2019
Interim Report

建榮地基
KIN WING

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

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
Level 54, Hopewell Centre
183 Queen's Road East
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
Wing On Centre
111 Connaught Road Central
Hong Kong

Tel	: (852) 2877-3307
Fax	: (852) 2877-2035
Website	: http://www.chinneykinwing.com.hk
E-mail	: enquiry@chinneykinwing.com.hk

Kin Wing Engineering Company Limited
Kin Wing Foundations Limited
Kin Wing Machinery & Transportation Limited

Block A&B, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel	: (852) 2415-6509
Fax	: (852) 2490-0173
Website	: http://www.kinwing.com.hk
E-mail	: kwecoltd@kinwing.com.hk

Kinwing Engineering (Macau) Company Limited

Alameda Dr. Carlos D'Assumpção
nºs 411-417, Praça Wong Chio
5º andar D-G
em Macau

Tel	: (853) 2871-5564
	(853) 2871-5718
Fax	: (853) 2871-3948

DrilTech Ground Engineering Limited
DrilTech Geotechnical Engineering Limited

Block A&B, 8th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel	: (852) 2371-0008
Fax	: (852) 2744-1037
Website	: http://www.driltech.com.hk
E-mail	: driltech@driltech.com.hk

DrilTech Ground Engineering (Macau) Limited

Alameda Dr. Carlos D'Assumpção
nºs 411-417, Praça Wong Chio
5º andar D-G
em Macau

Tel	: (853) 2871-5564
	(853) 2871-5718
Fax	: (853) 2871-3948

DrilTech Ground Engineering (Singapore) Pte. Ltd.

80 Robinson Road
#25-00
Singapore 068898

Tel	: (65) 6534-5755
Fax	: (65) 6534-5766

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 2019. The Group's revenue in the reporting period was slightly decreased by 2.06% to HK$518.10 million from the previous corresponding period of HK$528.97 million. The profit and total comprehensive income for the period under review was HK$27.35 million, representing a decrease of 11.36% as compared with the previous corresponding period of HK$30.85 million.

INTERIM DIVIDEND

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

BUSINESS AND OPERATION REVIEW

The Group is engaged in foundation construction and ancillary services (the "Foundation Division"), and drilling and site investigation works (the "Drilling Division") for both public and private sectors in Hong Kong and overseas.

During the six months ended 30 June 2019, the Group had completed 2 and 13 projects in the Foundations Division and the Drilling Division with contract sum of approximately HK$344 million and HK$10 million, respectively.

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

CONNECTED TRANSACTIONS

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

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

OUTLOOK AND FUTURE PLANS

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

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

Given the Group's established reputation in the market, together with our talented and highly motivated staff led by a committed Execution Panel, we trust the Group's business will remain stable and our client base will continue to expand. We are prudently optimistic as to the long term demands for reliable and reputable contractors in the construction industry. In particular, we are looking forward to the Government fulfilling its commitment to long term public housing development and land supply for the next decade.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our customers, business partners and shareholders for their long-lasting support. I would also thank my fellow Directors for their advice and guidance, the Execution Panel for their management of operation departments and all colleagues for their hard working, loyalty and contributions which are essential to the Group's overall performance during the period under review.

Yuen-Keung Chan
Chairman

Hong Kong, 28 August 2019

BUSINESS AND OPERATION REVIEW

REVENUE

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

ADMINISTRATIVE EXPENSES

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

NET PROFIT

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

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

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

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed 558 staff in Hong Kong. The Group is proud of the professional foundation and drilling contracting team formed by these colleagues. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

	Notes	Six months ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000 (Restated)
REVENUE	4	**518,096**	528,969
Cost of construction		**(393,939)**	(403,298)
Gross profit		**124,157**	125,671
Other income and gains	4	**1,933**	1,364
Administrative expenses		**(90,978)**	(88,815)
Finance costs		**(301)**	–
PROFIT BEFORE TAX	5	**34,811**	38,220
Income tax expense	6	**(7,463)**	(7,366)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**27,348**	30,854
Profit and total comprehensive income attributable to:			
Equity holders of the Company		**27,348**	30,854
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		**HK1.82 cents**	HK2.06 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	263,694	277,290
Right-of-use assets		14,210	–
Total non-current assets		277,904	277,290
CURRENT ASSETS			
Trade receivables	10	115,604	157,730
Contract assets		342,023	270,895
Prepayments, deposits and other receivables		28,469	18,772
Due from a fellow subsidiary		1,790	1,790
Due from a related company	11	5,250	10,500
Tax recoverable		7,769	11,274
Cash and cash equivalents		77,646	193,661
Total current assets		578,551	664,622
CURRENT LIABILITIES			
Trade and retention monies payables	12	136,898	169,395
Other payables and accruals		197,141	297,906
Dividend payable		30,000	–
Due to the ultimate holding company		1,795	–
Due to a fellow subsidiary		708	–
Tax payable		10,192	4,381
Lease liabilities		8,899	–
Total current liabilities		385,633	471,682
NET CURRENT ASSETS		192,918	192,940
TOTAL ASSETS LESS CURRENT LIABILITIES		470,822	470,230
NON-CURRENT LIABILITIES			
Lease liabilities		5,436	–
Deferred tax liabilities		42,948	45,140
		48,384	45,140
Net assets		422,438	425,090
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	150,000	150,000
Reserves		272,438	275,090
Total equity		422,438	425,090

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	Retained profits* (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 1 January 2019	150,000	63,628	(1)	20,002	191,461	425,090
Profit and total comprehensive income for the period	–	–	–	–	27,348	27,348
Final 2018 dividend declared	–	–	–	–	(30,000)	(30,000)
At 30 June 2019	**150,000**	**63,628**	**(1)**	**20,002**	**188,809**	**422,438**
At 1 January 2018	150,000	63,628	(1)	20,002	190,691	424,320
Effect of adoption of HKFRS 15, net of tax (Restated)	–	–	–	–	(11,866)	(11,866)
At 1 January 2018 (Restated)	150,000	63,628	(1)	20,002	178,825#	412,454#
Profit and total comprehensive income for the period	–	–	–	–	30,854#	30,854#
Final 2017 dividend declared	–	–	–	–	(45,000)	(45,000)
At 30 June 2018	150,000	63,628	(1)	20,002	164,679#	398,308#

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$272,438,000 in the condensed consolidated statement of financial position.*

\# *These amounts have been restated to conform with current period's presentation.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**34,811**	38,220
Adjustments for:			
Finance costs		**301**	–
Interest income	4	**(379)**	(650)
Depreciation of property, plant and equipment	5	**31,241**	31,720
Depreciation of right-of-use assets	5	**4,458**	–
Impairment of goodwill	5	**–**	398
Transfer of items of property, plant and equipment to cost of construction		**–**	4,673
Loss on disposal of items of property, plant and equipment	5	**15**	824
		70,447	75,185
Decrease/(increase) in trade receivables		**42,126**	(8,067)
Increase in contract assets		**(71,128)**	(10,964)
Decrease/(increase) in prepayments, deposits and other receivables		**(9,697)**	329
Decrease in amount due from a related company		**5,250**	2,764
Increase in amount due to the ultimate holding company		**1,795**	–
Increase in amount due to a fellow subsidiary		**708**	–
Decrease in trade and retention monies payables		**(32,497)**	(9,262)
Decrease in other payables and accruals		**(100,765)**	(96,523)
Cash used in operations		**(93,761)**	(46,538)
Overseas tax paid		**(339)**	(276)
Net cash flow used in operating activities		**(94,100)**	(46,814)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**379**	650
Purchase of items of property, plant and equipment		**(17,660)**	(10,520)
Acquisition of a subsidiary	14	**–**	(389)
Decrease in pledged time deposits		**–**	3,598
Net cash used in investing activities		**(17,281)**	(6,661)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**–**	(45,000)
Principal portion of lease payments		**(4,634)**	–
Net cash flows used in financing activities		**(4,634)**	(45,000)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(116,015)**	(98,475)
Cash and cash equivalents at beginning of period	**193,661**	291,676
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**77,646**	193,201
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**77,646**	163,201
Non-pledged time deposits with original maturity of less than three months when acquired	**–**	30,000
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**77,646**	193,201

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the Company's head office and principal place of business is located at Room 2308, 23/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.

The Company is an investment holding company. During the period under review, the Company's subsidiaries were principally involved in foundation construction, and drilling and site investigation works for both public and private sectors in Hong Kong and overseas.

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

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except as described below. In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRS", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group's financial year beginning on or after 1 January 2019.

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

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

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

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

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

New definition of a lease

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

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

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

As a lessee – Leases previously classified as operating leases *(continued)*

Impacts on transition

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

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

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

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

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

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

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

As a lessee – Leases previously classified as operating leases *(continued)*

Impacts on transition (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited) *HK$'000*
Operating lease commitments as at 31 December 2018	19,548
Weighted average incremental borrowing rate as at 1 January 2019	3.57%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	18,668

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

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

Summary of new accounting policies *(continued)*

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

Amounts recognised in the unaudited condensed consolidated interim statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets	
	Land and Buildings	**Lease liabilities**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
As at 1 January 2019	18,668	18,668
Depreciation charge	(4,458)	–
Interest expense	–	301
Payments	–	(4,634)
As at 30 June 2019	**14,210**	**14,335**

The Group recognised rental expenses from short-term leases of HK$772,000 for the six months ended 30 June 2019.

3. OPERATING SEGMENT INFORMATION

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

– Foundation construction and ancillary services; and

– Drilling and site investigation

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted operating profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as unallocated corporate gains and expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2019

	Foundation construction and ancillary services (Unaudited) *HK$'000*	Drilling and site investigation (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:			
Sales to external customers	426,377	91,719	518,096
Intersegment sales	–	42,918	42,918
Other revenue			
Rental income from leasing of machinery	1,500	–	1,500
Others	76	357	433
	427,953	134,994	562,947
Reconciliation:			
Elimination of intersegment sales			(42,918)
Other revenue			(1,933)
Revenue			518,096
Segment results	24,559	14,542	39,101
Reconciliation:			
Corporate and other unallocated expenses			(4,368)
Interest income			379
Finance costs			(301)
Profit before tax			34,811

3. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2019

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2018

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

3. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2018

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

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

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

Other income and gains

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

5. PROFIT BEFORE TAX

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

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

6. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$27,348,000 (2018 restated: HK$30,854,000) and the number of ordinary shares of 1,500,000,000 (2018: 1,500,000,000) in issue during the period.

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

8. DIVIDENDS

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

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

9. PROPERTY, PLANT AND EQUIPMENT

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

10. TRADE RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. At 30 June 2019, the Group had certain concentration risk that may arise from the exposure to the largest customer and five largest customers, which accounted for 28% and 66% (31 December 2018: 23% and 71%) of the Group's total trade receivables balance, respectively.

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

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

11. DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contracting income certified from Gold Famous. Gold Famous is an indirect wholly-owned subsidiary of Hon Kwok of which Dr. James Sai-Wing Wong, a controlling shareholder of the Company, is also a director of and has a beneficial interest in. Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam are common directors of the Company and Hon Kwok.

12. TRADE AND RETENTION MONIES PAYABLES

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

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

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

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Authorised:		
3,000,000,000 (31 December 2018: 3,000,000,000) ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
1,500,000,000 (31 December 2018: 1,500,000,000) ordinary shares of HK$0.10 each	**150,000**	150,000

14. BUSINESS COMBINATION

On 5 January 2018, the Group acquired a 100% interest in Everest Engineering Company Limited from a third party. Everest Engineering Company Limited is engaged in basement construction works. The acquisition was made to expand the foundation services of the Group. The purchase consideration for the acquisition was in the form of cash, with HK$400,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Everest Engineering Company Limited as at the date of acquisition were as follows:

	Fair value recognised on acquisition (Audited) *HK$'000*
Cash and cash equivalents	11
Other payables	(9)
Total identifiable net assets at fair value	2
Goodwill on acquisition	398
	400
Satisfied by:	
Cash	400

An analysis of the cash flows in respect of the acquisition of Everest Engineering Company Limited was as follows:

	HK$'000
Cash consideration	(400)
Cash and cash equivalents acquired	11
New outflow of cash and cash equivalents included in cash flows from investing activities	(389)

The goodwill was impaired in the reporting period and the impairment of goodwill was not deductible for income tax purpose.

Since being acquired, Everest Engineering Company Limited did not contribute any revenue and had incurred a loss of HK$16,000 to the Group's consolidated profit for the period ended 30 June 2018.

15. CONTINGENT LIABILITIES

As at 30 June 2019, the Group provided corporate guarantees and indemnities to certain banks and an insurance company for an aggregate amount of approximately HK$205,028,000 (31 December 2018: HK$167,448,000) for the issue of performance bonds in its ordinary course of business.

16. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Rental expenses to fellow subsidiaries	*(i)*	**772**	772
Rental expenses to a related company	*(i)*	**–**	96
Purchases from fellow subsidiaries	*(ii)*	**233**	–
Contracting income from a related company	*(iii)*	**(6,708)**	(54,302)

Notes:

(i) Rental expenses charged by fellow subsidiaries and a related company are based on the market price.

(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.

(iii) The contracting income received from a related company was negotiated between the concerned parties by reference to prevailing market rates. The transaction constitutes a connected transaction of the Group and was approved by the independent shareholders of the Company at a special general meeting held on 7 November 2016.

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**11,215**	8,428
Post-employment benefits	**276**	201
Total compensation paid to key management personnel	**11,491**	8,629

17. CAPITAL COMMITMENTS

As at 30 June 2019, the Group had contracted, but not provided for acquisition of plant and machineries in the amount of approximately HK$15,476,000 (31 December 2018: Nil).

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

At 30 June 2019 and 31 December 2018, 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 (2018: Nil).

19. COMPARATIVE AMOUNTS

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

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 of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2019.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with all relevant code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2019.

Audit Committee

The audit committee 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 2019 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 2019, 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 (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 2019 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 spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the following interests and short positions of 5% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company

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

Notes:

1. Dr. James Sai-Wing Wong and Enhancement Investments Limited are deemed to be interested in the same parcel of the 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 2019, 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 2019.