



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

Stock Code: 1582

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2022

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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 Shing
Mr. HO Man Yiu Ivan

COMPANY SECRETARY

Mr. LAU King Ho

AUTHORISED REPRESENTATIVES

Mr. LI Kar Yin
Mr. LAU King Ho

AUDIT COMMITTEE

Mr. LAU Pak Shing (*Chairman*)
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 Shing

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 Shing

AUDITOR

Ernst & Young

Certified Public Accountants
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

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
17/F, Far East Finance Centre
16 Harcourt Road
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 2022 (the “**Reporting Period**”) increased to approximately HK\$2,870.4 million as compared to that of approximately HK\$2,394.8 million (restated) for the six months ended 30 June 2021.

The total gross profit of the Group increased to approximately HK\$120.8 million for the six months ended 30 June 2022 as compared to that of approximately HK\$107.0 million (restated) for the six months ended 30 June 2021.

Profit attributable to the equity holders of the Company for the six months ended 30 June 2022 amounted to approximately HK\$36.2 million as compared to that of approximately HK\$33.5 million for the six months ended 30 June 2021. If excluding the restatement resulted from the acquisition under common control of CR Construction (U.K.) Investments Company Limited, the previously reported profit attributable to the equity holders of the Company would amount to approximately HK\$33.5 million for the six months ended 30 June 2021.

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 Tuesday, 13 September 2022 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, Malaysia and the United Kingdom.

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 2022, the Group had 43 projects on hand with an aggregate original contract sum of approximately HK\$18.6 billion, which includes projects in progress and projects that have been awarded to the Group but not yet commenced. As at 31 December 2021, excluding the projects from the acquisition of CR Construction (U.K.) Investments Company Limited, the Group had 37 projects on hand with an aggregate original contract sum of approximately HK\$17.4 billion.

During the Reporting Period, the Group had been awarded 12 new projects with an aggregate original contract sum of approximately HK\$1.0 billion and had completed 7 projects with an aggregate original contract sum of approximately HK\$1.0 billion. The acquisition of CR Construction (U.K.) Investments Company Limited has led to an addition of 1 project 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 relaxation of COVID-19-related travel restrictions and quarantine requirements in place in Hong Kong for the coronavirus outbreak 2019 ("**COVID-19**"), while the uncertainties led by the COVID-19 Omicron variant still exist. The revenue of the Group from the construction business in Hong Kong for the six months ended 30 June 2022 demonstrate an increase in comparison to that for the six months ended in 30 June 2021.

From late April to May 2022, the Group had been awarded 2 new projects which were the first and second construction projects of the Group to build with Modular Integrated Construction (MiC) method which is expected to create new business opportunities in the building construction sector, the Directors are of the view that such construction method represents a good opportunity for the Group to diversify its existing business operation, thereby broadening the revenue stream of the Group and is in the interests of the Group.

From July and early August 2022, the Group has been further awarded 3 new projects in relation to a building construction contract with an original contract sum of approximately HK\$299.0 million and 2 RMAA contracts with aggregate original contract sum of approximately HK\$2.2 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, Malaysia and the United Kingdom.

In the second half of 2022, the impact of the COVID-19 pandemic on worldwide economy is still uncertain. The Company will continue to devote efforts in seeking for new potential construction business opportunities, so as to generate new profit growth points for the Group. In particular, the Group still believes that the outlook of building construction is still optimistic. Leveraging on its industrial knowledge, the Company is keen to explore suitable business opportunities in the construction sector locally or overseas.

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, Malaysia and the United Kingdom. If Hong Kong, Malaysia and the United Kingdom 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\$475.6 million or approximately 19.9% from approximately HK\$2,394.8 million for the six months ended 30 June 2021 to approximately HK\$2,870.4 million for the six months ended 30 June 2022.

Building Construction Works

The revenue generated from the building construction works increased by approximately HK\$264.2 million or approximately 13.4% from approximately HK\$1,971.3 million for the six months ended 30 June 2021 to approximately HK\$2,235.5 million for the six months ended 30 June 2022. The increase in revenue was attributable to the increase in revenue generated from newer projects and existing projects to the group during the Reporting Period.

RMAA Works

The revenue generated from the RMAA works increased by approximately HK\$211.4 million or approximately 49.9% from approximately HK\$423.5 million for the six months ended 30 June 2021 to approximately HK\$634.9 million for the six months ended 30 June 2022. 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\$461.8 million or approximately 20.2% from approximately HK\$2,287.8 million for the six months ended 30 June 2021 to approximately HK\$2,749.6 million for the six months ended 30 June 2022. Such increase was attributable to the increase in subcontracting costs, material costs, direct staff costs and site overheads for newer projects and existing projects during the Reporting Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from approximately HK\$107.0 million for the six months ended 30 June 2021 to approximately HK\$120.8 million for the six months ended 30 June 2022. The Group's gross profit margin was approximately 4.2% and 4.5% for the six months ended 30 June 2022 and 2021, respectively. The gross profit margin of the Group decreased slightly by approximately 0.3 percentage points by comparing the six months ended 30 June 2022 against the six months ended 30 June 2021.

Building Construction Works

The gross profit of building construction works was approximately HK\$65.9 million for the six months ended 30 June 2022, representing a decrease of approximately HK\$12.8 million from approximately HK\$78.7 million for the six months ended 30 June 2021. The gross profit margin decreased from approximately 4.0% for the six months ended 30 June 2021 to approximately 2.9% for the six months ended 30 June 2022. 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\$54.9 million for the six months ended 30 June 2022, representing an increase of approximately HK\$26.6 million from the gross profit of approximately HK\$28.3 million for the six months ended 30 June 2021. The gross profit margin increased by approximately 1.9 percentage points from approximately 6.7% for the six months ended 30 June 2021 to approximately 8.6% for the six months ended 30 June 2022. The increase in the gross profit and gross profit margin for the six months ended 30 June 2022 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\$7.2 million, from approximately HK\$10.9 million for the six months ended 30 June 2021 to approximately HK\$3.7 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in consultancy services income generated by CR Construction (U.K.) Investments Company Limited.

Administrative Expenses

Administrative expenses of the Group decreased from approximately HK\$67.7 million for the six months ended 30 June 2021 to approximately HK\$61.8 million for the six months ended 30 June 2022. The decrease was mainly due to the decrease in staff costs and professional service fee, which was partly offset by the increase in depreciation of right-of-use assets

Other Operating Expenses, net

The other operating expenses of the Group increased by approximately HK\$12.8 million, from approximately HK\$1.6 million for the six months ended 30 June 2021 to approximately HK\$14.4 million for the six months ended 30 June 2022. The increase was primarily due to the increase in expected credit losses provisioning on receivable assets according to HKFRS 9.

Finance Costs

The finance costs of the Group increased by approximately HK\$0.2 million, from approximately HK\$6.9 million for the six months ended 30 June 2021 to approximately HK\$7.1 million for the six months ended 30 June 2022. The increase was mainly due to the increase in the Hong Kong Interbank Offered Rate (HIBOR) on bank loans, which was partly offset by the decrease in interest expense for discounted amounts of retention payables arising from the passage of time.

Income Tax Expenses

The income tax expenses decreased by approximately HK\$3.2 million or approximately 39.0%, from approximately HK\$8.2 million for the six months ended 30 June 2021 to approximately HK\$5.0 million for the six months ended 30 June 2022. The decrease was mainly due to the utilisation of tax losses for setoff against assessable profits. The effective tax rate were approximately 12.1% and 19.7% for the six months ended 30 June 2022 and 2021, respectively.

Net Profit

The net profit of the Group increased by approximately HK\$2.7 million, or approximately 8.1%, from approximately HK\$33.5 million for the six months ended 30 June 2021 to approximately HK\$36.2 million for the six months ended 30 June 2022. The net profit margin for the six months ended 30 June 2022 and 2021 were approximately 1.3% and 1.4%, respectively.

If excluding the restatement resulted from the acquisition of CR Construction (U.K.) Investments Company Limited, the previously reported net profit and net profit margin of the Group would amount to approximately HK\$33.5 million and 1.4% for the six months ended 30 June 2021, respectively.

Management Discussion and Analysis

Employees and Remuneration Policies

The Group had a total of 773 employees as at 30 June 2022 (30 June 2021: 778). Total staff costs of the Group (excluding the Directors' remuneration) for the six months ended 30 June 2022 were approximately HK\$203.6 million (six months ended 30 June 2021: approximately HK\$191.0 million). If excluding the restatement resulted from the acquisition of CR Construction (U.K.) Investments Company Limited, the Group had a total of 763 employees as at 30 June 2021, and total staff costs of the Group (excluding the Directors' remuneration) for the six months ended 30 June 2021 were approximately HK\$182.9 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 problems 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 2021: HK2.5 cents) per ordinary share of the Company for the six months ended 30 June 2022. The interim dividend will be paid on or around Friday, 30 September, 2022 to shareholders whose names appear on the register of members of the Company on Tuesday, 13 September 2022 and such interim dividend will not be subject to any withholding tax in Hong Kong.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Acquisition of a target company in the United Kingdom

On 30 January 2022, the Company and China Zhejiang Construction Group (H.K.) Limited (中國浙江建設集團(香港)有限公司) (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 agreed to acquire and the Seller has agreed to sell the entire issued share capital of CR Construction (U.K.) Investments Company Limited (the "**Target Company**") for an aggregate consideration of HK\$9.2 million. The Target Company had a U.K. subsidiary, which was principally engaged in the provision of (i) project management services to construction industry; and (ii) the construction services in the United Kingdom. The said acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the conditions precedent under the Share Purchase Agreement have been fulfilled, the completion took place on 30 January 2022 and the Target Company has become a wholly-owned subsidiary of the Company since then.

Management Discussion and Analysis

The Company considers that the aforesaid acquisition was an opportunity for the Group to expand construction business into the United Kingdom, which is a developing market with growth potential and benefits. The acquisition will allow the Group to leverage on the expertise, experience and resources of the Target Company in planning the development and management of construction works and projects in the United Kingdom, 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.

Capital Expenditure

During the Reporting Period, the Group invested approximately HK\$8.8 million (Year ended 31 December 2021: approximately HK\$9.0 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\$1.4 million as at 30 June 2022 (31 December 2021: HK\$1.9 million).

Contingent Liabilities

Details of the Group's contingent liabilities as at 30 June 2022 are set out in Note 18 to the interim condensed consolidated financial information of this interim report.

Save as disclosed below, the Group had no other contingent liabilities as at 30 June 2022.

Foreign Exchange Exposure

The Group operates in Hong Kong, Malaysia and the United Kingdom and most of the transactions denominated in Hong Kong Dollars, Malaysian ringgit and Great British Pound. 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 2022, the gearing ratio of the Group, which is calculated by dividing net debt with the total capital plus net debt, was approximately 79.2% (31 December 2021: approximately 78.3%). 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 2022, the Group reported net current assets of approximately HK\$512.2 million, as compared to approximately HK\$505.7 million as at 31 December 2021. As at 30 June 2022, the Group's cash and cash equivalents were approximately HK\$110.4 million, representing an increase of approximately HK\$41.3 million as compared to approximately HK\$69.1 million as at 31 December 2021.

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\$160.0 million as at 30 June 2022 (31 December 2021: HK\$130.0 million). Analysis of the maturity profile of the interest-bearing bank borrowings of the Group as at 30 June 2022 and 31 December 2021 is set out in the note 15 to the interim condensed consolidated financial information in this 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.

Future Plans For Material Investments or Capital Assets

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 2022.

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 2022 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 2022.

Changes to Directors’ Information

Save as disclosed herein, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the six months ended 30 June 2022.

Purchase, Sale or Redemption of Listed Securities

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

Corporate Governance/Other Information

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

As at 30 June 2022, 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	1,500,000	L ⁽³⁾	0.30
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 2022, the number of issued Shares of the Company was 500,000,000 Shares.
- (3) Mr. Guan Manyu purchased a total of 500,000 ordinary shares of the Company ("**Shares**") at an average price of approximately HK\$0.482 per Share, representing approximately 0.1% of issued Shares of the Company on open market transaction on 25 March 2022. Immediately after the purchase, Mr. Guan is interested in an aggregate of 1,500,000 Shares, representing approximately 0.3% of the total issued share capital of the Company.

Save as disclosed above, as at 30 June 2022, 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.

Corporate Governance/Other Information

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 2022, to the knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had interest or 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

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.

Corporate Governance/Other Information

- (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.
- (3) The Letter "L" denotes the entity/person's long position in the Shares.
- (4) As at 30 June 2022, the number of issued Shares of the Company was 500,000,000 Shares.

Save as disclosed above, as at 30 June 2022, 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 the Share Option Scheme on 17 September 2019 to reward the participants defined thereunder for their contribution to the Group's success and to provide them with incentives to further contribute to the Group.

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

(i) Purpose

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

(ii) Who may join

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

(iii) Maximum number of Shares subject to options

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

(iv) Limit for each participant

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

Corporate Governance/Other Information

(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

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. As at 30 June 2022, 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 18 to 42, 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 2022 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

25 August 2022

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) (Restated) HK\$'000
REVENUE	4	2,870,415	2,394,789
Contract costs		(2,749,634)	(2,287,814)
Gross profit		120,781	106,975
Other income	4	3,709	10,900
Administrative expenses		(61,787)	(67,667)
Other operating expenses, net		(14,430)	(1,595)
Finance costs	6	(7,093)	(6,890)
PROFIT BEFORE TAX	5	41,180	41,723
Income tax expense	7	(4,993)	(8,220)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		36,187	33,503
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		(10,208)	(2,015)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(10,208)	(2,015)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		25,979	31,488
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	HK7.24 cents	HK6.70 cents

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

		As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited) (Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	28,447	24,468
Right-of-use assets	11	50,459	62,717
Prepayments and deposits		8,044	8,261
Deferred tax assets		1,903	428
Total non-current assets		88,853	95,874
CURRENT ASSETS			
Contract assets	12	1,917,819	1,745,968
Trade receivables	13	688,918	707,195
Prepayments, deposits and other receivables		43,562	29,390
Tax recoverable		405	336
Cash and cash equivalents		110,428	69,137
Total current assets		2,761,132	2,552,026
CURRENT LIABILITIES			
Trade and retention payables	14	1,176,499	1,116,519
Other payables and accruals		835,558	724,785
Dividend payable	8	9,000	–
Interest-bearing bank borrowings	15	160,000	130,000
Amounts due to an intermediate holding company	20(b)	22,487	28,058
Loans from an intermediate holding company	20(b)	19,185	20,089
Lease liabilities	11	16,943	21,288
Tax payable		9,223	5,610
Total current liabilities		2,248,895	2,046,349
NET CURRENT ASSETS		512,237	505,677
TOTAL ASSETS LESS CURRENT LIABILITIES		601,090	601,551
NON-CURRENT LIABILITIES			
Provision		5,700	7,000
Lease liabilities	11	31,444	38,384
Total non-current liabilities		37,144	45,384
Net assets		563,946	556,167
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	5,000	5,000
Reserves		558,946	551,167
Total equity		563,946	556,167

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to equity holders of the Company									
	Notes	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	Total equity HK\$'000
At 1 January 2022, as previously reported (audited)		5,000	429,257	(160,785)	12,071	12	13	(2,483)	274,315	557,400
Acquisition of subsidiaries under common control	2.1	-	-	*	-	-	-	(76)	(1,157)	(1,233)
At 1 January 2022 (restated)		5,000	429,257	(160,785)	12,071	12	13	(2,559)	273,158	556,167
Profit for the period		-	-	-	-	-	-	-	36,187	36,187
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operation		-	-	-	-	-	-	(10,208)	-	(10,208)
Total comprehensive income/(loss) for the period		-	-	-	-	-	-	(10,208)	36,187	25,979
Final 2021 dividend	8	-	-	-	-	-	-	-	(9,000)	(9,000)
Acquisition of subsidiaries under common control	2.1	-	-	(9,200)	-	-	-	-	-	(9,200)
At 30 June 2022 (unaudited)		5,000	429,257	(169,985)	12,071	12	13	(12,767)	300,345	563,946

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022

	Attributable to equity holders of the Company									
	Notes	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	Total equity HK\$'000
At 1 January 2021, as previously reported (audited)		5,000	429,257	(140,785)	12,071	12	13	7	253,013	558,588
Acquisition of subsidiaries under common control	2.1	-	-	*	-	-	-	(66)	(2,168)	(2,234)
At 1 January 2021 (restated)		5,000	429,257	(140,785)	12,071	12	13	(59)	250,845	556,354
Profit for the period		-	-	-	-	-	-	-	33,503	33,503
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operation		-	-	-	-	-	-	(2,015)	-	(2,015)
Total comprehensive income for the period		-	-	-	-	-	-	(2,015)	33,503	31,488
Final 2020 dividend	8	-	-	-	-	-	-	-	(13,750)	(13,750)
Acquisition of subsidiaries under common control		-	-	(20,000)	-	-	-	-	-	(20,000)
At 30 June 2021 (unaudited) (restated)		5,000	429,257	(160,785)	12,071	12	13	(2,074)	270,598	554,092

* These items had amounts of less than a thousand.

These reserve accounts comprise the consolidated reserves of HK\$558,946,000 (30 June 2021 (restated): HK\$549,092,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) (Restated) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		41,180	41,723
Adjustments for:			
Finance costs	6	7,093	6,890
Interest income	4	(63)	(56)
Depreciation of property, plant and equipment	5	4,764	3,605
Depreciation of right-of-use assets	5	10,766	8,403
Impairment/(reversal of impairment) of trade receivables	5	10,680	(609)
Impairment of contract assets	5	3,504	1,783
Loss on disposal of items of property, plant and equipment	5	17	–
		77,941	61,739
Increase in contract assets		(183,625)	(222,579)
Decrease/(increase) in trade receivables	17(a)/17(b)	(19,667)	17,020
Decrease/(increase) in prepayments, deposits and other receivables		(14,401)	14,219
Increase in trade and retention payables		63,577	42,213
Increase/(decrease) in other payables and accruals		111,290	(61,257)
Increase in an amount due to an intermediate holding company		15,806	8,683
Cash generated from/(used in) operations		50,921	(139,962)
Interest element on lease liabilities	6	(499)	(423)
Interest paid		(2,960)	(3,912)
Hong Kong profits tax paid		(2,854)	(3,558)
Overseas taxes paid		(87)	(88)
Net cash flows generated from/(used in) operating activities		44,521	(147,943)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	4	63	56
Purchases of items of property, plant and equipment	10	(8,826)	(7,667)
Acquisition of subsidiaries under common control		(9,200)	(20,000)
Net cash flows used in investing activities		(17,963)	(27,611)

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) (Restated) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement of loan balances with the intermediate holding company	17(b)	–	22,118
New bank loans		840,000	1,205,000
Repayment of bank loans		(810,000)	(1,085,000)
Principal portion of lease payments		(9,784)	(8,459)
Interest paid		(3,634)	(2,555)
Net cash flows from financing activities		16,582	131,104
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		69,137	123,834
Effect on foreign exchange rate changes, net		(1,849)	(155)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		110,428	79,229
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		110,428	79,229

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

1. Corporate and Group Information

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

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

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 January 2022, 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 agreed to purchase the entire issued share capital of CR Construction (U.K.) Investment Company Limited (“**UKI**”), a company incorporated in the British Virgin Islands (the “**Acquisition**”). The Acquisition was completed on 30 January 2022 (the “**Acquisition Date**”).

The consideration payable under the Share Purchase Agreement for the Acquisition is HK\$9,200,000, payable at the Acquisition Date. The consideration shall be adjusted by the consideration adjustment (the “**Consideration Adjustment**”) if the audited net profit of CR Construction (U.K.) Company Limited (“**CRUK**”), the British subsidiary of UKI, is less than HK\$1,500,000 for the year ending 31 December 2022.

As at the Acquisition Date, CRUK, UKI and CZH entered into a deed of assignment and settlement (the “**Deed of Assignment and Settlement**”), whereby certain trade receivables of CRUK, amounting to approximately HK\$20,979,000 was assigned to CZH as full settlement of the current accounts between CRUK (as borrower) and CZH (as lender).

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 January 2022.

The Company and UKI were under the common control of CZH before and after the Acquisition. The Acquisition of UKI 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 2022 and 2021 include the results and cash flows of UKI 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 2021 have been restated to include the carrying amounts of the assets and liabilities of UKI.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

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 UKI. 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 2021

	At previously reported HK\$'000	Acquisition of UKI HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
REVENUE	2,394,789	–	–	2,394,789
Contract costs	(2,287,814)	–	–	(2,287,814)
Gross profit	106,975	–	–	106,975
Other income	158	10,742	–	10,900
Administrative expenses	(56,951)	(10,716)	–	(67,667)
Other operating income/(expenses), net	(1,596)	1	–	(1,595)
Finance costs	(6,890)	–	–	(6,890)
Profit before tax	41,696	27	–	41,723
Income tax expense	(8,220)	–	–	(8,220)
Profit for the period	33,476	27	–	33,503
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange difference on translation of foreign operations	(1,989)	(26)	–	(2,015)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(1,989)	(26)	–	(2,015)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	31,487	1	–	31,488

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

2.1 Acquisition under Common Control (Continued)

Effect on the condensed consolidated statement of financial position as at 31 December 2021

	At previously reported HK\$'000	Acquisition of UKI HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	23,987	481	–	24,468
Right-of-use assets	61,626	1,091	–	62,717
Prepayments and deposits	8,261	–	–	8,261
Deferred tax assets	428	–	–	428
Total non-current assets	94,302	1,572	–	95,874
CURRENT ASSETS				
Contract assets	1,745,968	–	–	1,745,968
Trade receivables	676,260	30,935	–	707,195
Prepayment, deposits and other receivables	28,069	1,321	–	29,390
Tax recoverable	336	–	–	336
Cash and cash equivalents	64,495	4,642	–	69,137
Total current assets	2,515,128	36,898	–	2,552,026
CURRENT LIABILITIES				
Trade and retention payables	1,111,839	4,680	–	1,116,519
Other payables and accruals	716,162	8,623	–	724,785
Interest-bearing bank borrowings	130,000	–	–	130,000
Amounts due to an intermediate holding company	2,825	25,233	–	28,058
Loans from an intermediate holding company	20,089	–	–	20,089
Lease liabilities	20,870	418	–	21,288
Tax payable	5,610	–	–	5,610
Total current liabilities	2,007,395	38,954	–	2,046,349
NET CURRENT ASSETS/(LIABILITIES)	507,733	(2,056)	–	505,677
TOTAL ASSETS LESS CURRENT LIABILITIES	602,035	(484)	–	601,551
NON-CURRENT LIABILITIES				
Provision	7,000	–	–	7,000
Lease liabilities	37,635	749	–	38,384
Total non-current liabilities	44,635	749	–	45,384
Net assets/(liabilities)	557,400	(1,233)	–	556,167
EQUITY				
Share capital	5,000	*	*	5,000
Reserves	552,400	(1,233)	*	551,167
Total equity/(deficiency in assets)	557,400	(1,233)	–	556,167

* These items had amounts of less than a thousand.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

2.1 Acquisition under Common Control (Continued)

Effect on the condensed consolidated statement of financial position as at 1 January 2021

	At previously reported HK\$'000	Acquisition of UKI HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	22,756	267	–	23,023
Right-of-use assets	29,477	–	–	29,477
Prepayments and deposits	5,834	–	–	5,834
Total non-current assets	58,067	267	–	58,334
CURRENT ASSETS				
Contract assets	1,745,264	–	–	1,745,264
Trade receivables	610,044	14	–	610,058
Prepayments, deposits and other receivables	49,728	536	–	50,264
Tax recoverable	166	–	–	166
Cash and cash equivalents	121,851	1,983	–	123,834
Total current assets	2,527,053	2,533	–	2,529,586
CURRENT LIABILITIES				
Trade and retention payables	989,799	–	–	989,799
Other payables and accruals	782,018	990	–	783,008
Interest-bearing bank borrowings	80,000	–	–	80,000
Amounts due to an intermediate holding company	2,819	3,056	–	5,875
Loans from an intermediate holding company	135,700	–	–	135,700
Lease liabilities	15,836	–	–	15,836
Tax payable	742	988	–	1,730
Total current liabilities	2,006,914	5,034	–	2,011,948
NET CURRENT ASSETS/(LIABILITIES)	520,139	(2,501)	–	517,638
TOTAL ASSETS LESS CURRENT LIABILITIES	578,206	(2,234)	–	575,972
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)	558,588	(2,234)	–	556,354
EQUITY				
Share capital	5,000	*	*	5,000
Reserves	553,588	(2,234)	*	551,354
Total equity/(deficiency in assets)	558,588	(2,234)	–	556,354

* These items had amounts of less than a thousand.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

2.1 Acquisition under Common Control (Continued)

Effect on the condensed consolidated statement of cash flows for the six months ended 30 June 2021

	At previously reported HK\$'000	Acquisition of UKI HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	41,696	27	–	41,723
Adjustments for:				
Finance costs	6,890	–	–	6,890
Interest income	(56)	–	–	(56)
Depreciation on property, plant and equipment	3,571	34	–	3,605
Depreciation of right-of-use assets	8,403	–	–	8,403
Reversal of impairment of trade receivables	(609)	–	–	(609)
Impairment of contract assets	1,783	–	–	1,783
	61,678	61	–	61,739
Increase in contract assets	(222,579)	–	–	(222,579)
Decrease/(increase) in trade receivables	18,583	(1,563)	–	17,020
Decrease in prepayments, deposits and other receivables	13,870	349	–	14,219
Increase in trade and retention payables	42,213	–	–	42,213
Increase/(decrease) in other payables and accruals	(61,718)	461	–	(61,257)
Increase in an amount due to an intermediate holding company	7,135	1,548	–	8,683
Cash generated from/(used in) operations	(140,818)	856	–	(139,962)
Interest element on lease liabilities	(423)	–	–	(423)
Interest paid	(3,912)	–	–	(3,912)
Hong Kong profits tax paid	(3,558)	–	–	(3,558)
Overseas taxes paid	(88)	–	–	(88)
Net cash flows from/(used in) operating activities	(148,799)	856	–	(147,943)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	56	–	–	56
Purchases of items of property, plant and equipment	(7,661)	(6)	–	(7,667)
Acquisition of subsidiaries under common control	(20,000)	–	–	(20,000)
Net cash flows used in investing activities	(27,605)	(6)	–	(27,611)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

2.1 Acquisition under Common Control (Continued)

Effect on the condensed consolidated statement of cash flows for the six months ended 30 June 2021 (continued)

	At previously reported HK\$'000	Acquisition of UKI HK\$'000	Consolidation adjustment HK\$'000	As restated HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Movement of loan balances with the intermediate holding company	22,118	–	–	22,118
New bank loans	1,205,000	–	–	1,205,000
Repayment of bank loans	(1,085,000)	–	–	(1,085,000)
Principal portion of lease payments	(8,459)	–	–	(8,459)
Interest paid	(2,555)	–	–	(2,555)
Net cash flows from financing activities	131,104	–	–	131,104
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period	121,851	1,983	–	123,834
Effect of foreign exchange rates changes, net	(189)	34	–	(155)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	76,362	2,867	–	79,229
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	2,867	–	79,229

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

2.2 Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

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 2021, 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 3

Amendments to HKAS 16

Amendments to HKAS 37

Annual Improvements to HKFRSs 2018–2020

Reference to the Conceptual Framework

Property, Plant and Equipment: Proceeds before Intended Use

Onerous Contracts — Cost of Fulfilling a Contract

Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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 (Continued)

30 June 2022

4. Revenue and Other Income

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue from contracts with customers		
Building construction	2,235,499	1,971,309
RMAA	634,916	423,480
	2,870,415	2,394,789

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Timing of revenue recognition		
Services transferred over time	2,870,415	2,394,789

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) (Restated) HK\$'000
Other income		
Interest income	63	56
Consultancy services income	1,253	10,642
Others	2,393	202
	3,709	10,900

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

5. Profit Before Tax

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) (Restated) HK\$'000
Contract costs	2,749,634	2,287,814
Depreciation of property, plant and equipment	4,764	3,605
Less: Amount included in contract costs	(2,540)	(1,380)
Amount included in administrative expenses	2,224	2,225
Depreciation of right-of-use assets	10,766	8,403
Less: Amount included in contract costs	(3,148)	(2,364)
Amount included in administrative expenses	7,618	6,039
Lease payments not included in the measurement of lease liabilities	26,914	8,506
Less: Amount included in contract costs	(26,400)	(8,019)
Amount included in administrative expenses	514	487
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	202,142	189,704
Pension scheme contributions	8,631	8,628
	210,773	198,332
Less: Amount included in contract costs	(170,248)	(154,277)
Amount included in administrative expenses	40,525	44,055
Auditor's remuneration	1,537	1,325
Impairment/(reversal of impairment) of trade receivables*	10,680	(609)
Impairment of contract assets*	3,504	1,783
Loss on disposal of items of property, plant and equipment	17	–
Government grant**	(1,600)	–
Research and development costs	120	–
Foreign exchange differences, net*	1	22

* 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.

** Being wage subsidies provided by the Government of Hong Kong Special Administrative Region (the "HKSAR Government") under the Employment Support Scheme ("ESS") for the period ended 30 June 2022. The subsidies were for the purpose to retain employment to combat the impact of the novel coronavirus 2019 pandemic ("COVID-19"). As a condition of receiving the subsidies under the ESS, the Group has undertaken not to make redundancies of its Hong Kong employees from 1 May 2022 to 30 June 2022. There are no unfilled conditions or contingencies related to these subsidies.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

6. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank loans	3,634	2,555
Increase in discounted amounts of retention payables arising from the passage of time	2,960	3,912
Interest on lease liabilities	499	423
	7,093	6,890

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% (2021: 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current — Hong Kong		
Charge for the period	6,468	8,635
Deferred	(1,475)	(415)
Total tax charge for the period	4,993	8,220

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

8. Dividend

The final dividend of HK1.8 cents (for the year ended 31 December 2020: HK2.75 cents) per ordinary share, in an aggregate amount of HK\$9,000,000 for the year ended 31 December 2021 (for the year ended 31 December 2020: HK\$13,750,000), was approved by the Company's shareholders at the annual general meeting of the Company held on 25 June 2022 and paid on 30 July 2022.

On 25 August 2022, the board of directors declared an interim dividend of HK2.5 cents (six months ended 30 June 2021: HK2.5 cents) per ordinary share, in an aggregate amount of HK\$12,500,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: 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\$36,187,000 (2021 (restated): HK\$33,503,000), and the weighted average number of ordinary shares of 500,000,000 (2021: 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 2022 and 2021 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 at a cost of HK\$8,826,000 (30 June 2021 (restated): HK\$7,667,000).

11. Leases

The Group has entered into new lease agreements during the six months ended 30 June 2022 and resulted in an addition of right-of-use assets and lease liabilities of HK\$2,236,000 (six months ended 30 June 2021: HK\$4,975,000).

12. Contract Assets

		30 June 2022 (Unaudited)	31 December 2021 (Audited) (Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Contract assets arising from construction services	<i>(a)</i>	1,135,480	1,029,221
Retention receivables	<i>(b)</i>	790,207	721,293
		1,925,687	1,750,514
Impairment		(7,868)	(4,546)
		1,917,819	1,745,968

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

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 2022 and 31 December 2021 is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within one year	1,129,772	1,026,339

- (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 2022 and 31 December 2021 is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Due within one year	551,029	429,882
Due after one year	237,018	289,747
	788,047	719,629

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

13. Trade Receivables

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) (Restated) HK\$'000
Trade receivables	704,513	712,304
Impairment	(15,595)	(5,109)
	688,918	707,195

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

Included in the Group's trade receivables is an amount due from a related party, being the unincorporated joint venture operated by an intermediate holding company, of approximately HK\$896,000 (31 December 2021: HK\$12,843,000), with similar credit terms as other third parties, which is unsecured and non-interest-bearing. The maximum amount outstanding during the period for an amount due from a related party was approximately HK\$12,933,000 (year ended 31 December 2021: HK\$13,675,000).

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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) (Restated) HK\$'000
Within 1 month	448,098	437,127
1 to 2 months	139,209	169,814
2 to 3 months	10,436	23,168
3 to 12 months	52,081	74,923
Over 1 year	39,094	2,163
	688,918	707,195

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

14. Trade and Retention Payables

		30 June 2022 (Unaudited)	31 December 2021 (Audited) (Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Trade payables	<i>(a)</i>	548,587	523,705
Retention payables	<i>(b)</i>	627,912	592,814
		1,176,499	1,116,519

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 2022 (Unaudited)	31 December 2021 (Audited) (Restated)
	HK\$'000	HK\$'000
Within 1 month	52,921	34,249
1 to 2 months	107,259	232,023
2 to 3 months	166,914	126,134
Over 3 months	221,493	131,299
	548,587	523,705

The average credit period on trade payables is 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

- (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 (Continued)

30 June 2022

15. Interest-Bearing Bank Borrowings

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans	Hong Kong Interbank Offered Rate ("HIBOR")+ 1.4-1.6	On demand	160,000	HIBOR+ 1.4-1.6	On demand	130,000

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Analysed into:		
Bank loans repayable:		
On demand	160,000	130,000

Note: All borrowings were in Hong Kong dollars.

16. Share Capital

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (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

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

17. Major Non-Cash Transaction

- (a) As at the Acquisition date, CRUK, UKI and CZH entered into a Deed of Assignment and Settlement, whereby certain trade receivables of CRUK, amounting to approximately HK\$20,979,000 was assigned to CZH as full settlement of the current accounts between CRUK (as borrower) and CZH (as lender). Further details are disclosed in note 2.1 to the interim condensed consolidated financial information.
- (b) In the prior period, certain trade receivables amounting to approximately HK\$137,682,000 was assigned to an intermediate holding company as partial settlement of the shareholder's loans as part of the acquisition of a subsidiary under common control.

18. Contingent Liabilities

- (a) As at 30 June 2022, performance bonds of approximately HK\$1,550,355,000 (31 December 2021: HK\$1,416,475,000) 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.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

19. Commitments

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Contracted, but not provided for:		
Computers and software	1,398	1,923

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	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) (Restated) HK\$'000
	<i>Notes</i>		
Expenses recharged by an intermediate holding company	<i>(i)</i>	–	919
Consultancy services income received from an intermediate holding company	<i>(ii)</i>	354	8,714
Consultancy services income received from a related party	<i>(iii)</i>	899	1,928

Notes:

- (i) 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.
- (ii) Consultancy services income received from an intermediate holding company were charged based on actual staff costs incurred.
- (iii) Consultancy services income received from a related party, being an unincorporated joint venture operated by an intermediate holding company were charged based on actual staff costs incurred.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

20. Related Party Transactions (Continued)

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

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) (Restated) HK\$'000
	<i>Notes</i>		
Amounts due to an intermediate holding company	<i>(i)</i>	22,487	28,058
Loans from an intermediate holding company	<i>(ii)</i>	19,185	20,089

Notes:

- (i) The amounts due to the intermediate holding company of HK\$22,487,000 (2021 (restated): HK\$28,058,000) are unsecured, interest-free and repayable on demand.
- (ii) As at 30 June 2022, the loan from the intermediate holding company of HK\$19,185,000 (31 December 2021: HK\$20,089,000) is unsecured, interest free and is repayable subject to the terms and repayment conditions set out in the deed of assignment and settlement for the acquisition of a subsidiary under common control in the prior periods.
- (c) Compensation of key management personnel of the Group

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

	Six months ended 30 June 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short term employee benefits	6,963	7,078
Post-employee benefits	214	216
Total compensation paid to key management personnel	7,177	7,294

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2022

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.