



2020

Interim Report

CHINNEY KIN WING HOLDINGS LIMITED
建業建榮控股有限公司*
 (Incorporated in Bermuda with limited liability)
 Stock Code : 1556

* for identification purpose only



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present to our shareholders the interim report of Chinney Kin Wing Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the six months ended 30 June 2020. The Group's revenue in the reporting period increased 32.6% to HK\$686.8 million from the previous corresponding period of HK\$518.1 million. The profit and total comprehensive income for the period under review was HK\$32.8 million, represented an increase of 19.8% as compared with the previous corresponding period of HK\$27.3 million.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2020 (2019: 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 2020, the Group had completed 3 and 10 projects in the Foundation Division and the Drilling Division with contract sums of approximately HK\$402 million and HK\$65 million respectively.

As at 30 June 2020, the Group had 11 and 48 projects in progress with contract sums of approximately HK\$3,107 million and HK\$356 million in the Foundation and Drilling Divisions respectively.

CONNECTED TRANSACTION

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 2020, no revenue was recognised by KWF as the Foundation Construction Works were substantially completed and pending for agreement of variation orders and final account of the project.

OUTLOOK AND FUTURE PLANS

Since the outbreak of the COVID-19 novel coronavirus pandemic in early 2020, our Group remains alert to the latest news by implementing a series of precautionary and control measures to ensure the health and safety of our staff at all levels, so that they may enjoy working in a safe and hassle-free workplace.

On 20 July 2020, the Company announced a possible acquisition of the 50% equity interest in a company which holds land that can be used by the Group as a storage depot. If the acquisition materialises, this depot will serve as an ideal hub for our production team and general workforce to better streamline, centralise and enhance the Group's plant maintenance and engineering works as well as optimise our machinery and equipment storage system.

DrilTech, the Group's Drilling Division, is well-equipped with advanced technology and machinery specialising in a broad spectrum of drilling services. To sustain the robust development of the Group in the future, DrilTech will diversify its business by allocating more resources to expanding the scope of services in marine ground investigation, instrumentation, and field testing. Combining our Group's established reputation in the market together with a sizeable pool of exceptionally skillful talent from our project management teams, we foresee that DrilTech will continue to expand our client base and contribute to a stable and sustainable development of the Group throughout 2020.

To sustain our business growth and achieve a stable financial status amid fierce competitions in the foundation market, the Group continues to improve upon a series of practical and effective measures, including but not limited to stringent cost control, reduction of administrative expenses, optimisation of the workforce and resource allocation, enhancing production efficiency, empowering project management teams as well as strengthening the core and extended business fundamentals through a significant investment in staff recruitment and various resources in a timely manner. In addition, we will focus on bidding for large-scale and complex foundation contracts offered by public and private sectors as well as diversifying our scope of business activities.

With reference to the Long-Term Housing Strategy Annual Progress Report 2019 as announced by the Hong Kong Government in December 2019, the total housing supply targets for the 10-year period from fiscal year 2020/21 to 2029/30 are 430,000 units. The outlook of the foundation market looks promising as there will be large scale infrastructure projects to be launched by the local Government in the near future. Such brand-new construction initiatives entail bulk quantities of foundation works, offering abundant commercial opportunities for the foundations industry. In light of the housing buildup, we are prudently optimistic about our future development in spite of the keen competition.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my appreciation to our staff and workforce for their continued dedication and professionalism. Our many stakeholders and business partners are important to our business and we give our thanks for their tremendous support and loyalty. In addition, I would like to extend my thanks to our shareholders for your unwavering support. With our unique blend of operational excellence and expertise in the field, we are poised to create significant shareholder value in the future.

Yuen-Keung Chan
Chairman

Hong Kong, 26 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

REVENUE

During the reporting period, the Group recorded a total revenue of HK\$686.8 million, represented an increase of 32.6% when comparing with last year's corresponding period of HK\$518.1 million. The increase of revenue was primarily attributable to the contribution from certain sizeable foundation contracts in the Foundation Division, which were actively progressed in accordance with the scheduled construction program in the reporting period.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit in the reporting period was HK\$128.4 million as compared with the previous corresponding period of HK\$124.2 million, represented an increase of 3.4%. The gross profit margin of the Group, however, decreased from previous corresponding period of 24.0% to current reporting period of 18.7%. Continuing weakness in the construction sector combined with intense competition amongst the market players in the foundation market in the past years had led the contractors to adopt more aggressive pricing policies, resulting in reduced contract profits. In addition, stringent contract requirements and high index of labour costs have further deteriorated the contract profitability.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses was HK\$93.9 million in the reporting period, represented an increase of 3.2% as compared with the previous corresponding of HK\$91.0 million. The increase of administrative expenses in the current period was mainly due to the increase of staff costs by HK\$6.6 million for rewarding and retaining talented staff for their servicing in the Group. The magnitude of the increased staff costs was partly set-off by our stringent and persistent control of other administrative overheads over the reporting period.

NET PROFIT

The Group's net profit for the reporting period was HK\$32.8 million, represented an increase of 19.8% when comparing with the previous corresponding period of HK\$27.3 million. The increase of net profit was due in part to proportionate receipt of a subsidy of HK\$5.6 million from the Hong Kong Government under the Employment Support Scheme in the reporting period.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had cash and bank balances of HK\$60.8 million as compared to HK\$54.6 million as at 31 December 2019. The increase of cash and bank balances was primarily due to the net cash inflow from operating activities after the capital payment of HK\$15.2 million for the acquisition of plant and machineries during the reporting period. 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 2020, the Group provided corporate guarantees and indemnities to certain banks and an insurance company for an aggregate amount of HK\$273.7 million (31 December 2019: HK\$200.5 million) for the issue of performance bonds in its ordinary course of business.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed 540 staff in Hong Kong. The Group is proud of the professional foundation and drilling contracting team formed by these colleagues. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
REVENUE	4	686,820	518,096
Cost of construction		(558,456)	(393,939)
Gross profit		128,364	124,157
Other income and gains	4	5,621	1,933
Administrative expenses		(93,918)	(90,978)
Finance costs		(172)	(301)
PROFIT BEFORE TAX	5	39,895	34,811
Income tax expense	6	(7,144)	(7,463)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		32,751	27,348
Profit and total comprehensive income attributable to: Equity holders of the Company		32,751	27,348
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		HK 2.18 cents	HK 1.82 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	241,274	256,002
Right-of-use assets		5,294	9,752
Total non-current assets		246,568	265,754
CURRENT ASSETS			
Trade receivables	10	198,622	257,327
Contract assets		326,834	279,223
Prepayments, deposits and other receivables		32,597	25,139
Due from a fellow subsidiary		1,790	1,790
Due from a related company	11	–	5,250
Tax recoverable		3,524	8,024
Cash and cash equivalents		60,819	54,607
Total current assets		624,186	631,360
CURRENT LIABILITIES			
Trade and retention monies payables	12	187,224	174,288
Other payables and accruals		141,005	203,798
Dividend payable		22,500	–
Due to fellow subsidiaries		31	–
Tax payable		10,345	14,673
Lease liabilities		5,420	9,060
Total current liabilities		366,525	401,819
NET CURRENT ASSETS		257,661	229,541
TOTAL ASSETS LESS CURRENT LIABILITIES		504,229	495,295
NON-CURRENT LIABILITIES			
Lease liabilities		16	866
Deferred tax liabilities		41,299	41,766
Total non-current liabilities		41,315	42,632
Net assets		462,914	452,663
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	13	150,000	150,000
Reserves		312,914	302,663
Total equity		462,914	452,663

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 2020	150,000	63,628	(1)	20,002	219,034	452,663
Profit and total comprehensive income for the period	–	–	–	–	32,751	32,751
Final 2019 dividend declared	–	–	–	–	(22,500)	(22,500)
At 30 June 2020	150,000	63,628	(1)	20,002	229,285	462,914
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

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\$312,914,000 in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		39,895	34,811
Adjustments for:			
Financial costs		172	301
Interest income	4	(42)	(379)
Depreciation of property, plant and equipment	5	29,933	31,241
Depreciation of right-of-use assets	5	4,458	4,458
Loss on disposal of items of property, plant and equipment	5	–	15
		74,416	70,447
Decrease in trade receivables		58,705	42,126
Increase in contract assets		(47,611)	(71,128)
Increase in prepayments, deposits and other receivables		(7,458)	(9,697)
Decrease in amount due from a related company		5,250	5,250
Increase in amount due to the ultimate holding company		–	1,795
Increase in amounts due to fellow subsidiaries		31	708
Increase/(decrease) in trade and retention monies payables		12,936	(32,497)
Decrease in other payables and accruals		(62,793)	(100,765)
Cash generated from/(used in) operations		33,476	(93,761)
Tax paid		(7,439)	(339)
Net cash flows generated from/(used in) operating activities		26,037	(94,100)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		42	379
Purchase of items of property, plant and equipment		(15,205)	(17,660)
Net cash used in investing activities		(15,163)	(17,281)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(28)	–
Principal portion of lease payments		(4,634)	(4,634)
Net cash flows used in financing activities		(4,662)	(4,634)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,212	(116,015)
Cash and cash equivalents at beginning of period	54,607	193,661
CASH AND CASH EQUIVALENTS AT END OF PERIOD	60,819	77,646
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	60,819	77,646
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	60,819	77,646

1. CORPORATE INFORMATION

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

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

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

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the 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 2019.

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 2019, except as described below. The Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards ("HKFRS", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA 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>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of these revised accounting standards does not have material impact on the Group's unaudited condensed consolidated interim financial statements.

3. OPERATING SEGMENT INFORMATION

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

- Foundation construction and ancillary services; and
- Drilling and site investigation.

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2020

	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	598,951	87,869	686,820
Intersegment sales	–	34,836	34,836
Other revenue	4,414	1,207	5,621
	603,365	123,912	727,277
<i>Reconciliation:</i>			
Elimination of intersegment sales			(34,836)
Other revenue			(5,621)
Revenue			686,820
Segment results	32,748	16,006	48,754
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(8,729)
Interest income			42
Financial costs			(172)
Profit before tax			39,895

3. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2020

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	700,521	169,151	869,672
<i>Reconciliation:</i>			
Corporate and other unallocated assets			1,082
Total assets			870,754
Segment liabilities	235,955	144,877	380,832
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			27,008
Total liabilities			407,840

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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
	<hr/> 427,953	<hr/> 134,994	<hr/> 562,947
<i>Reconciliation:</i>			
Elimination of intersegment sales			(42,918)
Other revenue			<hr/> (1,933)
Revenue			<hr/> 518,096
Segment results	24,559	14,542	39,101
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(4,368)
Interest income			379
Financial costs			<hr/> (301)
Profit before tax			<hr/> 34,811

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2019

	Foundation construction and ancillary services (Audited) HK\$'000	Drilling and site investigation (Audited) HK\$'000	Total (Audited) HK\$'000
Segment assets	722,918	172,470	895,388
<i>Reconciliation:</i>			
Corporate and other unallocated assets			1,726
Total assets			897,114
Segment liabilities	286,679	154,168	440,847
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			3,604
Total liabilities			444,451

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>		
Construction services	686,820	518,096

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

Disaggregated revenue information

Six months ended 30 June 2020

Segments

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Type of services			
Construction services	598,951	87,869	686,820
Geographical markets			
Hong Kong	598,951	87,869	686,820
Timing of revenue recognition			
Services transferred over time	598,951	87,869	686,820
Revenue from contracts with customers			
External customers	598,951	87,869	686,820
Intersegment sales	–	34,836	34,836
	598,951	122,705	721,656
Elimination of intersegment sales	–	(34,836)	(34,836)
Total revenue from contracts with customers	598,951	87,869	686,820

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

Six months ended 30 June 2019

Segments

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Type of services			
Construction services	426,377	91,719	518,096
Geographical markets			
Hong Kong	426,377	90,159	516,536
Singapore	–	1,560	1,560
	426,377	91,719	518,096
Timing of revenue recognition			
Services transferred over time	426,377	91,719	518,096
Revenue from contracts with customers			
External customers	426,377	91,719	518,096
Intersegment sales	–	42,918	42,918
	426,377	134,637	561,014
Elimination of intersegment sales	–	(42,918)	(42,918)
Total revenue from contracts with customers	426,377	91,719	518,096

OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Bank interest income	42	379
Rental income from leasing of machinery	–	1,500
Foreign exchange differences, net	–	54
Government subsidies*	5,579	–
	5,621	1,933

* The government subsidies represented mainly grants from the Employment Support Scheme of the Hong Kong Government, which aims to retain employment and combat COVID-19. There are no unfulfilled conditions or contingencies relating to these subsidies.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	29,933	31,241
Less: Amount included in cost of construction	(5,060)	(4,360)
	24,873	26,881
Depreciation of right-of-use assets	4,458	4,458
Employee benefit expense (including directors' remuneration)	167,211	148,607
Less: Amount included in cost of construction	(124,128)	(112,158)
	43,083	36,449
Lease payments not included in the measurement of lease liabilities	1,280	772
Loss on disposal of items of property, plant and equipment	–	15
Foreign exchange differences, net	29	(54)

6. INCOME TAX

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	7,304	9,655
Under provision in prior years	307	–
Deferred	(467)	(2,192)
Total tax charge for the period	7,144	7,463

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. Taxes on profits assessable elsewhere have been calculated at the rates 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 is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$32,751,000 (2019: HK\$27,348,000) and the number of ordinary shares of 1,500,000,000 (2019: 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 2020 and 2019.

8. DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

The final dividend of HK1.5 cents per ordinary share for the year ended 31 December 2019 was approved by the Company's shareholders at the annual general meeting of the Company held on 9 June 2020 and paid on 7 July 2020.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment with a cost of HK\$15,205,000 (2019: HK\$17,660,000).

10. TRADE RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade receivables	198,622	257,327

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. At 30 June 2020, the Group had certain concentration risk that may arise from the exposure to the largest customer and five largest customers, which accounted for 39% and 71% (31 December 2019: 36% and 79%) of the Group's total trade receivables balance, respectively.

10. TRADE RECEIVABLES *(continued)*

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current to 30 days	125,514	166,549
31 to 60 days	40,241	82,750
61 to 90 days	22,479	160
Over 90 days	10,388	7,868
	198,622	257,327

11. DUE FROM A RELATED COMPANY

At 31 December 2019, the amount due from a related company represents 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade payables	152,673	133,802
Retention monies payable	34,551	40,486
	187,224	174,288

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current to 30 days	124,711	106,820
31 to 60 days	15,912	19,579
61 to 90 days	3,392	5,927
Over 90 days	8,658	1,476
	152,673	133,802
Retention monies payable	34,551	40,486
	187,224	174,288

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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Authorised: 3,000,000,000 (31 December 2019: 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 2019: 1,500,000,000) ordinary shares of HK\$0.10 each	150,000	150,000

14. CONTINGENT LIABILITIES

As at 30 June 2020, the Group provided corporate guarantees and indemnities to certain banks and an insurance company for an aggregate amount of HK\$273,700,000 (31 December 2019: HK\$200,509,000) for the issue of performance bonds in its ordinary course of business.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Rent paid to fellow subsidiaries	(i)	1,052	772
Rent paid to a related company	(i)	97	97
Purchases from fellow subsidiaries	(ii)	404	233
Contracting income from a related company	(iii)	–	(6,708)

Notes:

- (i) Rents paid to 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short-term employee benefits	16,177	11,215
Post-employment benefits	311	276
Total compensation paid to key management personnel	16,488	11,491

16. CAPITAL COMMITMENTS

As at 30 June 2020, the Group had contracted, but not provided for acquisition of plant and machineries in the amount of approximately HK\$17,143,000 (31 December 2019: Nil).

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

Fair value hierarchy

At 30 June 2020 and 31 December 2019, 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 (2019: Nil).

18. EVENT AFTER THE REPORTING PERIOD

On 20 July 2020, Kin Wing Chinney (BVI) Limited (a direct wholly-owned subsidiary of the Company, as purchaser), the Company and Profit Gainer Holdings Limited (an independent third party, as vendor) entered into a memorandum of understanding in relation to the possible acquisition of 50% of the issued share capital of Senior Rich Development Limited (the "Possible Acquisition"). The Possible Acquisition, which is still under negotiation, if materialises, may constitute a major transaction for the Company and CAG and will be subject to the announcement, reporting and shareholders' approval requirements under the Listing Rules. Details of the transaction were set out in the joint announcement of the Company and CAG issued on 20 July 2020.

Further announcement will be made by the Company and CAG in accordance with the applicable requirements of the Listing Rules as and when appropriate.

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2020.

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 2020.

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 2020 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 2020, 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 2020 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.

OTHER INFORMATION

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

As at 30 June 2020, 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 2020, 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 2020.