



華營建築集團控股有限公司  
CR CONSTRUCTION GROUP HOLDINGS LIMITED

Stock Code: 1582

(Incorporated in the Cayman Islands with limited liability)



Interim Report  
**2020**



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. GUAN Manyu (*Chairman*)  
Mr. LI Kar Yin (*Chief Executive Officer*)<sup>1</sup>  
Ms. CHU Ping  
Mr. LAW Ming Kin  
Mr. CHAN Tak Yiu

### Non-executive Director

Mr. YANG Haojiang

### Independent non-executive Directors

The Honourable TSE Wai Chun Paul JP  
Mr. LI Ka Fai David  
Mr. HO Man Yiu Ivan

## COMPANY SECRETARY

Ms. LEUNG Suet Lun

## AUTHORISED REPRESENTATIVES

Mr. LI Kar Yin  
Ms. LEUNG Suet Lun

## AUDIT COMMITTEE

Mr. LI Ka Fai David (*Chairman*)  
The Honourable TSE Wai Chun Paul JP  
Mr. HO Man Yiu Ivan

## REMUNERATION COMMITTEE

Mr. LI Ka Fai David (*Chairman*)  
Mr. LI Kar Yin  
The Honourable TSE Wai Chun Paul JP  
Mr. HO Man Yiu Ivan

## NOMINATION COMMITTEE

Mr. GUAN Manyu (*Chairman*)  
Mr. LI Kar Yin  
The Honourable TSE Wai Chun Paul JP  
Mr. LI Ka Fai David  
Mr. HO Man Yiu Ivan

## AUDITOR

### Ernst & Young

Certified Public Accountants  
22/F., CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

## COMPLIANCE ADVISER

### First Shanghai Capital Limited

19/F., Wing On House  
71 Des Voeux Road Central  
Hong Kong

## LEGAL ADVISER

### Li & Partners

22/F., World-Wide House  
Central  
Hong Kong

## PRINCIPAL BANKERS

### Hang Seng Bank Limited

83 Des Voeux Road Central  
Central  
Hong Kong

### Nanyang Commercial Bank Limited

151 Des Voeux Road Central  
Central  
Hong Kong

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3–16, 32/F.  
Standard Chartered Tower  
Millennium City 1  
388 Kwun Tong Road  
Kwun Tong, Kowloon  
Hong Kong

<sup>1</sup> Mr. Li Kar Yin was appointed as the chief executive officer of the Company with effect from 1 April 2020.

# CORPORATE INFORMATION

## **REGISTERED OFFICE**

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS**

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman KY1-1111  
Cayman Islands

## **HONG KONG SHARE REGISTRAR**

Tricor Investor Services Limited  
Level 54,  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **STOCK CODE**

1582

## **COMPANY'S WEBSITE**

<https://www.cr-construction.com.hk/>

## **DATE OF LISTING**

16 October 2019

# FINANCIAL AND OPERATIONAL DATA HIGHLIGHTS

## HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The total revenue of CR Construction Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 decreased to approximately HK\$2,180.9 million as compared to that of approximately HK\$2,393.9 million for the six months ended 30 June 2019.

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

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

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

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

For the six months ended 30 June 2020 (the "**Reporting Period**"), the Group had been awarded six new projects with an aggregate original contract sum of approximately HK\$3.0 billion and had completed one project with an original contract sum of approximately HK\$0.4 billion.

## The Prospects

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

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Principal Risks and Uncertainties

There are certain risks relating to the Group's operations which could harm the Group's business, financial conditions and operating results. Some of the relatively material risks relating to the Group are summarised as follows:

### Business risks

- (i) the Group's revenue is mainly derived from projects which are not recurrent in nature and we are subject to the risks associated with competitive tendering process. There is no guarantee on the Group's continuous success in project tenders or quotation and the Group's sustainability and financial performance may be materially and adversely affected;
- (ii) the Group operates under various registration, licenses and certifications and the loss of or failure to obtain or renew any or all of these registrations, licenses and/or certifications could materially and adversely affect the Group's business;
- (iii) the Group determined the tender price based on the estimate construction time and costs which may deviate from the actual implementation of a project due to cost overruns and/or other related construction risks; and
- (iv) failure to maintain safe construction sites and/or implement our safety management system may lead to the occurrence of personal injuries, property damages, fatal accidents or suspension of relevant licenses to operate.

### Industry and market risks

- (i) the construction industry is highly competitive. There are a significant number of industry players who provide similar services as ours; and
- (ii) all of the Group's revenue was derived from projects located in Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on the construction industry in general, the Group's overall business and results of operations may be materially and adversely affected.

For other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" in the Prospectus.

## Operating Segment Information

During the Reporting Period, the Group has only one reportable operating segment, of which the Group engages in contract work as a main contractor or subcontractor, primarily in respect of building construction and RMAA works. Details of the segmental information of the Group is disclosed in Note 3 to the interim condensed consolidated financial information of this interim report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### Revenue

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

### Building Construction Works

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

### RMAA Works

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

### Contract Costs

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

### Gross Profit and Gross Profit Margin

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

### Building Construction Works

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## **RMAA Works**

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

## **Other Income**

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

## **Administrative Expenses**

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

## **Other Operating Expenses, net**

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

## **Finance Costs**

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

## **Income Tax Expenses**

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Net Profit

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

## Employees and Remuneration Policies

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

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

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

## Dividend

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

## Significant Investments, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital Expenditure

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

## Capital Commitments

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

## Contingent Liabilities

Details of the Group's contingent liabilities as at 30 June 2020 are set out in Note 16 to the interim condensed consolidated financial information of this interim report.

Save as disclosed in this interim report, the Group had no other contingent liabilities as at 30 June 2020.

## Foreign Exchange Exposure

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

## Gearing Ratio

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

## Liquidity and Financial Resources and Capital Structure

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

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

The Shares of the Company were successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2019. There has been no change in the capital structure of the Group since then.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Debts and Charge on Assets

The Group had interest-bearing bank borrowings of approximately HK\$185.0 million as at 30 June 2020 (31 December 2019: Nil). The banking facilities of the Group were secured by the corporate guarantees executed by the Group. Analysis of the maturity profile of the interest-bearing bank borrowings of the Group as at 30 June 2020 and 2019 is set out in the note 14 to the interim condensed consolidated financial information of this interim report.

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

## Treasury Policy

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

## Use of Proceeds

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

## **Future Plans for Material Investments or Capital Assets**

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

## **Subsequent Event**

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

# CORPORATE GOVERNANCE/ OTHER INFORMATION

## Corporate Governance Practices

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

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

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

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

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

## Model Code for Securities Transactions

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

## Audit Committee

The Board has established the audit committee (the “**Audit Committee**”) which is chaired by an independent non-executive Director, Mr. Li Ka Fai David, and consists of the other two independent non-executive Directors, The Honourable Tse Wai Chun Paul JP and Mr. Ho Man Yiu Ivan. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor; approve the remuneration and terms of engagement of the external auditor; monitor integrity of the Group’s financial statements, annual reports and accounts, half year reports; and review the Group’s financial controls, risk management and internal control systems.

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 have been reviewed by the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants. The Board, through the audit committee, has also conducted a review of the internal control and the interim report for the six months ended 30 June 2020.

## Changes to Directors’ Information

Save as disclosed herein, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the six months ended 30 June 2020.

# CORPORATE GOVERNANCE/ OTHER INFORMATION

## Purchase, Sale or Redemption of Listed Securities

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

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2020, the interests and short positions of the Directors of and chief executives of the Company in the ordinary Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out as follows:

| Name of Directors | Capacity/<br>Nature of Interest | Number of<br>ordinary Shares/<br>underlying<br>Shares | Long/short<br>position <sup>(1)</sup> | Approximate<br>percentage of<br>shareholding in<br>the Company <sup>(2)</sup><br>(%) |
|-------------------|---------------------------------|---|---------------------------------------|--|
| Mr. GUAN Manyu    | Beneficial owner                | 1,000,000   | L                                     | 0.20   |
| Mr. LI Kar Yin    | Beneficial owner                | 1,000,000   | L                                     | 0.20   |
| Ms. CHU Ping      | Beneficial owner                | 300,000   | L                                     | 0.06   |
| Mr. LAW Ming Kin  | Beneficial owner                | 500,000   | L                                     | 0.10   |
| Mr. CHAN Tak Yiu  | Beneficial owner                | 100,000   | L                                     | 0.02   |
| Mr. YANG Haojiang | Beneficial owner                | 500,000   | L                                     | 0.10   |

Notes:

(1) The Letter "L" denotes the entity/person's long position in the Shares.

(2) As at 30 June 2020, the number of issued Shares of the Company was 500,000,000 Shares.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executives of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Directors' Rights to Acquire Shares or Debentures

Save for the Share Option Scheme, no arrangement has been made by the Company or any of its subsidiaries for any Director to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate, and no rights to any share capital or debt securities of the Company or any other body corporate were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised during or at the end of the Reporting Period.

# CORPORATE GOVERNANCE/ OTHER INFORMATION

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2020, to the knowledge of the Directors, the following persons (other than the Director or chief executive of the Company) had an interest or a short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company maintained under Section 336 of the SFO:

| Name of Shareholder                                    | Capacity/<br>Nature of Interest                     | Number of<br>ordinary Shares/<br>underlying<br>Shares | Long/short<br>position <sup>(3)</sup> | Approximate<br>percentage of<br>shareholding in<br>the Company <sup>(4)</sup><br>(%) |
|--|---|---|---------------------------------------|--|
| Zhejiang State-owned Capital Operation Company Limited | Interest in a controlled corporation <sup>(1)</sup> | 361,150,000   | L                                     | 72.23  |
| Dohia Group Co., Ltd.                                  | Interest in a controlled corporation <sup>(1)</sup> | 361,150,000   | L                                     | 72.23  |
| Zhejiang Construction Investment Group Co., Ltd.       | Interest in a controlled corporation <sup>(1)</sup> | 361,150,000   | L                                     | 72.23  |
| Zhejiang Construction Group (H.K.) Holdings Limited    | Interest in a controlled corporation <sup>(1)</sup> | 361,150,000   | L                                     | 72.23  |
| China Zhejiang Construction Group (H.K.) Limited       | Interest in a controlled corporation <sup>(1)</sup> | 361,150,000   | L                                     | 72.23  |
| CR Construction Investments Limited                    | Beneficial owner <sup>(1)</sup>                     | 361,150,000   | L                                     | 72.23  |
| Ning Shing (Holdings) Company Limited                  | Beneficial owner <sup>(2)</sup>                     | 25,000,000  | L                                     | 5.00   |

Notes:

- (1) CR Construction Investments Limited directly holds 361,150,000 Shares in the Company. CR Construction Investments Limited is a wholly-owned subsidiary of China Zhejiang Construction Group (H.K.) Limited, which is in turn a wholly-owned subsidiary of Zhejiang Construction Group (H.K.) Holdings Limited. Zhejiang Construction Group (H.K.) Holdings Limited is a wholly-owned subsidiary of Zhejiang Construction Investment Group Co., Ltd., which is in turn wholly-owned by Dohia Group Co., Ltd. Zhejiang State-owned Capital Operation Company Limited holds 37.90% interests in Dohia Group Co., Ltd. By virtue of the SFO, each of China Zhejiang Construction Group (H.K.) Limited, Zhejiang Construction Group (H.K.) Holdings Limited, Zhejiang Construction Investment Group Co., Ltd., Dohia Group Co., Ltd. and Zhejiang State-owned Capital Operation Company Limited is deemed to have an interest in the Shares held by CR Construction Investments Limited.
- (2) Ning Shing (Holdings) Company Limited ("**Ning Shing**") directly holds 25,000,000 Shares of the Company. Ning Shing is a state-owned company wholly owned by the Ningbo Municipal Government established in Hong Kong in May 1995. For more details, please refer to the section headed "Cornerstone Investors" in the Prospectus.
- (3) The Letter "L" denotes the entity/person's long position in the Shares.
- (4) As at 30 June 2020, the number of issued Shares of the Company was 500,000,000 Shares.

Save as disclosed above, as at 30 June 2020, the Directors have not been aware of any person (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register maintained under Section 336 of the SFO.



# CORPORATE GOVERNANCE/ OTHER INFORMATION

## Share Option Scheme

The Company has adopted a Share Option Scheme on 17 September 2019 to reward the participants defined thereunder for their contribution to the Group's success and to provide them with incentives to further contribute to the Group.

### The following is a summary of the principal terms of the Share Option Scheme:

**(i) Purpose**

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

**(ii) Who may join**

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board shall be entitled to, at its absolute discretion and on such terms as it deems fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe.

**(iii) Maximum number of Shares subject to options**

The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 50,000,000 Shares (representing 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange). The overall limit on the number of Shares which shall be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme, and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable), shall not exceed 30% of the Shares in issue from time to time.

**(iv) Limit for each participant**

The total number of Shares issued, and to be issued, upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any twelve (12)-month period shall not exceed 1% of the Shares in issue.

**(v) Option period**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. The remaining life of the Share Option Scheme is nine years.

**(vi) Payment on acceptance of option offer**

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

# CORPORATE GOVERNANCE/ OTHER INFORMATION

## **(vii) Subscription price**

The subscription price shall be such price determined by the Board at its absolute discretion and notified to a participant in the offer at the time of the offer, and shall be at least the higher of: (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of the relevant option, which shall be a business day; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the relevant option (provided that, in the event that any option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (c) the nominal value of a Share on the date of grant of the relevant option.

## **(viii) Present status of the Share Option Scheme**

During the Relevant Period, no share option was granted. As at 30 June 2020, the Company had no outstanding share option under the Share Option Scheme.

# INDEPENDENT REVIEW REPORT



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## To the board of directors of CR Construction Group Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 19 to 36, which comprises the condensed consolidated statement of financial position of CR Construction Group Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### Ernst & Young

*Certified Public Accountants*

Hong Kong

18 August 2020

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

For the six months ended 30 June 2020

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

|   | Notes | 30 June<br>2020<br>(Unaudited)<br>HK\$'000 | 31 December<br>2019<br>(Audited)<br>HK\$'000 |
|---|-------|--|--|
| <b>NON-CURRENT ASSETS</b>                                   |       |  |  |
| Property, plant and equipment                               |       | 19,167                                     | 21,423                                       |
| Right-of-use assets   | 10    | 32,477                                     | 3,751  |
| Prepayments and deposits                                    |       | 8,159                                      | 1,519  |
| Deferred tax assets   |       | 594  | –  |
| Total non-current assets                                    |       | 60,397                                     | 26,693                                       |
| <b>CURRENT ASSETS</b>                                       |       |  |  |
| Contract assets   | 11    | 1,741,133                                  | 1,569,973                                    |
| Trade receivables   | 12    | 401,145                                    | 384,094                                      |
| Prepayments, deposits and other receivables                 |       | 46,170                                     | 46,005                                       |
| Pledged deposits  |       | –  | 26,338                                       |
| Cash and cash equivalents                                   |       | 121,736                                    | 150,798                                      |
| Total current assets  |       | 2,310,184                                  | 2,177,208                                    |
| <b>CURRENT LIABILITIES</b>                                  |       |  |  |
| Trade and retention payables                                | 13    | 644,318                                    | 1,123,797                                    |
| Other payables and accruals                                 |       | 942,285                                    | 533,821                                      |
| Dividend payable  | 8     | 25,000                                     | –  |
| Interest-bearing bank borrowings                            | 14    | 185,000                                    | –  |
| Lease liabilities   | 10    | 13,539                                     | 2,202  |
| Tax payable   |       | 7,799                                      | 15,955                                       |
| Total current liabilities                                   |       | 1,817,941                                  | 1,675,775                                    |
| <b>NET CURRENT ASSETS</b>                                   |       | <b>492,243</b>                             | 501,433                                      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                |       | <b>552,640</b>                             | 528,126                                      |
| <b>NON-CURRENT LIABILITIES</b>                              |       |  |  |
| Provision for reinstatement                                 |       | 4,000                                      | –  |
| Lease liabilities   | 10    | 19,603                                     | 1,513  |
| Deferred tax liabilities                                    |       | –  | 975  |
| Total non-current liabilities                               |       | 23,603                                     | 2,488  |
| Net assets  |       | 529,037                                    | 525,638                                      |
| <b>EQUITY</b>   |       |  |  |
| <b>Equity attributable to equity holders of the Company</b> |       |  |  |
| Share capital   | 15    | 5,000                                      | 5,000  |
| Reserves  |       | 524,037                                    | 520,638                                      |
| Total equity  |       | 529,037                                    | 525,638                                      |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

|   | Attributable to equity holders of the Company |                           |                            |                             |                              |                                |  |                               |                          |
|---|---|---------------------------|----------------------------|-----------------------------|------------------------------|--------------------------------|--|-------------------------------|--------------------------|
|   | Note  | Share capital<br>HK\$'000 | Share premium*<br>HK\$'000 | Merger reserve*<br>HK\$'000 | Capital reserve*<br>HK\$'000 | Statutory reserve*<br>HK\$'000 | Asset revaluation reserve*<br>HK\$'000 | Retained profits*<br>HK\$'000 | Total equity<br>HK\$'000 |
| At 1 January 2020 (audited)   |   | 5,000                     | 429,257                    | (140,785)                   | 12,071                       | 12                             | 13                                     | 220,070                       | 525,638                  |
| Profit for the period and total comprehensive income for the period |   | -                         | -                          | -                           | -                            | -                              | -                                      | 28,399                        | 28,399                   |
| Final 2019 dividend   | 8   | -                         | -                          | -                           | -                            | -                              | -                                      | (25,000)                      | (25,000)                 |
| At 30 June 2020 (unaudited)   |   | 5,000                     | 429,257                    | (140,785)                   | 12,071                       | 12                             | 13                                     | 223,469                       | 529,037                  |
| At 1 January 2019 (audited)   |   | <b>17</b>                 | <b>310,268</b>             | <b>(140,785)</b>            | <b>12,071</b>                | <b>12</b>                      | <b>13</b>                              | <b>161,552</b>                | <b>343,148</b>           |
| Profit for the period and total comprehensive income for the period |   | -                         | -                          | -                           | -                            | -                              | -                                      | <b>31,222</b>                 | <b>31,222</b>            |
| At 30 June 2019 (unaudited)   |   | <b>17</b>                 | <b>310,268</b>             | <b>(140,785)</b>            | <b>12,071</b>                | <b>12</b>                      | <b>13</b>                              | <b>192,774</b>                | <b>374,370</b>           |

\* These reserve accounts comprise the consolidated reserves of HK\$524,037,000 (31 December 2019: HK\$520,638,000) in the interim condensed consolidated statement of financial position.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

|  | Notes | Six months ended 30 June        |                                 |
|--|-------|---------------------------------|---------------------------------|
|  |       | 2020<br>(Unaudited)<br>HK\$'000 | 2019<br>(Unaudited)<br>HK\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |       |                                 |                                 |
| Profit before tax  |       | <b>34,131</b>                   | 36,910                          |
| Adjustments for:   |       |                                 |                                 |
| Finance costs  | 6     | <b>6,694</b>                    | 6,521                           |
| Interest income  | 4     | <b>(117)</b>                    | (320)                           |
| Gain on disposal of items of property, plant and equipment, net  | 5     | –                               | (7)                             |
| Gain on termination of leases                                    | 5     | –                               | (4)                             |
| Depreciation of property, plant and equipment                    | 5     | <b>3,226</b>                    | 3,559                           |
| Depreciation of right-of-use assets                              | 5     | <b>7,065</b>                    | 8,250                           |
| Impairment of trade receivables                                  | 5     | <b>7,629</b>                    | 2,000                           |
|  |       | <b>58,628</b>                   | 56,909                          |
| Increase in contract assets                                      |       | <b>(171,160)</b>                | (373,121)                       |
| Decrease/(increase) in trade receivables                         |       | <b>(24,680)</b>                 | 231,584                         |
| Increase in prepayments, deposits and other receivables          |       | <b>(6,805)</b>                  | (10,492)                        |
| Decrease in trade and retention payables                         |       | <b>(479,479)</b>                | (57,481)                        |
| Increase in other payables and accruals                          |       | <b>412,464</b>                  | 183,640                         |
| Cash generated from/(used in) operations                         |       | <b>(211,032)</b>                | 31,039                          |
| Interest element on lease liabilities                            |       | <b>(550)</b>                    | (220)                           |
| Interest paid  |       | <b>(2,126)</b>                  | –                               |
| Hong Kong profits tax paid                                       |       | <b>(15,457)</b>                 | (3,019)                         |
| Net cash flows from/(used in) operating activities               |       | <b>(229,165)</b>                | 27,800                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |       |                                 |                                 |
| Interest received  |       | <b>117</b>                      | 320                             |
| Purchases of items of property, plant and equipment              |       | <b>(970)</b>                    | (160)                           |
| Proceeds from disposal of items of property, plant and equipment |       | –                               | 10                              |
| Increase in an amount due from an intermediate holding company   |       | –                               | (132,128)                       |
| Net cash flows used in investing activities                      |       | <b>(853)</b>                    | (131,958)                       |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2020<br>(Unaudited)<br>HK\$'000 | 2019<br>(Unaudited)<br>HK\$'000 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                 |                                 |
| New bank loans   | <b>1,385,000</b>                | 670,000                         |
| Repayment of bank loans  | <b>(1,200,000)</b>              | (540,000)                       |
| Principal portion of lease payments  | <b>(6,364)</b>                  | (7,605)                         |
| Interest paid  | <b>(4,018)</b>                  | (6,301)                         |
| Net cash flows from financing activities   | <b>174,618</b>                  | 116,094                         |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>  |                                 |                                 |
| Cash and cash equivalents at beginning of period   | <b>177,136</b>                  | 129,052                         |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>  | <b>121,736</b>                  | 140,988                         |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>   |                                 |                                 |
| Cash and bank balances as stated in the interim condensed consolidated statement of financial position                   | <b>121,736</b>                  | 114,847                         |
| Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities | -                               | 26,141                          |
| Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows                        | <b>121,736</b>                  | 140,988                         |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 1. Corporate and group information

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

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

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

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

### 2.1 Basis of preparation

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

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 2.2 Changes in accounting policies and disclosures

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

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

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

## 3. Operating segment information

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

## 4. Revenue and other income

An analysis of revenue is as follows:

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 4. Revenue and other income *(Continued)*

### Revenue from contracts with customers

#### Disaggregated revenue information

|                                      | Six months ended 30 June |             |
|--------------------------------------|--------------------------|-------------|
|                                      | 2020                     | 2019        |
|                                      | (Unaudited)              | (Unaudited) |
|                                      | HK\$'000                 | HK\$'000    |
| <b>Timing of revenue recognition</b> |                          |             |
| Services transferred over time       | <b>2,180,915</b>         | 2,393,936   |

|                     | Six months ended 30 June |             |
|---------------------|--------------------------|-------------|
|                     | 2020                     | 2019        |
|                     | (Unaudited)              | (Unaudited) |
|                     | HK\$'000                 | HK\$'000    |
| <b>Other income</b> |                          |             |
| Interest income     | <b>117</b>               | 320         |
| Gross rental income | <b>478</b>               | 450         |
| Others              | <b>286</b>               | 47          |
|                     | <b>881</b>               | 817         |



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 5. Profit before tax

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

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

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 6. Finance costs

An analysis of finance costs is as follows:

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

## 7. Income tax

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

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 8. Dividend

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

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

## 9. Earnings per share attributable to ordinary equity holders of the Company

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

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

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

## 10. Leases

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 11. Contract assets

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

Notes:

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

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

|                 | <b>30 June<br/>2020<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2019<br>(Audited)<br>HK\$'000 |
|-----------------|--|--|
| Within one year | <b>1,105,504</b>                                     | 1,024,634                                    |

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

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

|                     | <b>30 June<br/>2020<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2019<br>(Audited)<br>HK\$'000 |
|---------------------|--|--|
| Due within one year | <b>380,415</b>                                       | 332,974                                      |
| Due after one year  | <b>255,214</b>                                       | 212,365                                      |
|                     | <b>635,629</b>                                       | 545,339                                      |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 12. Trade receivables

|                   | <b>30 June<br/>2020<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2019<br>(Audited)<br>HK\$'000 |
|-------------------|--|--|
| Trade receivables | <b>411,547</b>                                       | 386,867                                      |
| Impairment        | <b>(10,402)</b>                                      | (2,773)                                      |
|                   | <b>401,145</b>                                       | 384,094                                      |

The Group's trading terms with its customers are on credit. The Group's credit period with customers range from 14 to 45 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 13. Trade and retention payables

|                    |              | <b>30 June<br/>2020<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2019<br>(Audited)<br>HK\$'000 |
|--------------------|--------------|--|--|
|                    | <i>Notes</i> |  |  |
| Trade payables     | <i>(a)</i>   | <b>190,871</b>                                       | 714,681                                      |
| Retention payables | <i>(b)</i>   | <b>453,447</b>                                       | 409,116                                      |
|                    |              | <b>644,318</b>                                       | 1,123,797                                    |

Notes:

- (a) An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

|                | <b>30 June<br/>2020<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2019<br>(Audited)<br>HK\$'000 |
|----------------|--|--|
| Within 1 month | <b>116,946</b>                                       | 458,713                                      |
| 1 to 2 months  | <b>8,548</b>   | 118,856                                      |
| 2 to 3 months  | <b>8,445</b>   | 126,120                                      |
| Over 3 months  | <b>56,932</b>  | 10,992                                       |
|                | <b>190,871</b>                                       | 714,681                                      |

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

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 14. Interest-bearing bank borrowings

|                      | 30 June 2020<br>(Unaudited) |           |          | 31 December 2019<br>(Audited) |          |          |
|----------------------|-----------------------------|-----------|----------|-------------------------------|----------|----------|
|                      | Effective interest rate (%) | Maturity  | HK\$'000 | Effective interest rate (%)   | Maturity | HK\$'000 |
| <b>Current</b>       |                             |           |          |                               |          |          |
| Bank loans - secured | 2.0-4.6                     | On demand | 185,000  | -                             | -        | -        |

|                       | 30 June 2020<br>(Unaudited)<br>HK\$'000 | 31 December 2019<br>(Audited)<br>HK\$'000 |
|-----------------------|---|---|
| Analysed into:        |   |   |
| Bank loans repayable: |   |   |
| On demand             | 185,000                                 | -   |

Analysed into:

Bank loans repayable:

On demand

185,000

-

Notes:

- (a) As at 30 June 2020, all of the Group's bank loans were secured by corporate guarantees given by the Company.
- (b) All borrowings were in Hong Kong dollars.

## 15. Share capital

|   | 30 June 2020<br>(Unaudited)<br>HK\$'000 | 31 December 2019<br>(Audited)<br>HK\$'000 |
|---|---|---|
| Authorised:                                     |   |   |
| 10,000,000,000 ordinary shares of HK\$0.01 each | 100,000                                 | 100,000                                   |
| Issued and fully paid:                          |   |   |
| 500,000,000 ordinary shares of HK\$0.01 each    | 5,000                                   | 5,000                                     |



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 16. Contingent liabilities

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

At the end of the reporting period, the directors do not consider it is probable that such claim will be made against the Group.

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

## 17. Commitments

The Group had the following capital commitments at the end of the reporting period:

|                                   | <b>30 June<br/>2020<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2019<br>(Audited)<br>HK\$'000 |
|-----------------------------------|--|--|
| Contracted, but not provided for: |  |  |
| Plant and machinery               | <b>2,062</b>   | –  |
| Computers and software            | <b>888</b>   | –  |
|                                   | <b>2,950</b>   | –  |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 18. Related party transactions

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

|   | Notes | Six months ended 30 June        |                                 |
|---|-------|---------------------------------|---------------------------------|
|   |       | 2020<br>(Unaudited)<br>HK\$'000 | 2019<br>(Unaudited)<br>HK\$'000 |
| Administrative expenses paid on behalf of an intermediate holding company | (i)   | –                               | 97                              |
| Expenses recharged by an intermediate holding company                     | (ii)  | <b>755</b>                      | 469                             |

Notes:

- (i) Administrative expenses paid on behalf of an intermediate holding company were determined based on actual costs incurred, as mutually agreed between the parties.
- (ii) The expenses paid on behalf of the Group by an intermediate holding company consisted of staff costs and other administrative expenses. All administrative expenses were determined based on actual costs incurred.

## (b) Other transactions with related parties

In the prior period, the Group's intermediate holding companies had guaranteed certain bank loans and banking facilities made to the Group of up to HK\$720,000,000 for the six months ended 30 June 2019.

In the prior period, the Group's intermediate holding company had also provided letters of comfort for certain banking facilities amounting to HK\$2,320,000,000 for the six months ended 30 June 2019. According to the letters of comfort, the intermediate holding company shall provide the Group with the support and assistance as may be required to ensure that the Group maintains the capital and liquidity level to enable it at all times to meet its obligations. In the event that the Group fails to meet its obligations and duties, the intermediate holding company shall raise sufficient available funds or provide available funds raised from other parties for the Group in order to meet all its obligations and duties under the facility letter. The letters of comfort have been released upon the Listing of the Company.

## (c) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group for the period represented the directors' emoluments as follows:

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2020<br>(Unaudited)<br>HK\$'000 | 2019<br>(Unaudited)<br>HK\$'000 |
| Short term employee benefits                        | <b>5,718</b>                    | 5,240                           |
| Post-employee benefits                              | <b>210</b>                      | 208                             |
| Total compensation paid to key management personnel | <b>5,928</b>                    | 5,448                           |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## **19. Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, pledged deposits, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non-current deposits and retention payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and approximated to their carrying amounts.