



**CKW ACADEMY NEWS**  
學院訊息 2022年8月 | 第001期

**《建業建榮學院》的成立**

員工是《建業建榮》的寶貴資產。長期以來，《建業建榮》一直投放資源於員工培訓和發展。此有助我們保持在地基建造行業的領先地位。

在業務和營運中繼續求  
力及高技能人才  
《建業建榮》決

**2023**  
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  
Hon-Man WAI  
Hoi-Fan LAM

### **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

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2308, 23/F  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

## STOCK CODE

SEHK 01556

## BUSINESS ADDRESSES AND CONTACTS

### Chinney Kin Wing Holdings Limited

Room 2308, 23/F  
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111 Connaught Road Central  
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### Kin Wing Engineering Company Limited Kin Wing Foundations Limited Kin Wing Machinery & Transportation Limited

Block A&B, 9th Floor  
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481-483 Castle Peak Road  
Kowloon  
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### Kinwing Engineering (Macau) Company Limited

Alameda Dr. Carlos D'Assumpção  
n°s 411-417, Praça Wong Chio  
5° andar D-G  
em Macau

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(853) 2871-5718  
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### DrilTech Ground Engineering Limited DrilTech Geotechnical Engineering Limited

Block A&B, 8th Floor  
Hong Kong Spinners Industrial Building, Phase VI  
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### DrilTech Ground Engineering (Macau) Limited

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Singapore 068898

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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 2023. The Group's revenue in the reporting period increased by 19.9% to HK\$1,021.5 million from the previous corresponding period of HK\$851.9 million. The profit and total comprehensive income for the period under review was HK\$43.7 million, represented an increase of 23.1% as compared with the previous corresponding period of HK\$35.5 million.

## INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2023 (2022: 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 2023, the Group had 10 and 52 projects in progress with contract sums of approximately HK\$3,440 million and HK\$834 million in the Foundation and Drilling Divisions, respectively.

## OUTLOOK AND FUTURE PLANS

Hong Kong is currently experiencing a positive upswing after enduring a challenging period due to the pandemic. The construction industry, in particular, is poised to play a crucial role in driving the city's recovery. Several favorable trends bode well for the construction sector, including robust construction output, a strong pipeline of public and private projects, and dedicated government investment. The government's commitment to long-term investment in the construction industry is evident in the 2023-24 budget policy announcements. These plans encompass the expansion of housing and infrastructure, major infrastructure projects, and financial support for the construction sector.

As a result, construction activity is on the rise, especially with the commencement of infrastructure projects related to the Northern Metropolis Development Strategy, notably in Kwu Tung. Furthermore, the Environmental Impact Assessment (EIA) process for the reclamation of the Kau Yi Chau artificial island is scheduled to begin next year, with reclamation set for 2025. Moreover, tender prices in Hong Kong have been gradually increasing over the past few years, rising at an annual rate of approximately three to five percent. Assuming stable market conditions, tender prices are projected to rise by four percent in 2023.

Despite these positive developments, the construction industry is not immune to the challenges posed by the global economic climate. Rising inflation and interest rates, geopolitical tensions, environmental concerns, and labour shortages in Hong Kong are ongoing challenges that could impact the industry's growth. Additionally, the private sector's tender flow for foundation piling businesses has been sluggish in 2023, while government tenders have witnessed an increase, leading to a balancing effect. Nevertheless, intense competition within the industry persists.

Leveraging the diverse expertise and strengths of its subsidiary companies, the Group harnesses their capabilities to enhance overall competency and secure tenders across various fields. For instance, DrillTech, accredited with the Koden Test under The Hong Kong Laboratory Accreditation Scheme (HOKLAS), has successfully expanded its laboratory testing business, gaining a competitive advantage. Despite a slowdown in the site investigation market earlier this year, DrillTech managed to secure several tenders, including the ground investigation tender for Route 11 (Section between Yuen Long and North Lantau) and other major roads.

The Group actively explores new growth opportunities through its subsidiary, Everest Engineering Company Limited, in areas such as site formation, civil works, and roads and drainage works, with the aim of diversifying its revenue streams.

To address the challenges posed by an aging workforce and the waning interest of the younger generation in our industry, the Group established the Chinney Kin Wing Academy. This Academy focuses on enhancing staff competence through comprehensive training, knowledge sharing, and skill development. By fostering a sense of belonging among colleagues, the Academy inspires them to contribute to the construction industry and make a positive impact on the community. Furthermore, the Academy not only provides department heads with specialised training to cultivate their leadership acumen and optimise operational efficiencies across all departments within the Group, but the Group also invests in advanced technologies and the professional development of its Information Technology workforce. These strategic initiatives aim to boost productivity, streamline operations, and enhance project efficiency.

With a firm dedication to social responsibility, the Group actively strives to optimise its Environmental, Social, and Governance (ESG) policy. Our endeavours are primarily directed towards implementing initiatives that not only benefit our staff but also address relevant social issues. In line with this commitment, the Group has plans to establish scholarships for educational institutions and extend support to Non-Governmental Organisations (NGOs), further reinforcing our ongoing dedication to social responsibility.

As one of the leading player in the foundation industry, the Group maintains a watchful and prudent approach, consistently monitoring market dynamics. Supported by a strong reputation in the industry, we bolster our competitive advantage through continuous investments in cutting-edge equipment, state-of-the-art facilities, and talent development initiatives. By staying attuned to market trends and maintaining a proactive stance, we ensure our position at the forefront of the industry.

The Group remains committed to expanding its presence in both the private and public foundation sectors, actively seeking growth opportunities. Additionally, we explore avenues for long-term sustainable growth and diversify our income streams.

### APPRECIATION

On behalf of the Board, I would like to express my heartfelt appreciation to our management team and staff for their unwavering dedication and significant contributions, especially during the challenging times we faced in the aftermath of the epidemic. I am also immensely grateful to our esteemed business partners and shareholders for their invaluable support. As we forge ahead, our primary objective is to strengthen our fundamentals and foster sustainable business growth for the long term. We remain steadfast in our commitment to this goal and eagerly anticipate continuing our journey with the unwavering support of our stakeholders.

**Yuen-Keung Chan**  
*Chairman*

Hong Kong, 28 August 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND OPERATION REVIEW

### REVENUE

The Group's revenue increased by 19.9% from previous year's corresponding period of HK\$851.9 million to current reporting period of HK\$1,021.5 million, with an increase of HK\$169.6 million. The increase of revenue was primarily attributed to the contribution from the Foundation Division from last period of HK\$702.9 million to current period under review of HK\$888.0 million, with an increase of HK\$185.1 million or 26.3%. The increase of revenue in the Foundation Division was due to the actively progress of certain sizeable public works in the reporting period. However, the increased revenue contribution from the Foundation Division was partly set-off by the decrease of revenue recorded by the Drilling Division from previous period of HK\$149.0 million to current reporting period of HK\$133.5 million, representing a decrease of 10.4% or HK\$15.5 million. The decrease of revenue contribution from the Drilling Division was mainly due to the slowdown of the site investigation and down-the-hole market in the early of 2023 which to a certain extent directly decreased our production quantities.

### GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit in the reporting period was HK\$148.3 million as compared with the previous corresponding period of HK\$127.4 million, represented an increase of HK\$20.9 million or 16.4%. The overall gross profit margin of the Group remained stable at 14.5% in the reporting period as compared with the previous corresponding period of 15.0%. The increase of gross profit was attributed to the increase of the Group's revenue while the maintaining of gross profit margin was due to adequate tender opportunities in the foundation market, especially those from that of the public sector, had allowed the Group for marking up of reasonable profit margin in the tender price or the awarded contract sum by reflecting the complexities and difficulties of the foundation contracts. In addition, the Group had persistently implemented stringent project cost control and closely monitoring of the construction progress in ensuring that the tendered profit will not be deteriorated.

### ADMINISTRATIVE EXPENSES

The Group's administrative expenses was HK\$102.1 million in the reporting period, represented an increase of HK\$19.5 million or 23.5% as compared with the previous corresponding period of HK\$82.6 million. The increase of administrative expenses was mainly attributed to the increase in staff cost of HK\$15.9 million in the reporting period in recruiting and retaining competitive personnel as well as directors' remuneration in rewarding for their contribution to the Group. Nonetheless, the Group will persistently to adopt those stringent control policies on administrative expenses.

### NET PROFIT

The Group's net profit for the reporting period was HK\$43.7 million, represented an increase of 23.1% or HK\$8.2 million when comparing with the previous corresponding period of HK\$35.5 million. The increase of net profit was mainly due to the allowance for impairment loss of HK\$9.5 million as provided in the last corresponding period while no such allowance was provided in the current period under review.

## FINANCIAL REVIEW

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had unpledged cash and bank balances of HK\$521.4 million as compared to HK\$457.8 million as at 31 December 2022. 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\$72.9 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 2023, the Group provided corporate guarantees and counter indemnities to certain banks and an insurance company for their issue of performance bonds of an aggregate amount of HK\$267.8 million (31 December 2022: HK\$270.5 million) to the Group's customers in its ordinary course of business.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 618 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	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>REVENUE</b>	4	<b>1,021,491</b>	851,928
Cost of construction		<b>(873,179)</b>	(724,505)
Gross profit		<b>148,312</b>	127,423
Other income and gains	4	<b>6,543</b>	9,735
Administrative expenses		<b>(102,071)</b>	(82,621)
Allowance for impairment losses on trade receivables and contract assets		–	(9,458)
Finance costs	6	<b>(492)</b>	(1,097)
<b>PROFIT BEFORE TAX</b>	5	<b>52,292</b>	43,982
Income tax expense	7	<b>(8,562)</b>	(8,461)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>43,730</b>	35,521
Profit and total comprehensive income attributable to: Equity holders of the Company		<b>43,730</b>	35,521
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<b>HK 2.92 cents</b>	HK 2.37 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	291,205	255,591
Right-of-use assets		191,663	196,069
Investment in an associate		121	121
Deposits		871	9,962
Total non-current assets		<b>483,860</b>	461,743
<b>CURRENT ASSETS</b>			
Trade receivables	11	189,634	274,974
Contract assets		349,425	293,749
Prepayments, deposits and other receivables		31,867	37,179
Tax recoverable		–	247
Cash and cash equivalents		521,379	457,769
Total current assets		<b>1,092,305</b>	1,063,918
<b>CURRENT LIABILITIES</b>			
Trade and retention monies payables	12	169,984	176,507
Other payables and accruals		652,491	647,509
Dividend payable		49,500	–
Tax payable		24,014	13,078
Total current liabilities		<b>895,989</b>	837,094
<b>NET CURRENT ASSETS</b>		<b>196,316</b>	226,824
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>680,176</b>	688,567
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		32,786	35,407
Total non-current liabilities		<b>32,786</b>	35,407
Net assets		<b>647,390</b>	653,160
<b>EQUITY</b>			
<b>Equity attributable to holders of the Company</b>			
Issued capital	13	150,000	150,000
Reserves		497,390	503,160
Total equity		<b>647,390</b>	653,160

## 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 2023	150,000	63,628	(1)	20,002	27,416	392,115	653,160
Profit and total comprehensive income for the period	-	-	-	-	-	43,730	43,730
Release of revaluation reserve on leasehold land to retained profits	-	-	-	-	(455)	455	-
Final 2022 dividend declared	-	-	-	-	-	(49,500)	(49,500)
<b>At 30 June 2023</b>	<b>150,000</b>	<b>63,628</b>	<b>(1)</b>	<b>20,002</b>	<b>26,961</b>	<b>386,800</b>	<b>647,390</b>
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)
At 30 June 2022	150,000	63,628	(1)	20,002	20,952	331,270	585,851

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\$497,390,000 in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		52,292	43,982
Adjustments for:			
Finance costs		492	1,097
Interest income	4	(5,929)	(19)
Depreciation of property, plant and equipment	5	33,732	31,050
Depreciation of right-of-use assets	5	4,406	4,271
Impairment of trade receivables	5	–	5,533
Impairment of contract assets	5	–	3,925
Transfer of items of property, plant and equipment to cost of construction		3,292	–
Loss on disposal of items of property, plant and equipment	5	152	–
		<b>88,437</b>	89,839
Decrease in trade receivables		85,340	36,804
Decrease/(increase) in contract assets		(55,676)	27,455
Decrease/(increase) in prepayments, deposits and other receivables		14,403	(3,223)
Decrease in trade and retention monies payables		(6,523)	(90,129)
Increase in other payables and accruals		4,982	82,181
		<b>130,963</b>	142,927
Cash generated from operations		–	146
Hong Kong profits tax refunded			
		<b>130,963</b>	143,073
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		5,929	19
Purchase of items of property, plant and equipment		(72,870)	(29,905)
Proceeds from disposal of items of property, plant and equipment		80	90
		<b>(66,861)</b>	(29,796)
Net cash flows used in investing activities			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(492)	(1,097)
		<b>(492)</b>	(1,097)
Net cash flows used in financing activities			

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>63,610</b>	112,180
Cash and cash equivalents at beginning of period	<b>457,769</b>	186,028
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>521,379</b>	298,208
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>190,522</b>	208,208
Non-pledged time deposits with original maturity of less than three months when acquired	<b>330,857</b>	90,000
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>521,379</b>	298,208

## 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 (the "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 2022.

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 2022, except for the adoption of the following new and 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.

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 nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

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

(continued)

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have material impact on the financial position or performance of the Group.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## 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.

### Six months ended 30 June 2023

	<b>Foundation construction and ancillary services (Unaudited) HK\$'000</b>	<b>Drilling and site investigation (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
<b>Segment revenue:</b>			
Sales to external customers	887,998	133,493	1,021,491
Intersegment sales	–	69,870	69,870
Other revenue	6,011	532	6,543
	<b>894,009</b>	<b>203,895</b>	<b>1,097,904</b>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(69,870)
Other revenue			(6,543)
Revenue			<b>1,021,491</b>
<b>Segment results</b>	<b>43,785</b>	<b>17,568</b>	<b>61,353</b>
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(14,498)
Interest income			5,929
Finance costs			(492)
Profit before tax			<b>52,292</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

As at 30 June 2023

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment assets</b>	<b>1,253,094</b>	<b>272,886</b>	<b>1,525,980</b>
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<b>50,185</b>
Total assets			<b>1,576,165</b>
<b>Segment liabilities</b>	<b>655,288</b>	<b>212,114</b>	<b>867,402</b>
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<b>61,373</b>
Total liabilities			<b>928,775</b>

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 31 December 2022

	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>	1,252,486	271,952	1,524,438
<i>Reconciliation:</i>			
Corporate and other unallocated assets			1,223
Total assets			1,525,661
<b>Segment liabilities</b>	646,761	216,904	863,665
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			8,836
Total liabilities			872,501

### 4. REVENUE, OTHER INCOME AND GAINS

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Construction services	<b>1,021,491</b>	851,928

## 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 2023

#### 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	887,998	133,493	1,021,491
<b>Geographical market</b>			
Hong Kong	887,998	133,493	1,021,491
<b>Timing of revenue recognition</b>			
Services transferred over time	887,998	133,493	1,021,491
<b>Revenue from contracts with customers</b>			
External customers	887,998	133,493	1,021,491
Intersegment sales	–	69,870	69,870
Other revenue	6,011	532	6,543
<b>Segment revenue</b>	894,009	203,895	1,097,904
Elimination of intersegment sales	–	(69,870)	(69,870)
Other revenue	(6,011)	(532)	(6,543)
Revenue from contracts with customers	887,998	133,493	1,021,491

## 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 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>	710,739	243,817	954,556
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

#### OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Bank interest income	5,929	19
Government subsidies*	–	9,716
Exchange gain	411	–
Others	203	–
	<b>6,543</b>	9,735

\* The government subsidies represented mainly grants from the Employment Support Scheme of the Hong Kong Government. There were 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/(crediting):

	Six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation of property, plant and equipment	33,732	31,050
Depreciation of right-of-use assets	4,406	4,271
Employee benefit expense (including directors' remuneration)	235,341	177,215
Lease payments not included in the measurement of lease liabilities	2,431	1,628
Loss on disposal of items of property, plant and equipment	152	–
Impairment of trade receivables	–	5,533
Impairment of contract assets	–	3,925
Foreign exchange differences, net	(411)	1,147

### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Implicit interest on other payable	492	1,097

### 7. INCOME TAX

	Six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	11,183	13,111
Over provision in prior years	–	(10)
Deferred	(2,621)	(4,640)
Total tax charge for the period	8,562	8,461

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. 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\$43,730,000 (2022: HK\$35,521,000) and the number of ordinary shares of 1,500,000,000 (2022: 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 2023 and 2022.

## 9. DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

The final dividend of HK2.0 cents per ordinary share and a special dividend of HK1.3 cents per ordinary share for the year ended 31 December 2022 were approved by the Company's shareholders at the annual general meeting of the Company held on 2 June 2023 and paid on 5 July 2023.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment with a cost of HK\$72,870,000 (2022: HK\$29,905,000).

## 11. TRADE RECEIVABLES

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Trade receivables	<b>199,092</b>	284,432
Less: Impairment	<b>(9,458)</b>	(9,458)
	<b>189,634</b>	274,974

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 2023, 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 93% (31 December 2022: 26% and 80%) of the Group's total trade receivable balances, respectively.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 11. TRADE RECEIVABLES *(continued)*

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 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Current to 30 days	108,672	202,436
31 to 60 days	51,344	48,402
61 to 90 days	2,386	4,542
Over 90 days	27,232	19,594
	<b>189,634</b>	274,974

The movements in the loss allowance for impairment of trade receivables are as follows:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
At the beginning of the period/year	9,458	–
Impairment loss for the period/year	–	9,458
At the end of the period/year	<b>9,458</b>	9,458

### 12. TRADE AND RETENTION MONIES PAYABLES

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Trade payables	128,083	131,001
Retention monies payable	41,901	45,506
	<b>169,984</b>	176,507

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 12. TRADE AND RETENTION MONIES PAYABLES *(continued)*

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 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Trade payables		
Current to 30 days	<b>104,670</b>	115,156
31 to 60 days	<b>20,854</b>	12,598
61 to 90 days	–	110
Over 90 days	<b>2,559</b>	3,137
	<b>128,083</b>	131,001
Retention monies payable	<b>41,901</b>	45,506
	<b>169,984</b>	176,507

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 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Authorised:		
3,000,000,000 (31 December 2022: 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 2022: 1,500,000,000) ordinary shares of HK\$0.10 each	<b>150,000</b>	150,000

### 14. CONTINGENT LIABILITIES

As at 30 June 2023, the Group provided corporate guarantees and counter indemnities to certain banks and an insurance company for their issue of performance bonds of an aggregate amount of HK\$267,746,000 (31 December 2022: HK\$270,465,000) to the Group's customers in its ordinary course of business.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 15. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Rent paid to fellow subsidiaries	(i)	1,128	1,047
License fee paid to a related company	(i)	108	108
Purchases from fellow subsidiaries	(ii)	671	101
Contracting income from a fellow subsidiary	(ii)	(140)	–

Notes:

- (i) Rent paid to fellow subsidiaries 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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Short-term employee benefits	37,817	19,156
Post-employment benefits	287	360
Total compensation paid to key management personnel	38,104	19,516

### 16. CAPITAL COMMITMENTS

As at 30 June 2023, the Group had contracted, but not provided for acquisition of plant and machineries in the amount of approximately HK\$4,882,000 (31 December 2022: HK\$42,259,000).

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

The management has assessed that fair values of the following instruments approximate their 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 and financial liabilities included in other payables and accruals.

#### Fair value hierarchy

At 30 June 2023 and 31 December 2022, 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 (2022: 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 2023.

### 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 2023.

### 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 2023 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 2023, 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 Director	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%

Save as disclosed above, as at 30 June 2023, 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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six-month period ended 30 June 2023 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.

## OTHER INFORMATION

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

As at 30 June 2023, 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:

<b>Name</b>	<b>Notes</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
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 2023, 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 2023.