



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)



2021
Interim Report



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. GUAN Manyu (*Chairman*)
Mr. LI Kar Yin (*Chief Executive Officer*)
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. LAU Pak Shing¹
Mr. HO Man Yiu Ivan

COMPANY SECRETARY

Mr. LAU King Ho²

AUTHORISED REPRESENTATIVES

Mr. LI Kar Yin
Mr. LAU King Ho²

AUDIT COMMITTEE

Mr. LAU Pak Shing (*Chairman*)¹
The Honourable TSE Wai Chun Paul JP
Mr. HO Man Yiu Ivan

REMUNERATION COMMITTEE

The Honourable TSE Wai Chun Paul JP (*Chairman*)
Mr. LI Kar Yin
Mr. HO Man Yiu Ivan
Mr. LAU Pak Shing¹

NOMINATION COMMITTEE

Mr. HO Man Yiu Ivan (*Chairman*)
Mr. GUAN Manyu
Mr. LI Kar Yin
The Honourable TSE Wai Chun Paul JP
Mr. LAU Pak Shing¹

AUDITOR

Ernst & Young

Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road,
Quarry Bay,
Hong Kong

COMPLIANCE ADVISER

Rainbow Capital (HK) Limited

Room 5B,
12/F Tung Ning Building,
No. 2 Hillier Street,
Sheung Wan,
Hong Kong

LEGAL ADVISER

Slaughter and May

47th Floor
Jardine House
One Connaught Place
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

¹ Mr. LAU Pak Shing was appointed as an independent non-executive director, the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee of the Company, all with effect from 2 July 2021.

² Ms. LEUNG Suet Lun resigned as the company secretary (the "Company Secretary") and the authorised representative (the "Authorised Representative") of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with effect from 16 July 2021. On the same day, Mr. LAU King Ho was appointed as the Company Secretary and the Authorised Representative, with effect from 16 July 2021.

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

FINANCIAL HIGHLIGHTS

The total revenue of CR Construction Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”) increased to approximately HK\$2,394.8 million as compared to that of approximately HK\$2,225.1 million (restated) for the six months ended 30 June 2020.

The total gross profit of the Group increased to approximately HK\$107.0 million for the six months ended 30 June 2021 as compared to that of approximately HK\$104.5 million (restated) for the six months ended 30 June 2020.

Profit attributable to the equity holders of the Company for the six months ended 30 June 2021 amounted to approximately HK\$33.5 million as compared to that of approximately HK\$22.3 million (restated) for the six months ended 30 June 2020. If excluding the restatement resulted from the acquisition under common control of Triumph Success Developments Limited, the previously reported profit attributable to the equity holders of the Company would amount to approximately HK\$28.4 million for the six months ended 30 June 2020.

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 Wednesday, 8 September 2021 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 and Malaysia.

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 2021, the Group had 33 projects on hand with an aggregate original contract sum of approximately HK\$15.0 billion, which includes projects in progress and projects that have been awarded to the Group but not yet commenced. As at 31 December 2020, excluding the projects from the acquisition of Triumph Success Developments Limited, the Group had 27 projects on hand with an aggregate original contract sum of approximately HK\$15.9 billion.

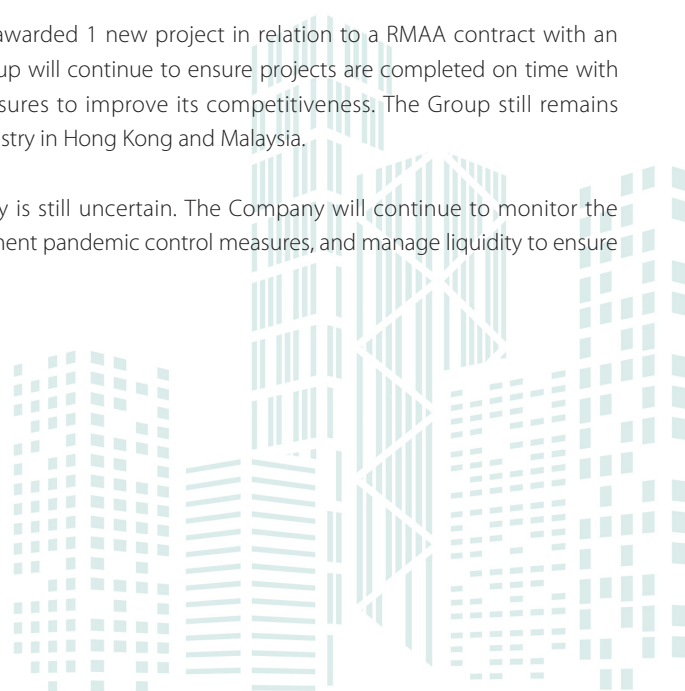
During the Reporting Period, the Group had been awarded 7 new projects with an aggregate original contract sum of approximately HK\$1.5 billion and had completed 7 projects with an original contract sum of approximately HK\$3.6 billion. The acquisition of Triumph Success Developments Limited has led to an addition of 6 projects on hand with an original contract sum of approximately HK\$1.2 billion to the Group.

The Prospects

During the Reporting Period, the global economy has shown signs of recovery with the increasing rate of vaccination for the coronavirus outbreak 2019 ("**COVID-19**"), while the uncertainties led by the COVID-19 Delta variant still exist. The acquisition of Triumph Success Developments Limited from the controlling shareholder in early 2021 has led to additional source of revenue to the Group, which caused a rise in revenue of the Group for the six months ended 30 June 2021. The revenue of the Group from the construction business in Hong Kong for the six months ended 30 June 2021 remained stable in comparison to that for the six months ended in 30 June 2020.

From July and early August 2021, the Group has been further awarded 1 new project in relation to a RMAA contract with an original contract sum of approximately HK\$86.8 million. The Group will continue to ensure projects are completed on time with the highest quality and implement various cost-effective measures to improve its competitiveness. The Group still remains prudently optimistic about the prospects of the construction industry in Hong Kong and Malaysia.

The impact of the COVID-19 pandemic on worldwide economy is still uncertain. The Company will continue to monitor the situation and strive to mitigate the adverse consequences, implement pandemic control measures, and manage liquidity to ensure a healthy and stable financial position.



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

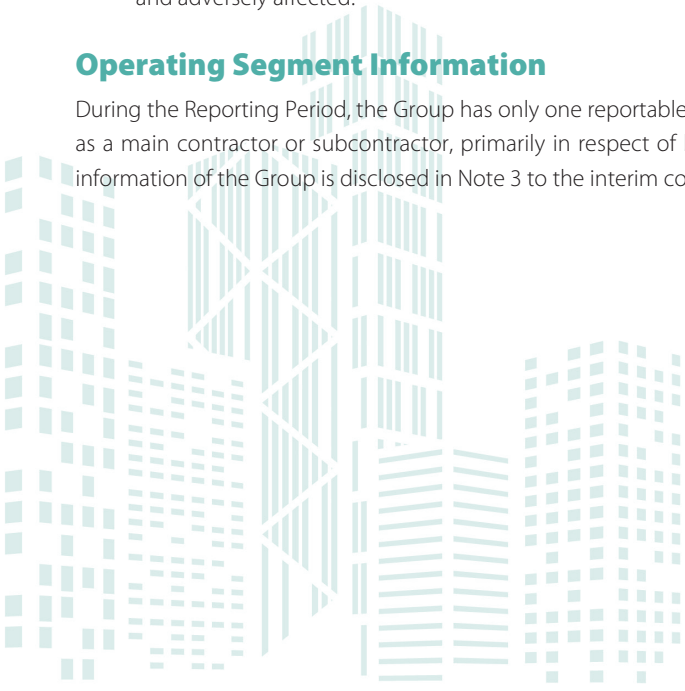
- (i) the Group's revenue is mainly derived from projects which are not recurrent in nature and we are subject to the risks associated with competitive tendering process. There is no guarantee on the Group's continuous success in project tenders or quotation and the Group's sustainability and financial 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) the Group's revenue was derived from projects located in Hong Kong and Malaysia. If Hong Kong and Malaysia experience 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.

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 increased by approximately HK\$169.7 million or approximately 7.6% from approximately HK\$2,225.1 million for the six months ended 30 June 2020 to approximately HK\$2,394.8 million for the six months ended 30 June 2021.

Building Construction Works

The revenue generated from the building construction works slightly increased by approximately HK\$20.6 million or approximately 1.1% from approximately HK\$1,950.7 million for the six months ended 30 June 2020 to approximately HK\$1,971.3 million for the six months ended 30 June 2021. The increase in revenue was attributable to the increase in revenue generated from newer projects awarded to the Group during the prior year which was partly offset by less construction works for several sizable projects which were close to completion.

RMAA Works

The revenue generated from the RMAA works increased by approximately HK\$149.1 million or approximately 54.3% from approximately HK\$274.4 million for the six months ended 30 June 2020 to approximately HK\$423.5 million for the six months ended 30 June 2021. The increase was mainly attributable to a new project and an existing project which had substantial work progress during the Reporting Period.

Contract Costs

The Group's contract costs primarily consisted of subcontracting costs, material costs, direct staff costs and site overheads. The contract costs of the Group increased by approximately HK\$167.2 million or approximately 7.9% from approximately HK\$2,120.6 million for the six months ended 30 June 2020 to approximately HK\$2,287.8 million for the six months ended 30 June 2021. Such increase was attributable to the increase in material costs, direct staff costs and site overheads during the six months ended 30 June 2021.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from approximately HK\$104.5 million for the six months ended 30 June 2020 to approximately HK\$107.0 million for the six months ended 30 June 2021. The Group's gross profit margin was approximately 4.5% and 4.7% for the six months ended 30 June 2021 and 2020, respectively. The gross profit margin of the Group decreased slightly by approximately 0.2 percentage points by comparing the six months ended 30 June 2021 against the six months ended 30 June 2020.

Building Construction Works

The gross profit of building construction works was approximately HK\$78.7 million for the six months ended 30 June 2021, representing a decrease of approximately HK\$16.6 million from approximately HK\$95.3 million for the six months ended 30 June 2020. The gross profit margin decreased from approximately 4.9% for the six months ended 30 June 2020 to approximately 4.0% for the six months ended 30 June 2021. The decrease in gross profit and gross profit margin was mainly due to the increase in subcontracting fees for contract works for projects which were close to completion or were practically completed during the Reporting Period.

Management Discussion and Analysis

RMAA Works

The gross profit of RMAA works was approximately HK\$28.3 million for the six months ended 30 June 2021, representing an increase of approximately HK\$19.1 million from the gross profit of approximately HK\$9.2 million for the six months ended 30 June 2020. The gross profit margin increased by approximately 3.3 percentage points from approximately 3.4 % for the six months ended 30 June 2020 to approximately 6.7 % for the six months ended 30 June 2021. The increase in the gross profit and gross profit margin for the six months ended 30 June 2021 was mainly due to additional cost incurred for variation orders for a project during the prior period, while the respective revenue was only certified during the Reporting Period.

Other Income

The other income of the Group decreased by approximately HK\$0.9 million, from approximately HK\$1.1 million for the six months ended 30 June 2020 to approximately HK\$0.2 million for the six months ended 30 June 2021. The decrease was mainly attributable to the decrease in rental income upon the expiry of an operating lease agreement; and the decrease in interest income due to decrease in deposit rates.

Administrative Expenses

Administrative expenses of the Group decreased from approximately HK\$60.6 million for the six months ended 30 June 2020 to approximately HK\$57.0 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease in staff costs which were partly offset by the increase in professional fee.

Other Operating Expenses, net

The other operating expenses of the Group decreased by approximately HK\$8.6 million, from approximately HK\$10.2 million for the six months ended 30 June 2020 to approximately HK\$1.6 million for the six months ended 30 June 2021. The decrease was primarily due to the decrease in impairment on trade receivables.

Finance Costs

The finance costs of the Group increased by approximately HK\$0.2 million, from approximately HK\$6.7 million for the six months ended 30 June 2020 to approximately HK\$6.9 million for the six months ended 30 June 2021. 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 increased by approximately HK\$2.5 million or approximately 43.9%, from approximately HK\$5.7 million for the six months ended 30 June 2020 to approximately HK\$8.2 million for the six months ended 30 June 2021. The increase was in line with the increase in profits before tax. The effective tax rate remained stable and was approximately 19.7% and 20.4% for the six months ended 30 June 2021 and 2020, respectively.

Net Profit

The net profit of the Group increased by approximately HK\$11.2 million, or approximately 50.2%, from approximately HK\$22.3 million for the six months ended 30 June 2020 to approximately HK\$33.5 million for the six months ended 30 June 2021. The net profit margin for the six months ended 30 June 2021 and 2020 were approximately 1.4% and 1.0%, respectively.

If excluding the restatement resulted from the acquisition of Triumph Success Developments Limited, the previously reported net profit and net profit margin of the Group would amount to approximately HK\$28.4 million and 1.3% for the six months ended 30 June 2020, respectively.

Management Discussion and Analysis

Employees and Remuneration Policies

The Group had a total of 763 employees as at 30 June 2021 (30 June 2020: 690). Total staff costs of the Group (excluding the Directors' remuneration) for the six months ended 30 June 2021 were approximately HK\$182.9 million (six months ended 30 June 2020: approximately HK\$159.6 million). If excluding the restatement resulted from the acquisition of Triumph Success Developments Limited, the Group had a total of 638 employees as at 30 June 2020, and total staff costs of the Group (excluding the Directors' remuneration) for the six months ended 30 June 2020 were approximately HK\$155.9 million. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees. The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary, bonus and other cash subsidies system. The Group conducts review on salary adjustment, discretionary bonuses and promotions based on the performance of each employee twice a year. The emoluments of the Directors and the senior management are decided by the Board with reference to the recommendation from the remuneration committee of the Company, having considered factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company provides introductory training at the time when members of our staff first join us and thereafter regular on-the-job training, depending on the staff's role. In addition, it is our policy to provide training to our staff on an as-needed basis to enhance their technical and industry knowledge. During the Reporting Period, the Group has not experienced any significant issues with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

The Company has adopted a share option scheme (the "**Share Option Scheme**") as an incentive to the Directors and eligible employees. No share option has been granted, exercised, expired or lapsed under the Share Option Scheme since its adoption and up to the date of this report.

Dividend

The Board recommended the payment of an interim dividend of HK2.5 cents (six months ended 30 June 2020: HK2.5 cents) per ordinary share of the Company for the six months ended 30 June 2021. The interim dividend will be paid on or around Thursday, 30 September 2021 to shareholders whose names appear on the register of members of the Company on Wednesday, 8 September 2021 and such interim dividend will not be subject to any withholding tax in Hong Kong.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures

On 30 November 2020, the Company and China Zhejiang Construction Group (H.K.) Limited (the "**Seller**"), one of the controlling shareholders of the Company, entered into the share purchase agreement (the "**Share Purchase Agreement**"), pursuant to which the Company has conditionally agreed to acquire and the Seller has conditionally agreed to sell the entire issued share capital of Triumph Success Developments Limited (the "**Target Company**") for an aggregate consideration of HK\$20,000,000. The Target Company had a Malaysian subsidiary, which was principally engaged in building construction works in Malaysia. The said acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Please see the announcement of the Company dated 30 November 2020 and the circular of the Company dated 31 December 2020 for details.

The resolution of the abovementioned connected transaction was duly passed at the extraordinary general meeting of the Company held on 27 January 2021. All the conditions precedent under the Share Purchase Agreement have been fulfilled, the completion took place on 28 January 2021 and the Target Company has become a wholly-owned subsidiary of the Company since then.

Management Discussion and Analysis

The Company considers that the acquisition was an opportunity for the Group to expand construction business into Malaysia, which is a developing market with growth potential and benefits from the PRC's Belt and Road Initiative, and leverage on the Target Company's expertise, experience and resources in planning the development and management of construction works and projects in Malaysia, thereby diversifying the Group's business risk geographically and enlarging the business scale, revenue and customer base of the Group, which will benefit the Company and the shareholders in the long term.

Save as disclosed above, during the Reporting Period, the Group did not have any significant investments held, any material acquisitions or disposals of subsidiaries, associated companies and joint ventures.

Capital Expenditure

During the Reporting Period, the Group invested approximately HK\$7.7 million (31 December 2020: approximately HK\$8.0 million) on the acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources.

Capital Commitments

The Group had capital commitments of approximately HK\$1.0 million as at 30 June 2021 (31 December 2020: HK\$0.5 million).

Contingent Liabilities

Details of the Group's contingent liabilities as at 30 June 2021 are set out in Note 18 to the interim condensed consolidated financial information of this interim report.

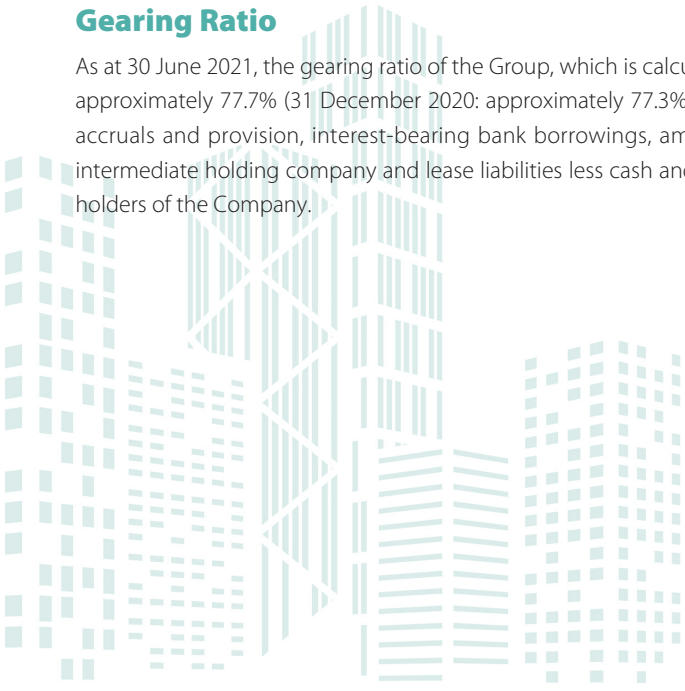
Save as disclosed in this interim report, the Group had no other contingent liabilities as at 30 June 2021.

Foreign Exchange Exposure

The Group operates in Hong Kong and Malaysia and most of the transactions denominated in Hong Kong Dollars and Malaysian ringgit. The Group currently does not have a foreign currency hedging policy. However, the Board closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should that need arise.

Gearing Ratio

As at 30 June 2021, the gearing ratio of the Group, which is calculated by dividing net debt with the total capital plus net debt, was approximately 77.7% (31 December 2020: approximately 77.3%). Net debt includes trade and retention payables, other payables, accruals and provision, interest-bearing bank borrowings, amounts due to an intermediate holding company, loans from an intermediate holding company and lease liabilities less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company.



Management Discussion and Analysis

Liquidity and Financial Resources and Capital Structure

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

As at 30 June 2021, the Group reported net current assets of approximately HK\$511.8 million, as compared to approximately HK\$520.1 million as at 31 December 2020. As at 30 June 2021, the Group's cash and cash equivalents were approximately HK\$76.4 million, representing a decrease of approximately HK\$45.5 million as compared to approximately HK\$121.9 million as at 31 December 2020.

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

Debts and Charge on Assets

The Group had interest-bearing bank borrowings of approximately HK\$200.0 million as at 30 June 2021 (31 December 2020: HK\$80.0 million). Analysis of the maturity profile of the interest-bearing bank borrowings of the Group as at 30 June 2021 and 31 December 2020 is set out in the Note 15 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. 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.



Management Discussion and Analysis

Use of Proceeds

The Shares were successfully listed on the Stock Exchange on 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 2021 (the “**Relevant Period**”) were utilised as follows:

	Planned use of proceeds in total	Planned use of proceeds from the Listing Date to 30 June 2021	Actual use of proceeds from the Listing date to 31 December 2020	Actual use of proceeds from 1 January 2021 to 30 June 2021	Actual use of proceeds from the Listing date to 30 June 2021	Remaining Balance	Expected timeline for utilising the unutilised net proceeds
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Financing the upfront costs of potential new projects	85,263	83,932	42,669	42,594	85,263	–	Fully utilised
Strengthen manpower	7,814	6,953	7,814	–	7,814	–	Fully utilised
Enhancing information technology system	4,590	4,249	4,332	258	4,590	–	Fully utilised
	97,667	95,134	54,815	42,852	97,667	–	

During the Relevant Period, the Group has fully utilised approximately HK\$85.3 million, HK\$7.8 million and HK\$4.6 million for financing the upfront costs of potential new projects, strengthening manpower and for enhancing information technology system, respectively.

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 2021.

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

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

Model Code for Securities Transactions

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

Audit Committee

The Board has established the audit committee of the Company (the “**Audit Committee**”) which is chaired by an independent non-executive Director, Mr. Lau Pak Shing, 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 2021 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 2021.

Changes to Directors’ Information

Rule 3.10(1) and Rule 3.10(2) of the Listing Rules respectively requires that the board of directors of a listed issuer must include at least three independent non-executive directors (the “**INED(s)**”), and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. Rule 3.10A of the Listing Rules requires that the INEDs must represent at least one-third of the board. Rule 3.21 of the Listing Rules provides that the audit committee of a listed issuer must comprise a minimum of three members and at least one of whom is an INED with appropriate professional qualifications or expertise as required under Rule 3.10(2) of the Listing Rules, and that the audit committee must be chaired by an INED. Rule 3.25 of the Listing Rules provides that the remuneration committee of an issuer must be chaired by an INED and comprise a majority of INEDs. Following the retirement of Mr. Li Ka Fai David as an INED on 25 June 2021, the Company was not able to comply with the requirements under Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules as set out above.

Corporate Governance/Other Information

Upon Mr. Lau Pak Shing's appointment as an INED on 2 July 2021, (i) the number of INED is three, representing one-third of the Board; (ii) Mr. Lau, who possesses appropriate professional qualifications or accounting or related financial management expertise, serves as the chairman of the Audit Committee and the number of members of the Audit Committee is three, and (iii) Mr. Lau serves as the member of the remuneration committee of the Company (the "Remuneration Committee") and the Remuneration Committee comprises a majority of INEDs. Accordingly, Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules have been recomplied.

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 2021.

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 2021, 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/ Nature of Interest	Number of ordinary Shares/ underlying Shares	Long/short position ⁽¹⁾	Approximate percentage of shareholding in the Company ⁽²⁾ (%)
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 2021, the number of issued Shares of the Company was 500,000,000 Shares.

Corporate Governance/Other Information

Save as disclosed above, as at 30 June 2021, 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.

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

As at 30 June 2021, 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/ Nature of Interest	Number of ordinary Shares/ underlying Shares	Long/short position ⁽³⁾	Approximate percentage of shareholding in the Company ⁽⁴⁾ (%)
Zhejiang State-owned Capital Operation Company Limited	Interest in a controlled corporation ⁽¹⁾	361,150,000	L	72.23
Zhejiang Construction Investment Group Co., Ltd. (formerly known as Dohia Group Co., Ltd)	Interest in a controlled corporation ⁽¹⁾	361,150,000	L	72.23
Zhejiang Construction Group (H.K.) Holdings Limited	Interest in a controlled corporation ⁽¹⁾	361,150,000	L	72.23
China Zhejiang Construction Group (H.K.) Limited	Interest in a controlled corporation ⁽¹⁾	361,150,000	L	72.23
CR Construction Investments Limited	Beneficial owner ⁽¹⁾	361,150,000	L	72.23
Ning Shing (Holdings) Company Limited	Beneficial owner ⁽²⁾	25,000,000	L	5.00

Corporate Governance/Other Information

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. (former known as Dohia Group Co., Ltd) Zhejiang State-owned Capital Operation Company Limited holds 37.90% interests in Zhejiang Construction Investment 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., 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 2021, the number of issued Shares of the Company was 500,000,000 Shares.

Save as disclosed above, as at 30 June 2021, 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.

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.

Corporate Governance/Other Information

(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 8 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.

(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 2021, 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 40, 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 2021 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
20 August 2021

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
REVENUE	4	2,394,789	2,225,116
Contract costs		(2,287,814)	(2,120,577)
Gross profit		106,975	104,539
Other income	4	158	1,080
Administrative expenses		(56,951)	(60,646)
Other operating expenses, net		(1,596)	(10,163)
Finance costs	6	(6,890)	(6,735)
PROFIT BEFORE TAX	5	41,696	28,075
Income tax expense	7	(8,220)	(5,732)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		33,476	22,343
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		(1,989)	799
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		(1,989)	799
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		31,487	23,142
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	HK6.70 cents	HK4.47 cents

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

		As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) (Restated) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	26,834	22,756
Right-of-use assets	11	26,026	29,477
Prepayments and deposits		5,424	5,834
Total non-current assets		58,284	58,067
CURRENT ASSETS			
Contract assets	12	1,964,150	1,745,264
Trade receivables	13	451,281	610,044
Prepayments, deposits and other receivables		36,218	49,728
Tax recoverable		249	166
Cash and cash equivalents		76,362	121,851
Total current assets		2,528,260	2,527,053
CURRENT LIABILITIES			
Trade and retention payables	14	1,030,200	989,799
Other payables and accruals		720,039	782,018
Dividend payable	8	13,750	–
Interest-bearing bank borrowings	15	200,000	80,000
Amounts due to an intermediate holding company	20(b)	8,762	2,819
Loans from an intermediate holding company	20(b)	20,118	135,700
Lease liabilities	11	17,780	15,836
Tax payable		5,819	742
Total current liabilities		2,016,468	2,006,914
NET CURRENT ASSETS		511,792	520,139
TOTAL ASSETS LESS CURRENT LIABILITIES		570,076	578,206
NON-CURRENT LIABILITIES			
Provision		4,000	4,000
Lease liabilities	11	8,849	14,301
Deferred tax liabilities		902	1,317
Total non-current liabilities		13,751	19,618
Net assets		556,325	558,588
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	5,000	5,000
Reserves		551,325	553,588
Total equity		556,325	558,588

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Notes	Attributable to equity holders of the Company								Total equity HK\$'000
		Share capital HK\$'000	Share premium [#] HK\$'000	Merger reserve [#] HK\$'000	Capital reserve [#] HK\$'000	Statutory reserve [#] HK\$'000	Asset revaluation reserve [#] HK\$'000	Exchange fluctuation reserve [#] HK\$'000	Retained profits [#] HK\$'000	
At 1 January 2021, as previously reported (audited)		5,000	429,257	(140,785)	12,071	12	13	–	271,850	577,418
Acquisition of subsidiaries under common control	2.1	–	–	*	–	–	–	7	(18,837)	(18,830)
At 1 January 2021 (restated)		5,000	429,257	(140,785)	12,071	12	13	7	253,013	558,588
Profit for the period		–	–	–	–	–	–	–	33,476	33,476
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operation		–	–	–	–	–	–	(1,989)	–	(1,989)
Total comprehensive income/(loss) for the period		–	–	–	–	–	–	(1,989)	33,476	31,487
Final 2020 dividend	8	–	–	–	–	–	–	–	(13,750)	(13,750)
Acquisition of subsidiaries under common control	2.1	–	–	(20,000)	–	–	–	–	–	(20,000)
At 30 June 2021 (unaudited)		5,000	429,257	(160,785)	12,071	12	13	(1,982)	272,739	556,325
At 1 January 2020, as previously reported (audited)		5,000	429,257	(140,785)	12,071	12	13	–	220,070	525,638
Acquisition of subsidiaries under common control	2.1	–	–	*	–	–	–	235	(18,698)	(18,463)
At 1 January 2020 (restated)		5,000	429,257	(140,785)	12,071	12	13	235	201,372	507,175
Profit for the period		–	–	–	–	–	–	–	22,343	22,343
Other comprehensive income for the period:										
Exchange differences on translation of foreign operation		–	–	–	–	–	–	799	–	799
Total comprehensive income for the period		–	–	–	–	–	–	799	22,343	23,142
Final 2019 dividend	8	–	–	–	–	–	–	–	(25,000)	(25,000)
At 30 June 2020 (unaudited) (restated)		5,000	429,257	(140,785)	12,071	12	13	1,034	198,715	505,317

* These items had amounts of less than a thousand.

These reserve accounts comprise the consolidated reserves of HK\$551,325,000 (30 June 2020 (restated): HK\$500,317,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		41,696	28,075
Adjustments for:			
Finance costs	6	6,890	6,735
Interest income	4	(56)	(117)
Depreciation of property, plant and equipment	5	3,571	3,342
Depreciation of right-of-use assets	5	8,403	7,842
Impairment/(reversal of impairment) of trade receivables	5	(609)	10,027
Impairment of contract assets	5	1,783	25
		61,678	55,929
Increase in contract assets		(222,579)	(166,438)
Decrease/(increase) in trade receivables	17	18,583	(66,545)
Decrease/(increase) in prepayments, deposits and other receivables		13,870	(7,394)
Increase/(decrease) in trade and retention payables		42,213	(463,248)
Increase/(decrease) in other payables and accruals		(61,718)	409,743
Increase in an amount due to an intermediate holding company		7,135	25
Cash used in operations		(140,818)	(237,928)
Interest element on lease liabilities		(423)	(573)
Interest paid		(3,912)	(2,144)
Hong Kong profits tax paid		(3,558)	(15,457)
Overseas taxes paid		(88)	(114)
Net cash flows used in operating activities		(148,799)	(256,216)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		56	117
Purchases of items of property, plant and equipment		(7,661)	(970)
Acquisition of a subsidiary under common control		(20,000)	–
Net cash flows used in investing activities		(27,605)	(853)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement of loan balances with the intermediate holding company	17	22,118	25,196
New bank loans		1,205,000	1,385,000
Repayment of bank loans		(1,085,000)	(1,200,000)
Principal portion of lease payments		(8,459)	(7,147)
Interest paid		(2,555)	(4,018)
Net cash flows from financing activities		131,104	199,031
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		121,851	182,856
Effect on foreign exchange rate changes, net		(189)	(243)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		76,362	124,575
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		76,362	124,575



Notes to Interim Condensed Consolidated Financial Information

30 June 2021

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’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2019 (the “**Listing**”).

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 and Malaysia.

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 Acquisition under Common Control

On 30 November 2020, the Company entered into a share purchase agreement (the “**Share Purchase Agreement**”) with China Zhejiang Construction Group (H.K.) Limited (“**CZH**”), an intermediate holding company of the Company, pursuant to which the Group conditionally agreed to purchase the entire issued share capital of Triumph Success Developments Limited (“**TS**”), a company incorporated in the British Virgin Islands (the “**Acquisition**”). The Acquisition was completed on 28 January 2021 (the “**Acquisition Date**”).

The consideration payable under the Share Purchase Agreement for the Acquisition is HK\$20,000,000, payable at the Acquisition Date. The consideration shall be adjusted by the consideration adjustment (the “**Consideration Adjustment**”) if the audited net profit of CR Sea (Malaysia) Sdn. Bhd. (“**CRS**”), the Malaysian subsidiary of TS, is less than HK\$4,000,000 for the year ending 31 December 2021.

As at the Acquisition Date, CRS, TS and CZH entered into a deed of assignment and settlement (the “**Deed of Assignment and Settlement**”), whereby certain trade receivables of CRS, amounting to approximately HK\$137,682,000 was assigned to CZH as a partial settlement of the shareholder’s loans between TS or CRS (in each case as borrower) and CZH (as lender). The remaining portion of the shareholder’s loans of approximately HK\$20,639,000 as at the Acquisition Date shall be repaid once the latest available audited financial statements of CRS demonstrate that it has positive profit for the year, positive net assets value and positive net cash flows from operating activities (the “**Repayment Conditions**”).

Further details of the Share Purchase Agreement, the Consideration Adjustment and the Deed of Assignment and Settlement are set out in the announcement of the Company dated 30 November 2020 and the circular of the Company dated 31 December 2020.

The Company and TS were under the common control of CZH before and after the Acquisition. The Acquisition of TS has been accounted for based on the principles of merger accounting as if the Acquisition had occurred on the date when the combining entities first came under the common control of CZH. Accordingly, the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the six months ended 30 June 2021 and 2020 include the results and cash flows of TS from the earliest date presented or since the date when the subsidiaries and/or business first came under the common control of CZH, where this is a shorter period. The condensed consolidated statement of financial position as at 31 December 2020 have been restated to include the carrying amounts of the assets and liabilities of TS.

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

2.1 Acquisition under Common Control (Continued)

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

Effect on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020

	At previously reported HK\$'000	Acquisition of TS HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
REVENUE	2,180,915	44,201	–	2,225,116
Contract costs	(2,074,927)	(45,650)	–	(2,120,577)
Gross profit/(loss)	105,988	(1,449)	–	104,539
Other income	881	199	–	1,080
Administrative expenses	(58,339)	(2,307)	–	(60,646)
Other operating expenses, net	(7,705)	(2,458)	–	(10,163)
Finance costs	(6,694)	(41)	–	(6,735)
Profit/(loss) before tax	34,131	(6,056)	–	28,075
Income tax expense	(5,732)	–	–	(5,732)
Profit/(loss) for the period	28,399	(6,056)	–	22,343
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange difference on translation of foreign operations	–	799	–	799
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	–	799	–	799
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	28,399	(5,257)	–	23,142

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

2.1 Acquisition under Common Control (Continued)

Effect on the condensed consolidated statement of financial position as at 31 December 2020

	At previously reported HK\$'000	Acquisition of TS HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	22,366	390	–	22,756
Right-of-use assets	29,053	424	–	29,477
Prepayments and deposits	5,834	–	–	5,834
Total non-current assets	57,253	814	–	58,067
CURRENT ASSETS				
Contract assets	1,686,059	59,205	–	1,745,264
Trade receivables	482,382	127,662	–	610,044
Prepayment, deposits and other receivables	47,824	1,904	–	49,728
Tax recoverable	–	166	–	166
Cash and cash equivalents	118,708	3,143	–	121,851
Total current assets	2,334,973	192,080	–	2,527,053
CURRENT LIABILITIES				
Trade and retention payables	927,927	61,872	–	989,799
Other payables and accruals	771,119	10,899	–	782,018
Interest-bearing bank borrowings	80,000	–	–	80,000
Amounts due to an intermediate holding company	–	2,819	–	2,819
Loans from an intermediate holding company	–	135,700	–	135,700
Lease liabilities	15,402	434	–	15,836
Tax payable	742	–	–	742
Total current liabilities	1,795,190	211,724	–	2,006,914
NET CURRENT ASSETS/(LIABILITIES)	539,783	(19,644)	–	520,139
TOTAL ASSETS LESS CURRENT LIABILITIES				
	597,036	(18,830)	–	578,206
NON-CURRENT LIABILITIES				
Provision	4,000	–	–	4,000
Lease liabilities	14,301	–	–	14,301
Deferred tax liabilities	1,317	–	–	1,317
Total non-current liabilities	19,618	–	–	19,618
Net assets/(liabilities)	577,418	(18,830)	–	558,588
EQUITY				
Share capital	5,000	*	*	5,000
Reserves	572,418	(18,830)	*	553,588
Total equity/(deficiency in assets)	577,418	(18,830)	–	558,588

* These items had amounts of less than a thousand.

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

2.1 Acquisition under Common Control (Continued)

Effect on the condensed consolidated statement of cash flows for the six months ended 30 June 2020

	At previously reported HK\$'000	Acquisition of TS HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	34,131	(6,056)	–	28,075
Adjustments for:				
Finance costs	6,694	41	–	6,735
Interest income	(117)	–	–	(117)
Depreciation on property, plant and equipment	3,226	116	–	3,342
Depreciation of right-of-use assets	7,065	777	–	7,842
Impairment of trade receivables	7,629	2,398	–	10,027
Impairment of contract assets	–	25	–	25
	58,628	(2,699)	–	55,929
Decrease/(increase) in contract assets	(171,160)	4,722	–	(166,438)
Increase in trade receivables	(24,680)	(41,865)	–	(66,545)
Increase in prepayments, deposits and other receivables	(6,805)	(589)	–	(7,394)
Increase/(decrease) in trade and retention payables	(479,479)	16,231	–	(463,248)
Increase/(decrease) in other payables and accruals	412,464	(2,721)	–	409,743
Increase in an amount due to an intermediate holding company	–	25	–	25
Cash used in operations	(211,032)	(26,896)	–	(237,928)
Interest element on lease liabilities	(550)	(23)	–	(573)
Interest paid	(2,126)	(18)	–	(2,144)
Hong Kong profits tax paid	(15,457)	–	–	(15,457)
Overseas taxes paid	–	(114)	–	(114)
Net cash flows used in operating activities	(229,165)	(27,051)	–	(256,216)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	117	–	–	117
Purchases of items of property, plant and equipment	(970)	–	–	(970)
Net cash flows used in investing activities	(853)	–	–	(853)

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

2.1 Acquisition under Common Control (Continued)

Effect on the condensed consolidated statement of cash flows for the six months ended 30 June 2020 (Continued)

	At previously reported HK\$'000	Acquisition of TS HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES				
New loans from an intermediate holding company	–	25,196	–	25,196
New bank loans	1,385,000	–	–	1,385,000
Repayment of bank loans	(1,200,000)	–	–	(1,200,000)
Principal portion of lease payments	(6,364)	(783)	–	(7,147)
Interest paid	(4,018)	–	–	(4,018)
Net cash flows from financing activities	174,618	24,413	–	199,031
NET DECREASE IN CASH AND CASH EQUIVALENTS				
	(55,400)	(2,638)	–	(58,038)
Cash and cash equivalents at beginning of period	177,136	5,720	–	182,856
Effect of foreign exchange rates changes, net	–	(243)	–	(243)
CASH AND CASH EQUIVALENTS AT END OF PERIOD				
	121,736	2,839	–	124,575
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	121,736	2,839	–	124,575

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

2.2 Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020.

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

2.3 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of accounting policy of a common control acquisition as set out in Note 2.1 to the interim condensed consolidated financial information and the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform — Phase 2

Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

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.

Notes to Interim Condensed Consolidated Financial Information

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4. Revenue and Other Income

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited) (Restated)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Building construction	1,971,309	1,950,676
RMAA	423,480	274,440
	2,394,789	2,225,116

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited) (Restated)
	HK\$'000	HK\$'000
Timing of revenue recognition		
Services transferred over time	2,394,789	2,225,116

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited) (Restated)
	HK\$'000	HK\$'000
Other income		
Interest income	56	117
Gross rental income	–	478
Others	102	485
	158	1,080

Notes to Interim Condensed Consolidated Financial Information

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5. Profit before Tax

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
Contract costs	2,287,814	2,120,577
Depreciation of property, plant and equipment	3,571	3,342
Less: Amount included in contract costs	(1,380)	(933)
Amount included in administrative expenses	2,191	2,409
Depreciation of right-of-use assets	8,403	7,842
Less: Amount included in contract costs	(2,364)	(1,622)
Amount included in administrative expenses	6,039	6,220
Lease payments not included in the measurement of lease liabilities	8,234	11,569
Less: Amount included in contract costs	(8,019)	(11,536)
Amount included in administrative expenses	215	33
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	181,979	158,837
Pension scheme contributions	7,411	6,645
	189,390	165,482
Less: Amount included in contract costs	(154,277)	(125,983)
Amount included in administrative expenses	35,113	39,499
Auditor's remuneration	1,325	934
Impairment/(reversal of impairment) of trade receivables*	(609)	10,027
Impairment of contract assets*	1,783	25
Foreign exchange differences, net*	22	9

* 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

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6. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
Interest on bank loans	2,555	4,018
Increase in discounted amounts of retention payables arising from the passage of time	3,912	2,144
Interest on lease liabilities	423	573
	6,890	6,735

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% (2020: 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current — Hong Kong		
Charge for the period	8,635	7,301
Deferred	(415)	(1,569)
Total tax charge for the period	8,220	5,732

Notes to Interim Condensed Consolidated Financial Information

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8. Dividend

The final dividend of HK2.75 cents (for the year ended 31 December 2019: HK5 cents) per ordinary share, in an aggregate amount of HK\$13,750,000 for the year ended 31 December 2020 (for the year ended 31 December 2019: HK\$25,000,000), was approved by the Company's shareholders at the annual general meeting of the Company held on 25 June 2021 and paid on 30 July 2021.

On 20 August 2021, the board of directors declared an interim dividend of HK2.5 cents (six months ended 30 June 2020: HK2.5 cents) per ordinary share, in an aggregate amount of HK\$12,500,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$12,500,000).

9. Earnings per Share attributable to Ordinary Equity Holders of the Company

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$33,476,000 (2020 (restated): HK\$22,343,000), and the weighted average number of ordinary shares of 500,000,000 (2020: 500,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts for the six months ended 30 June 2021 and 2020 as the Group had no potentially dilutive ordinary share in issue during those periods.

10. Property, Plant and Equipment

During the six months ended 30 June 2021, the Group acquired assets with at a cost of HK\$7,661,000 (30 June 2020: HK\$970,000).

11. Leases

The Group has entered into new lease agreements during the six months ended 30 June 2021 and resulted in an addition of right-of-use assets and lease liabilities of HK\$4,975,000 (six months ended 30 June 2020: HK\$35,791,000).

12. Contract Assets

		30 June 2021 (Unaudited)	31 December 2020 (Audited) (Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Contract assets arising from construction services	<i>(a)</i>	1,242,786	1,122,388
Retention receivables	<i>(b)</i>	724,858	624,587
		1,967,644	1,746,975
Impairment		(3,494)	(1,711)
		1,964,150	1,745,264

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

12. Contract Assets (Continued)

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 2021 and 31 December 2020 is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) (Restated) HK\$'000
Within one year	1,240,584	1,121,323

- (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 2021 and 31 December 2020 is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) (Restated) HK\$'000
Due within one year	433,447	424,071
Due after one year	290,119	199,870
	723,566	623,941

Notes to Interim Condensed Consolidated Financial Information

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13. Trade Receivables

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) (Restated) HK\$'000
Trade receivables	454,543	613,915
Impairment	(3,262)	(3,871)
	451,281	610,044

The Group's trading terms with its customers are on credit. The Group's credit period with customers ranges 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:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) (Restated) HK\$'000
Within 1 month	262,001	411,703
1 to 2 months	130,942	120,664
2 to 3 months	20,322	1,781
3 to 12 months	38,016	48,933
Over 1 year	–	26,963
	451,281	610,044

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

14. Trade and Retention Payables

		30 June 2021 (Unaudited)	31 December 2020 (Audited) (Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Trade payables	<i>(a)</i>	450,442	460,587
Retention payables	<i>(b)</i>	579,758	529,212
		1,030,200	989,799

Notes:

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited) (Restated)
	HK\$'000	HK\$'000
Within 1 month	55,027	52,343
1 to 2 months	164,847	158,614
2 to 3 months	118,985	106,770
Over 3 months	111,583	142,860
	450,442	460,587

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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15. Interest-Bearing Bank Borrowings

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans	Hong Kong Interbank Offered Rate ("HIBOR")+ 1.2-1.6	On demand	200,000	HIBOR+1.4-1.6	On demand	80,000

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Analysed into:		
Bank loans repayable:		
On demand	200,000	80,000

Analysed into:

Bank loans repayable:

On demand

200,000

80,000

Note: All borrowings were in Hong Kong dollars.

16. Share Capital

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) 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

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

17. Major Non-Cash Transaction

As at the Acquisition date, CRS, TS and CZH entered into a Deed of Assignment and Settlement, whereby certain trade receivables of CRS, amounting to approximately HK\$137,682,000 was assigned to CZH as a partial settlement of the shareholder's loans between TS or CRS (in each case as borrower) and CZH (as lender). Further details are disclosed in Note 2.1 to the interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Information

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18. Contingent Liabilities

- (a) As at 30 June 2021, performance bonds of approximately HK\$1,348,654,000 (31 December 2020: HK\$1,064,180,000) 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.

19. Commitments

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contracted, but not provided for:		
Computers and software	975	504

20. Related Party Transactions

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

	Six months ended 30 June 2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
Expenses recharged by an intermediate holding company (note)	919	775

Note: 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.

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

20. Related Party Transactions (Continued)

- (b) Outstanding balances with an intermediate holding company:

		30 June 2021 (Unaudited)	31 December 2020 (Audited) (Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Amounts due to an intermediate holding company	<i>(i)</i>	8,762	2,819
Loans from an intermediate holding company	<i>(ii)</i>	20,118	135,700

Notes:

- (i) The amounts due to the intermediate holding company of HK\$8,762,000 (2020 (restated): HK\$2,819,000) are unsecured, interest-free and repayable on demand.
- (ii) As at 31 December 2020, the loans from the intermediate holding company of HK\$135,700,000 (restated) was unsecured, interest free and repayable on demand.

As at 30 June 2021, the loan from the intermediate holding company represents the remaining loan balance of approximately HK\$20,118,000 after netting off the assignment of trade receivables of approximately HK\$137,682,000 in accordance with the Deed of Assignment and Settlement as part of the Acquisition of TS. The balance is unsecured, interest free and is repayable subject to the terms and Repayment Conditions set out in the Deed of Assignment and Settlement. Further details are disclosed in note 2.1 to the interim condensed consolidated financial information.

- (c) Other transactions with related parties

As at 30 June 2021 and 31 December 2020, an intermediate holding company arranged its bank to provide a guarantee to the Group's bank to issue a performance bond on behalf of the Group, of Malaysian ringgit ("RM") 14,690,000 and RM14,690,000 (restated), respectively, to one of the Group's customer as security for the due performance and observance of the Group's obligation under a construction contract entered into between the Group and the customer. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sums stipulated in such demand. The Group's intermediate holding company will then become liable to compensate such banks accordingly.

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

20. Related Party Transactions (Continued)

- (d) 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	
	2021 (Unaudited)	2020 (Unaudited) (Restated)
	HK\$'000	HK\$'000
Short term employee benefits	6,257	5,896
Post-employee benefits	216	210
Total compensation paid to key management personnel	6,473	6,106

21. 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, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and balances with an intermediate holding company 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.

22. Comparative Amounts

As further explained in Note 2.1 to the interim condensed consolidated financial information, certain comparative amounts have been restated as a result of the adoption of merger accounting for the common control combination taking place during the period.