respectively. The gross profit margin of the Group increased slightly by approximately 0.6% by comparing the six months ended 30 June 2023 against the six months ended 30 June 2022.

Construction Operations

Building Construction Works

The gross profit of building construction works was approximately HK\$130.6 million for the six months ended 30 June 2023, representing an increase of approximately HK\$64.7 million from approximately HK\$65.9 million for the six months ended 30 June 2022. The gross profit margin increased from approximately 2.9% for the six months ended 30 June 2022 to approximately 5.3% for the six months ended 30 June 2023. The increase in gross profit and gross profit margin was mainly due to additional cost incurred for variation orders for projects during the prior period, while the respective revenue were only certified during the Reporting Period.

RMAA Works

The gross loss of RMAA works was approximately HK\$1.4 million for the six months ended 30 June 2023, representing a decrease of approximately HK\$56.3 million from the gross profit of approximately HK\$54.9 million for the six months ended 30 June 2022. The gross profit margin decreased by approximately 9.1% from approximately 8.6% for the six months ended 30 June 2022 to approximately loss of 0.5% for the six months ended 30 June 2023. The decrease in the gross profit and gross profit margin for the six months ended 30 June 2023 was mainly due to additional cost incurred for variation orders for a project during the Reporting Period, while the respective revenue is expected to be recognised at a later stage.

Environmental Operations

The gross profit of environmental operations was approximately HK\$21.3 million for the six months ended 30 June 2023, representing an increase of approximately HK\$6.3 million from the gross profit of approximately HK\$15.0 million for the six months ended 30 June 2022. The gross profit margin decreased by approximately 11.8% from approximately 30.3% for the six months ended 30 June 2022 to approximately 18.5% for the six months ended 30 June 2023. The increase in the gross profit and decrease in gross profit margin for the six months ended 30 June 2023 was mainly due to increase in revenue from construction and rehabilitation services which contributed lower gross profit margin during the Reporting Period.

Other Income

The other income of the Group decreased by approximately HK\$3.9 million, from approximately HK\$6.1 million for the six months ended 30 June 2022 to approximately HK\$2.2 million for the six months ended 30 June 2023. The decrease was mainly attributable to the absence of consultancy services income generated by CR Construction (U.K.) Investments Company Limited and decrease in government grants received during the Reporting Period.

Administrative Expenses

Administrative expenses of the Group increased from approximately HK\$72.4 million for the six months ended 30 June 2022 to approximately HK\$80.9 million for the six months ended 30 June 2023. Such increase was mainly due to the increase in professional service fee.

Other Operating Income/(Expenses), net

The other operating income/(expenses) of the Group increased by approximately HK\$16.5 million, from approximately expense of HK\$14.4 million for the six months ended 30 June 2022 to approximately income of HK\$2.1 million for the six months ended 30 June 2023. The increase was primarily due to the reversal of expected credit losses provision on receivable assets according to HKFRS 9 of HK\$1.7 million during the Reporting Period while provision of HK\$14.2 million was made in last period.

Finance Costs

The finance costs of the Group increased by approximately HK\$11.1 million, from approximately HK\$8.0 million for the six months ended 30 June 2022 to approximately HK\$19.1 million for the six months ended 30 June 2023. The increase was mainly due to the increase in the Hong Kong Interbank Offered Rate (HIBOR) on bank loans and additional borrowings from banks and an intermediate holding company during the Reporting Period.

Income Tax Expenses

The income tax expenses increased by approximately HK\$3.5 million or approximately 63.6%, from approximately HK\$5.4 million for the six months ended 30 June 2022 to approximately HK\$8.9 million for the six months ended 30 June 2023. The increase was mainly due to the utilisation of tax losses for setoff against assessable profits for the period ended 30 June 2022. The effective tax rate were approximately 16.2% and 11.5% for the six months ended 30 June 2023 and 2022, respectively.

Net Profit

The net profit of the Group increased by approximately HK\$4.3 million, or approximately 10.3%, from approximately HK\$41.7 million for the six months ended 30 June 2022 to approximately HK\$46.0 million for the six months ended 30 June 2023. The net profit margin for the six months ended 30 June 2023 and 2022 were approximately 1.6% and 1.4%, respectively.

If excluding the restatement resulted from the acquisition of Zhejiang Construction Investment Environment Engineering Company Limited, the previously reported net profit and net profit margin of the Group would amount to approximately HK\$36.2 million and 1.3% for the six months ended 30 June 2022, respectively.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 892 employees as at 30 June 2023 (30 June 2022: 898). Total staff costs of the Group (excluding the Directors' remuneration) for the six months ended 30 June 2023 were approximately HK\$210.4 million (six months ended 30 June 2022: approximately HK\$216.4 million). If excluding the restatement resulted from the acquisition of Zhejiang Construction Investment Environment Engineering Company Limited, the Group had a total of 773 employees as at 30 June 2022, and total staff costs of the Group (excluding the Directors' remuneration) for the six months ended 30 June 2022 were approximately HK\$203.6 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 with reference to the 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 the staff's 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. 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.

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.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OF SUBSIDIARIES

Acquisition of entire equity interest in Zhejiang Construction Investment Environment Engineering Company Limited

On 31 January 2023, the Company and China Zhejiang Construction Group (H.K.) Limited (the “**Seller**”), one of the controlling shareholders of the Company, entered into the share purchase agreement (the “**Share Purchase Agreement**”), pursuant to which the Company has conditionally agreed to acquire and the Seller has conditionally agreed to sell to the Company the entire equity interest in Zhejiang Construction Investment Environment Engineering Company Limited (the “**Target Company**”) at the Consideration of RMB201,000,000 (equivalent to approximately HK\$228,409,090) (the “**Acquisition**”). The Target Company is principally engaged in construction, rehabilitation and operation of sewage and reclaimed water treatment plants as well as water distribution plants and other environmental related facilities and infrastructure in the PRC. The said acquisition constituted a major transaction and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules. For further details of the Acquisition, please refer to the announcements of the Company dated 31 January 2023 and 10 February 2023, respectively and the circular of the Company dated 31 March 2023.

The resolution of the Acquisition was duly passed at the extraordinary general meeting of the Company held on 28 April 2023. All the conditions precedent under the Share Purchase Agreement have been fulfilled, the completion took place on 8 May 2023 and the Target Company has become a wholly-owned subsidiary of the Company and the financial results of the Target Company and its subsidiaries has been consolidated into the consolidated financial statements of the Company based on the principles of merger accounting.

The Company considers that the Acquisition represents an opportunity for the Group to diversify and venture into the environmental improvement and protection related construction services; and sewage and reclaimed water treatment services in the PRC, which contributes to the cash flow and profitability of the Group.

CAPITAL EXPENDITURE

During the Reporting Period, the Group invested approximately HK\$6.1 million (2022 (restated): approximately HK\$9.0 million) on the acquisition of property, plant and equipment and other intangible assets. Capital expenditure was principally funded by internal resources.

CAPITAL COMMITMENTS

The Group had capital commitments of approximately HK\$26.1 million as at 30 June 2023 (31 December 2022 (restated): HK\$26.0 million).

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no other contingent liabilities as at 30 June 2023:

- (a) As at 30 June 2023, performance bonds of approximately HK\$2,052.7 (31 December 2022 (restated): approximately HK\$1,518.0 million) 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 its customers. If the Group fails to provide satisfactory performance to its 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 operates in the PRC, Hong Kong, Malaysia and the United Kingdom and most of the transactions denominated in Renminbi, Hong Kong Dollars, Malaysian ringgit and Great British Pound. The Group currently does not have a foreign currency hedging policy. However, the Board closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should that need arise.

GEARING RATIO

As at 30 June 2023, the gearing ratio of the Group, which is calculated by dividing net debt with the equity attributable to equity holders of the Company plus net debt, was approximately 83.2% (31 December 2022: approximately 76.0%). Net debt includes trade and retention payables, other payables, accruals and provision, interest-bearing bank borrowings, amounts due to an intermediate holding company and fellow subsidiaries, loans from an intermediate holding company 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 and external resources.

As at 30 June 2023, the Group reported net current assets of approximately HK\$353.1 million, as compared to approximately HK\$618.7 million as at 31 December 2022. As at 30 June 2023, the Group's cash and cash equivalents were approximately HK\$87.5 million, representing a decrease of approximately HK\$70.7 million as compared to approximately HK\$158.2 million as at 31 December 2022.

The shares of the Company (the “**Shares**”) were successfully listed on the Stock Exchange on 16 October 2019 (the “**Listing Date**”). 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\$364.4 million as at 30 June 2023 (31 December 2022: approximately HK\$197.2 million). As at 30 June 2023, the Group pledged receivables under service concession arrangements with net book value of HK\$127.1 million (31 December 2022 (restated): HK\$44.4 million) to bank to finance loans in the PRC.

Borrowings were denominated in Hong Kong dollar and Renminbi 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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 2023.

DIVIDEND

The Board recommended the payment of an interim dividend of HK1.5 cents (six months ended 30 June 2022: HK2.5 cents) per ordinary share of the Company for the six months ended 30 June 2023. The interim dividend will be paid on or around Friday, 29 September 2023 to shareholders whose names appear on the register of members of the Company on Tuesday, 12 September 2023 and such interim dividend will not be subject to any withholding tax in Hong Kong.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 September 2023 to Tuesday, 12 September 2023, 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 the 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 7 September 2023.

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 contained in Appendix 14 to the Listing Rules (the "CG Code") as its own code of corporate governance.

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 or she 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 interim condensed consolidated financial information for the six months ended 30 June 2023 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 HKICPA. The Board, through the audit committee of the Company, has also conducted a review of the internal control and the unaudited consolidated interim results for the six months ended 30 June 2023.

SUBSEQUENT EVENT

On 13 July 2023 (after trading hours), the Company (for itself and on behalf of its subsidiaries) entered into a mutual products and services supply framework agreement (the "**Framework Agreement**") with Zhejiang Construction Investment Group Co., Ltd. (for itself and on behalf of its subsidiaries, which excludes the Group) (the "**Zhejiang Construction Group**") with a term commencing from the effective date of the Framework Agreement and ending on 31 December 2025. Pursuant to the Framework Agreement, (i) the Group will supply certain products and services to Zhejiang Construction Group; and (ii) Zhejiang Construction Group will supply certain products and services to the Group. As Zhejiang Construction Investment Group Co., Ltd. is indirectly interested in approximately 72.23% of the entire issued share capital of the Company. Zhejiang Construction Investment Group Co., Ltd. is the controlling shareholder of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Framework Agreement by the Company and Zhejiang Construction Investment Group Co., Ltd. constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. For further details of the Framework Agreement and the continuing connected transaction contemplated thereunder, please refer to the announcement of the Company dated 13 July 2023.

PUBLICATION OF THE INTERIM RESULTS AND 2023 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 2023 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, 24 August 2023

As at the date of this announcement, the Company has three executive directors, namely Mr. Guan Manyu, Mr. Li Kar Yin and Mr. Chan Tak Yiu; three non-executive directors, namely Mr. Yang Haojiang, Ms. Ding Shaojian and Mr. Fan Jingbo; and four independent non-executive directors, namely The Honourable Tse Wai Chun Paul JP, Mr. Ho Man Yiu Ivan, Mr. Lau Pak Shing and Mr. Lai Yuk Fai Stephen JP.