



瑞港建設控股有限公司

Prosper Construction Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6816



Interim Report **2022**

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Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors”) of Prosper Construction Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 (the “Period”), together with the comparative figures for the corresponding period in 2021 (the “Previous Period”). These information should be read in conjunction with the annual report of the Company for the year ended 31 December 2021.

Business Review

Business development in the marine construction works segment is mainly constrained by travel restrictions and delay in launch of potential projects owing to the COVID-19 outbreak. The Group’s performance in Hong Kong recorded a growth during the Period, mainly driven by a rock placement project which achieved favourable progress; however, the overall outlook of the marine construction market in Hong Kong is contingent on the rollout plan of key infrastructure projects. Meanwhile, the Group’s land reclamation project in Macao was coming to the final stage and thus revenue contribution from the Macao geographic segment recorded a decline; but such decline is expected to be of temporary nature as the Group expects the launch of the new large scale reclamation project at near the end of year 2022. The general construction contracting business segment also experienced a growth during the Period, but the progress of projects on hand and projects costs are all affected by COVID-19 situation during the Period, particularly the movement control measures in place since February and up to April this year. The downward adjustment and uncertainty in the real estate property market also affected the launch of potential projects. The impacts on the Group’s profitability and business outlook will be separately discussed further below.

A breakdown of the Group’s revenue by geographic location and major projects for the Period is set out in the table below.

	Revenue recognised for the Period HK\$ million	Contribution to total revenue
Marine construction works and auxiliary marine related services (collectively, the “Marine Business”)		
Macao		
Two land reclamation projects	99.4	7.6%
Trestle bridge and dredging in relation to cross-harbour bridge project	37.9	2.9%
Auxiliary marine services	4.6	0.4%
Hong Kong		
Rock placement services for underwater pipeline project	105.0	8.1%
Others	20.9	1.6%
Other locations		
Marine construction works	19.4	1.5%
Others	8.8	0.7%
General construction contracting services (the “General Construction Business”)		
Qingdao		
Innovation and Technology Centre construction	83.4	6.4%
Arts school construction	124.1	9.5%
Primary school construction	65.8	5.1%
Two key commercial building projects	127.3	9.8%
Two key residential projects	170.2	13.1%
Other small general construction projects	433.4	33.3%
Total	1,300.2	100.0%

Management Discussion and Analysis (Continued)

As noted above, revenue General Construction Business contributed approximately HK\$1,004.2 million or 77.2% of the Group's revenue for the Period, out of which approximately HK\$712.3 or 54.8% of the Group's total revenue was derived from the Haifa Group.

Outlook and Prospects

The Group has entered into a cooperation agreement and is negotiating the terms of subcontracting arrangement with the main contractor of a new land reclamation project in Macao that is expected to commence in the latter part of year 2022. After more than 2 years of restricted business activities since the COVID-19 outbreak, negotiation and planning for a number of projects which were previously halted has gradually resumed. The Group has recently been awarded an auxiliary marine related service project in the Philippines with an estimated contract sum of over HK\$400 million and our management team is closely monitoring the development of potential marine construction projects under planning by our target customers and the Group is already prepared to take swift action to bid for potential overseas projects in an effective manner.

As part of the governmental initiative for urban development of the Qingdao West Coast New Area, the Group expects a large number of projects to be launched in the foreseeable future. Our management team is currently in negotiation with central government controlled property development operators on potential construction projects and the Group's participation in construction projects related to the Company's controlling shareholder, the Haifa Group, will continue to rise.

The status of the Group's key projects on hand up to the date of this report is set out below.

	Location	Estimated remaining contract sum HK\$ million	Expected time of completion
Project(s) that have already commenced as at 30 June 2022			
Rock placement services for underwater pipeline project	Hong Kong	94.4	End of year 2022
Marine construction project	The Philippines	400.0	End of year 2025
Elite personnel residential project	Qingdao	951.7	Third quarter of 2025
Innovation and Technology Centre	Qingdao	841.5	Second quarter of 2024
Commercial building construction	Qingdao	784.1	Second quarter of 2026
Residential building construction	Qingdao	234.7	End of year 2024
Arts school construction	Qingdao	198.9	Second quarter of 2023
Project(s) commencing or newly awarded after 30 June 2022			
Two key commercial building construction projects	Qingdao	1,000.0	

As the international community is relaxing travel restrictions and other pandemic control measures, we expect to see an acceleration in the launch of large-scale development projects, especially infrastructure and public facility projects, and the Group is in an advantageous position to take on such opportunities along the belt-and-road region where it has commendable business record, such as Pakistan and Indonesia. It is also expected that the marine construction market in Hong Kong will liven up with the launch of projects associated with the Lantau Tomorrow development plan as promulgated in the policy address of the chief executive of the Hong Kong SAR. Moreover, the Haifa Group is endowed with the responsibility and opportunity to plan and develop land reserve and undertake major infrastructure and urban development projects etc. in the Qingdao West Coast New Area as such, it is envisaged that the General Construction Business will continue to be the key revenue driver for the Group, with a significant portion of revenue sourced through the Haifa Group.

Management Discussion and Analysis (Continued)

Financial Review

Revenue

The Group recorded revenue of HK\$1,300.2 million for the Period, representing an increase of approximately 32.2% from the Previous Period as a result of (i) increase in revenue from marine construction works by approximately HK\$72.2 million, mainly from projects in Hong Kong; (ii) increase in revenue from General Construction Business generated from Qingdao by approximately HK\$253.5 million; and (iii) partially offset by the drop in revenue from auxiliary marine related services as no key projects were carried out during the Period. A breakdown of the Group's revenue from major projects and by geographic location is set out in the section headed "Business Review" above and in note 5 to the consolidated financial information.

Cost of sales and gross profit

Cost of sales for the Period increased by 31.4% to HK\$1,205.4 million.

While the gross profit for the Period increased by HK\$29.3 million or approximately 44.7% to HK\$94.8 million driven by the growth in revenue, the gross profit margin of the Group increased to 7.3%, as compared to 6.7% for the Previous Period. The slight rise in gross profit margin was due to the combined effect of (i) certain key projects in the General Construction Business segment yielded a relatively higher profit margin; and (ii) the decline the profit margin of a land reclamation project in Macao owing to delay in project progress and increase in overhead, material and transportation costs.

Other administrative expenses

Other administrative expenses for the Period increased to approximately HK\$53.7 million as compared to approximately HK\$41.8 million for the Previous Period as a result of (i) increase in administrative staff cost by approximately HK\$6.7 million owing to increase in headcount; and (ii) increase in legal and professional fees by HK\$2.2 million to HK\$9.5 million for the Period.

Finance costs

Finance costs increased by approximately HK\$15.0 million or 101% to HK\$29.9 million for the Period.

The notable increase in finance costs was resulted from additional fundings drawn to finance for the expansion in operation, the extended lead time for completion of projects and delay in recovery of contract income from customers.

Income tax expense

Income tax expense for the Period is substantially comprised of income tax on the Group's general construction contracting business in Qingdao, which is subject to PRC corporate income tax at a rate of 25%, except Honghai Curtain Wall is entitled to the preferential tax rate of 15% since year 2019. The Group did not generate any profits chargeable to income tax in Hong Kong and Macao during the Period.

Management Discussion and Analysis (Continued)

Profit for the period

In spite of the increase in revenue and gross profit, the Group recorded substantial rise in administrative overhead and finance costs during the Period and as such, the Group's profit for the Period increased slightly by approximately HK\$1.3 million to approximately HK\$7.1 million.

Property, plant and equipment

As at 30 June 2022, the Group owned a total of 44 units of marine vessels, 210 units of machinery and equipment, and an office building located in Qingdao, PRC.

The Group acquired property, plant and equipment amounted to HK\$17.2 million during the Period.

Trade and retention receivables

The Group's trade and retention receivables increased by approximately HK\$200.7 million to HK\$756.5 million as at 30 June 2022, of which approximately HK\$251.4 million pertained to the Marine Business segment while approximately HK\$505.1 million pertained to the General Construction Business segment. Trade and retention receivables in the Marine Business mainly comprised of receivables for works on projects already completed and pending settlement of final accounts. Trade receivables in the General Construction Business mainly comprised works performed pending certification by customers.

The Group's amounts due from fellow subsidiaries decreased by approximately HK\$217.1 million to HK\$1,222.6 million as at 30 June 2022, which pertained to receivables for works on projects of the General Construction Business segment pending settlement by the fellow subsidiaries.

There is no indication of substantial deterioration of recoverability of any of the Group's receivable balances.

Contract assets/liabilities

Contract assets represent amounts due from customers for contract works performed which had not been billed as at the end of the reporting period. The balance of contract assets as at 30 June 2022 for the Marine Business and General Construction Business was approximately HK\$239.6 million and HK\$933.3 million respectively. Approximately 53 million of the contract assets in the Marine Business was related to three completed projects in Hong Kong over which the Group has instigated dispute resolution procedures to recover payment for works performed; based on preliminary assessment by the Group's project legal consultant, the Group is expected to be able to recover not less than the carrying value of the contract assets for these projects.

Contract liabilities as at 30 June 2022 represent amounts due to contract customers for payment received in excess of revenue recognisable by the Group according to the progress achieved, mainly in relation to the Group's land reclamation project in Macao.

Management Discussion and Analysis (Continued)

Liquidity, financial resources and capital structure

The Group's net current asset balance and net debt were approximately HK\$711.3 million (31 December 2021: HK\$727.8 million) and HK\$702.0 million (31 December 2021: HK\$917.9 million) respectively as at 30 June 2022. The Group's gearing ratio (calculated by dividing total debts by total equity) as at 30 June 2022 was 212.4% (31 December 2021: 203.4%). The increase in gearing during the Period was due to drawdown of loans to finance for working capitals to support business growth. The maturity profile of the Group's borrowings is set out in note 19 to the interim condensed consolidated financial information.

Foreign exchange

Operations of the Group are mainly conducted in Chinese Renminbi ("RMB"), Hong Kong dollars ("HK\$"), Macao Patacas ("MOP"), United States dollars ("US\$") (together, the "Major Currencies"), Malaysian Ringgits ("MYR") and Indonesian Rupiahs ("IDR"). The Group did not adopt any hedging policy and the Directors consider that the exposure to foreign exchange risks can be mitigated by using the Major Currencies (i) as principal currencies in the Group's contracts with customers and (ii) to settle payments with its suppliers and operating expenses where possible. In the event that settlement from the Group's customer are received in MYR, IDR or a currency other than the Major Currencies, such currency will be retained for payment of operating expenditures only as required and the remaining foreign currency will be converted to HK\$ or US\$ promptly.

Employees and Remuneration Policies

The Group had 666 staff as at 30 June 2022 (31 December 2021: 631) and the total staff costs of the Group (including Directors' emoluments, salaries to staff, direct wages and other staff benefits included provident fund contributions and other staff benefits) for the Period was approximately HK\$93.1 million (Previous Period: HK\$69.3 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance by salary revision, bonus and promotion as suited. The Group maintains a good relationship with its employees and 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.

Capital Expenditures and Commitments

The Group generally finances its capital expenditures by cash flows generated from its operation and long-term bank borrowings.

During the Period, the Group invested approximately HK\$17.2 million in the acquisition of property, plant and equipment, which comprised approximately HK\$4.8 million in vessels, approximately HK\$2.6 million in machinery and equipment and approximately HK\$9.8 million in building.

The Group had no material capital commitments as at 30 June 2022.

Management Discussion and Analysis (Continued)

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

Significant Investments Held

The Group had not held any significant investments during the Period.

Charges on Assets

As at 30 June 2022, property, plant and equipment with carrying value of (i) approximately nil (31 December 2021: HK\$nil million) and deposits of not less than HK\$58.5 million (31 December 2021: HK\$71.1 million) were pledged to secure for the Group's bank borrowings; and (ii) approximately HK\$nil million (31 December 2021: HK\$nil million) were pledged as security for provision of a performance bond and a prepayment surety bond for the Group's project in Macao.

Contingent Liabilities

Contingent liabilities in relation to performance bonds of construction contracts

As at 30 June 2022, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group were HK\$51.9 million (31 December 2021: HK\$51.9 million). The performance bonds as at 30 June 2022 is expected to be released in accordance with the terms of the respective construction contracts.

Involvement in litigation

A subsidiary of the Group is one of the two defendants to a litigation in which they are alleged to have caused damage to certain facilities of the plaintiff during a typhoon in 2018. The plaintiff is claiming damages for HK\$112 million subject to adjustments. As advised by the Group's independent legal advisor, the case is at an early stage before exchanging evidence and it is not possible to give a firm evaluation of the likelihood of the outcome or estimate the possible amount of loss, if any. Consequently, no provision in relation to the litigation has been made in the consolidated financial statements as at 30 June 2022 and 31 December 2021.

Management Discussion and Analysis (Continued)

Disclosure of Interests

As at 30 June 2022, the interests and short positions of Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), are as follow:

Directors’ interests in the Company

Director	Number of shares/ Position	Percentage of shareholding	Capacity
Mr. Cui Qi	102,000,000 Long position	12.75%	Interest of a controlled corporation (Note)

Directors’ interests in associated corporations of the Company

Director	Associated corporations	Percentage of shareholding/ Position	Capacity
Mr. Cui Qi	Solid Jewel Investments Limited (“Solid Jewel”)	60.00%	Long position Beneficial owner
Mr. Cui Qi	Sky Hero Global Limited (“Sky Hero”)	100.00% Long position	Interest of a controlled corporation (Note)

Note: These Shares were held by Sky Hero, which was wholly owned by Solid Jewel, which was in turn owned as to 60% by Mr. Cui Qi.

Management Discussion and Analysis (Continued)

So far as the directors are aware, as at 30 June 2022, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follow:

Substantial shareholders' interests in the Company

Shareholder	Number of shares/ Position	Percentage of shareholding	Capacity
Qingdao West Coast Holdings (Internation) Limited (Note 4)	600,000,000 Long position	75.00%	Beneficial owner
West Coast Investment (Hong Kong) Limited (Note 1)	600,000,000 Long position	75.00%	Interest of a controlled corporation
West Coast Holdings (Hong Kong) Limited (Note 1)	600,000,000 Long position	75.00%	Interest of a controlled corporation
Qingdao West Coast Holding Development Limited* 青島西海岸控股發展有限公司 (Note 1)	600,000,000 Long position	75.00%	Interest of a controlled corporation
Qingdao West Coast Development (Group) Limited* 青島西海岸發展(集團)有限公司 (Note 1)	600,000,000 Long position	75.00%	Interest of a controlled corporation
Qingdao State-owned Assets Supervision and Administration Commission of the State Council	600,000,000 Long position	75.00%	Interest of a controlled corporation
Sky Hero	102,000,000 Long position	12.75%	Beneficial owner
Solid Jewel (Note 2)	102,000,000 Long position	12.75%	Interest of a controlled corporation
Ms. Mu Zhen (Note 3)	102,000,000 Long position	12.75%	Interest of spouse

Notes:

- Each of these entities was wholly owned and controlled by the Qingdao State-owned Assets Supervision and Administration Commission of the State Council and was deemed under the SFO to be interested in all the Share which are directly and beneficially owned by Qingdao West Coast Holdings (Internation) Limited.
 - Solid Jewel is deemed or taken to be interested in all the Shares which are beneficially owned by Sky Hero under the SFO. Sky Hero is wholly-owned by Solid Jewel.
 - Ms. Mu Zhen is the spouse of Mr. Cui Qi and she is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Cui Qi under the SFO.
 - The interest in Shares held by Qingdao West Coast Holdings (Internation) Limited included the 102,000,000 Shares held by Sky Hero which were charged in favour of Qingdao West Coast Holdings (Internation) Limited.
- * For identification purpose only

Management Discussion and Analysis (Continued)

Share Option Scheme

The Company adopted a share option scheme on 22 June 2016 to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. No options have been granted, exercised or cancelled since then and up to 30 June 2022.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the Period.

Corporate Governance Practices

The Company has adopted the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("CG Code") has complied with the code provisions throughout the Period.

Directors' Securities Transactions

The Company has adopted the Model Code and all the Directors confirmed, upon specific enquiry made, that they complied with the Model Code during the Period and up to the date of this report.

Dividend

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend the payment of a dividend for the Period.

Events After End of the Period

No significant event has occurred subsequent to 30 June 2022 which would have material effect on the Group.

Audit Committee

The audit committee, comprising Mr. Cheung Chi Man Dennis (chairman of the audit committee), Mr. Wang Yaping and Mr. Cheng Xuezhao, each an independent non-executive Director, has reviewed the accounting standards and policies adopted by the Group and the unaudited interim condensed consolidated financial information of the Group for the Period.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Note	Unaudited Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000 (Restated*)
Revenue	5	1,300,249	982,975
Cost of sales		(1,205,403)	(917,412)
Gross profit		94,846	65,563
Other gains, net	7	996	3,265
Research and development expenses		(4,920)	(1,901)
Other administrative expenses		(53,724)	(41,781)
Operating profit		37,198	25,146
Finance income	8	654	52
Finance costs	8	(29,860)	(14,854)
Finance costs, net		(29,206)	(14,802)
Profit before income tax	6	7,992	10,344
Income tax expense	9	(919)	(4,541)
Profit for the period		7,073	5,803
Profit is attributable to:			
Owner of the Company		3,845	4,812
Non-controlling interests		3,228	991
		7,073	5,803
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		(21,329)	(2,461)
Other comprehensive loss for the period		(21,329)	(2,461)
Total comprehensive (loss)/income for the period is attributable to:			
Owner of the Company		(17,394)	1,564
Non-controlling interests		3,138	1,778
Total comprehensive (loss)/income for the period		(14,256)	3,342
Basic and diluted earnings per share (HK cents)	11	0.48	0.60

* Certain comparative figures had been restated to conform with current year's presentation.

The notes on pages 16 to 38 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Balance Sheet

As at 30 June 2022

	Note	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	337,338	338,007
Investment properties		9,241	9,325
Right-of-use assets	13	62,152	66,971
Goodwill		41,386	43,310
Intangible assets		22,728	23,800
Deferred tax assets		2,983	–
Deposits and prepayments	15	44,651	21,879
		520,479	503,292
Current assets			
Inventory		33,589	51,066
Trade, retention and note receivables	14	756,547	555,893
Amounts due from fellow subsidiaries	14, 21(c)	1,222,590	1,439,642
Deposits, prepayments and other receivables	15	208,252	169,670
Contract assets	16	1,172,844	1,326,736
Time deposits with maturity over 3 months		11,174	22,294
Pledged bank deposits		58,466	71,717
Restricted cash		4,586	4,799
Cash and cash equivalents		560,627	291,838
		4,028,675	3,933,655
Total assets		4,549,154	4,436,947
EQUITY			
Capital and reserves			
Share capital	17	8,000	8,000
Reserves		518,028	535,422
		526,028	543,422
Non-controlling interests		103,115	99,977
Total equity		629,143	643,399

Interim Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2022

	Note	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	462,434	476,943
Loan from an intermediate holding company	21(c)	130,000	100,000
Lease liabilities	13	483	912
Deferred income tax liabilities		9,735	9,886
		602,652	587,741
Current liabilities			
Trade and retention payables	18	2,179,345	2,090,501
Accruals and other payables		233,969	217,980
Contract liabilities	16	13,046	22,838
Amount due to a related company	21(c)	–	9
Amounts due to fellow subsidiaries		49,469	64,435
Amount due to other partner of joint operation		–	67
Amount due to non-controlling interests		75,869	42,721
Borrowings	19	744,339	731,572
Lease liabilities	13	1,534	3,849
Income tax payable		19,788	31,835
		3,317,359	3,205,807
Total liabilities		3,920,011	3,793,548
Total equity and liabilities		4,549,154	4,436,947

The notes on pages 16 to 38 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Share capital	Share premium	Other reserves	Exchange reserves	Statutory reserves	Retained earnings	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	8,000	214,840	23,104	798	1,309	287,141	19,680	554,872
Comprehensive income								
Profit for the period	-	-	-	-	-	4,812	991	5,803
Exchange differences	-	-	-	(3,248)	-	-	787	(2,461)
Transaction with owners								
Acquisition of a subsidiary	-	-	-	-	-	-	65,003	65,003
Appropriation to statutory reserves	-	-	-	-	1,745	(1,745)	-	-
At 30 June 2021 (unaudited)	8,000	214,840	23,104	(2,450)	3,054	290,208	86,461	623,217
At 1 January 2022	8,000	214,840	23,506	6,045	4,904	286,127	99,977	643,399
Comprehensive income								
Profit for the period	-	-	-	-	-	3,845	3,228	7,073
Exchange differences	-	-	-	(21,239)	-	-	(90)	(21,329)
Transaction with owners								
Appropriation to statutory reserves	-	-	-	-	802	(802)	-	-
At 30 June 2022 (unaudited)	8,000	214,840	23,506	(15,194)	5,706	289,170	103,115	629,143

The notes on pages 16 to 38 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	246,309	(274,070)
Net cash generated from/(used in) investing activities	5,679	(82,554)
Net cash (used in)/generated from financing activities	(16,063)	365,368
Net increase in cash and cash equivalents	235,925	8,744
Cash and cash equivalents at beginning of the period	291,838	228,821
Effect of foreign exchange rate changes	32,864	8,511
Cash and cash equivalents at end of the period	560,627	246,076

The notes on pages 16 to 38 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 6 October 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries provide marine construction services, auxiliary marine related services and general construction contracting services. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$") unless otherwise stated.

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 has not been audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2021 ("2021 Financial Statements").

2.1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the 2021 Financial Statements, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of this interim condensed consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim financial information, are disclosed in note 4 below.

2.2 Accounting policies

The accounting policies applied are consistent with those of the 2021 Financial Statements, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies (Continued)

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2021 Financial Statements.

There have been no changes in the risk management or any risk management policies since the year end.

3.2 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, pledged bank deposits, time deposits, trade and retention receivables, deposits and other receivables, amounts due from the other partner of a joint operation, and trade and retention payables, other payables, amount due to a related company and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the critical accounting estimates and judgments applied were consistent with those described in the 2021 Financial Statements.

5. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Rendering of services, recognised over time		
– Marine construction works	282,602	210,444
– Auxiliary marine related services	13,445	21,827
– General construction contracting services	1,004,202	750,704
	1,300,249	982,975

(b) Segment Information

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as three operating segments of marine construction works, auxiliary marine related services and general construction contracting services. They review financial information accordingly.

Segment revenue is measured in a manner consistent with that in the interim condensed consolidated statement of comprehensive income.

Segment assets mainly consist of current assets and non-current assets as disclosed in the interim condensed consolidated balance sheet except for unallocated cash and bank balances, income tax recoverable, and other corporate assets.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the interim condensed consolidated balance sheet except for income tax payable, deferred tax liabilities, borrowings, amounts due to related parties and certain corporate liabilities.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Profit or loss

	Marine construction works HK\$'000	Auxiliary marine related services HK\$'000	General construction contracting services HK\$'000	Total HK\$'000
For the six months ended 30 June 2022 (unaudited)				
Segment revenue from external customers	282,602	13,445	1,004,202	1,300,249
Segment results	9,424	339	35,386	45,149
Unallocated expenses				(5,166)
Depreciation of property, plant and equipment				(1,120)
Depreciation of right-of-use assets				(1,665)
Finance costs, net				(29,206)
Profit before income tax				7,992
Income tax expenses				(919)
Profit for the period				7,073
Included in segment results are:				
Depreciation and amortisation	(7,149)	(2,599)	(2,812)	(12,560)
For the six months ended 30 June 2021 (unaudited)				
Segment revenue from external customers	210,444	21,827	750,704	982,975
Segment results	13,628	1,591	21,202	36,421
Unallocated expenses				(8,791)
Depreciation of property, plant and equipment				(515)
Depreciation of right-of-use assets				(1,969)
Finance costs, net				(14,802)
Profit before income tax				10,344
Income tax expenses				(4,541)
Profit for the period				5,803
Included in segment results are:				
Depreciation and amortisation	(7,308)	(2,510)	(1,194)	(11,012)

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Assets

	Marine construction works HK\$'000	Auxiliary marine related services HK\$'000	General construction contracting services HK\$'000	Total HK\$'000
At 30 June 2022 (unaudited)				
Segment assets	528,227	207,840	3,101,600	3,837,667
Unallocated assets				711,487
Total assets				4,549,154
At 31 December 2021 (audited)				
Segment assets	503,457	243,915	3,183,895	3,931,267
Unallocated assets				505,680
Total assets				4,436,947
Additions to non-current assets	5,018	–	12,178	17,196
Additions to non-current assets	733	15,624	87,333	103,690

The information provided to chief operating decision maker with respect to total assets are measured in a manner consistent with that of the interim condensed consolidated financial information. These assets are allocated based on the operations of the segment.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Liabilities

	Marine construction works HK\$'000	Auxiliary marine related services HK\$'000	General construction contracting services HK\$'000	Total HK\$'000
At 30 June 2022 (unaudited)				
Segment liabilities	82,893	155	2,467,669	2,550,717
Borrowings				1,206,773
Loan from an intermediate holding company				130,000
Income tax payable				19,788
Deferred tax liabilities				9,735
Unallocated liabilities				2,998
Total liabilities				3,920,011
At 31 December 2021 (audited)				
Segment liabilities	156,002	880	2,025,728	2,182,610
Borrowings				1,208,515
Loan from an intermediate holding company				100,000
Income tax payable				31,835
Deferred tax liabilities				9,886
Unallocated liabilities				260,702
Total liabilities				3,793,548

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

The Group's revenue from external customers attributable to the countries from which the Group derives revenue and information about its non-current assets excluding financial instruments and deferred income tax assets, located in the country of domicile are detailed below:

Revenue from external customers

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Bangladesh	–	5,534
Cambodia	2,668	–
Hong Kong	141,928	13,350
Macao	141,912	204,610
Mainland China	1,004,202	750,704
Pakistan	–	8,418
Indonesia	9,539	359
	1,300,249	982,975

The Group's information about its non-current assets including property, plant and equipment and investment properties located in the country of domicile are detailed below:

Non-current assets

Based on countries of domicile of companies holding the assets:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	203,735	207,468
Mainland China	125,874	121,631
Indonesia	8,421	9,200
Macao	8,547	9,030
Malaysia	2	3
	346,579	347,332

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Non-current assets (Continued)

Based on physical location of the assets:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Hong Kong	99,867	97,480
Indonesia	8,547	9,203
Macao	72,728	72,210
Mainland China	125,874	127,663
Malaysia	13,165	13,500
Pakistan	24,450	25,261
Philippines	1,948	2,015
	346,579	347,332

6. PROFIT BEFORE INCOME TAX

	Unaudited Six months ended 30 June 2022 HK\$'000	2021 HK\$'000
Staff cost including directors' emoluments (note)	93,147	69,315
Auditor's remuneration	–	–
Cost of sales excluding direct staff costs	1,138,886	868,027
Depreciation of property, plant and equipment (Note 12)	12,691	11,527
Depreciation of right-of-use assets	1,655	1,969
Leases expenses relating to short-term leases and leases of low-value assets	5	46
Legal and professional fees	9,459	7,291

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. PROFIT BEFORE INCOME TAX (Continued)

Note:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Wages and salaries	85,557	64,744
Pension costs — defined contribution plans	7,190	4,424
Other employment benefits	400	147
	93,147	69,315
Less: amounts charged to cost of sales	(66,517)	(49,385)
Less: amounts charged to administrative expenses	(26,630)	(19,930)

7. OTHER GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Gain/(loss) on disposal of property, plant and equipment	85	(722)
Foreign exchange gains	3,740	3,408
Sundry (loss)/income	(2,829)	579
	996	3,265

8. FINANCE COSTS, NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Finance income		
— Interest income on bank balances	654	52
Finance costs		
— Interest expense on bank loans	(29,809)	(14,730)
— Interest expense on lease liabilities	(51)	(124)
Finance costs, net	(29,206)	(14,802)

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9. INCOME TAX EXPENSE

The amount of income tax charged to the interim condensed consolidated statement of comprehensive income represents:

	Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Hong Kong profits tax over provision in prior years	(23)	–
Indonesia income tax		
Withholding income tax	135	28
PRC corporate income tax		
Current income tax	807	4,513
	919	4,541

Indonesia income tax is charged through a system of withholding taxes. Companies are required to withhold final income tax for construction works performance and interest income from bank deposits. The income tax has been provided at the rate of 3% of the construction income and 20% of the interest income from bank deposits for the six months ended 30 June 2022.

PRC corporate income tax has been provided at a rate of 25% on the estimated assessable profit for the six months ended 30 June 2022, except that Qingdao Honghai Curtain Wall Company Limited which satisfied as a High-New Technology Enterprise and is entitled to the preferential tax rate of 15% since 2019.

10. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (2021: Nil).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Unaudited Six months ended 30 June	
	2022	2021
Profit attributable to equity holders of the Company (HK\$'000)	3,845	4,812
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ('000)	800,000	800,000
Basic earnings per share (HK cents)	0.48	0.60

(b) Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding at the period end.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and fixtures	Office equipment	Machinery and equipment	Vessels	Motor vehicles	Construction- in-progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2022 (unaudited)								
Opening net book amount	17,881	53	6,598	46,802	190,869	2,631	73,173	338,007
Additions/(disposal)	9,767	28	1,894	776	4,843	(112)	-	17,196
Depreciation	(833)	(13)	(980)	(4,346)	(6,343)	(176)	-	(12,691)
Exchange differences	(685)	-	(255)	(533)	(355)	(95)	(3,251)	(5,174)
Closing net book amount	26,130	68	7,257	42,699	189,014	2,248	69,922	337,338

Notes to the Condensed Consolidated Interim Financial Information (Continued)

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Machinery and equipment HK\$'000	Vessels HK\$'000	Motor vehicles HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
Six months ended 30 June 2021 (unaudited)								
Opening net book amount	11,262	38	2,658	41,585	184,744	281	–	240,568
Acquisition of a subsidiary	1,808	127	213	2,649	–	458	8,243	13,498
Additions	28,216	28	1,021	514	3,746	103	–	33,628
Depreciation	(668)	(32)	(482)	(4,087)	(6,119)	(139)	–	(11,527)
Exchange differences	168	2	35	39	(405)	5	106	(50)
Closing net book amount	40,786	163	3,445	40,700	181,966	708	8,349	276,117

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the interim condensed consolidated balance sheet

The interim condensed consolidated balance sheet shows the following amounts relating to the leases in respect of office premises and staff quarters:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Right-of-use assets		
Non-current	62,152	66,971
Lease liabilities		
Non-current	483	912
Current	1,534	3,849
	2,017	4,761

Additions to the right-of-use assets during the six months ended 30 June 2022 and 2021 were Nil and HK\$3,682,000 respectively.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(b) Amounts recognised in the interim condensed consolidated statement of comprehensive income

The interim condensed consolidated statement of comprehensive income shows the following amounts relating to the leases in respect of office premises and staff quarters:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Depreciation charge of right-of-use assets	1,665	1,969
Interest expenses on lease liabilities (Note 8)	51	124
Leases expenses relating to short-term leases of machineries and equipment	30,356	31,825
Leases expenses relating to short-term leases of low value assets	60	46

The total cash outflow for leases excluding short-term leases and leases of low-value assets during the six months ended 30 June 2022 and 2021 were HK\$2,409,000 and HK\$2,195,000 respectively.

14. TRADE, RETENTION AND NOTE RECEIVABLES, AND AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Trade receivables	650,100	416,498
Retention receivables	90,302	131,165
Note receivables	16,145	8,230
Trade, retention and note receivables	756,547	555,893

Notes to the Condensed Consolidated Interim Financial Information (Continued)

14. TRADE, RETENTION AND NOTE RECEIVABLES, AND AMOUNTS DUE FROM FELLOW SUBSIDIARIES (Continued)

The aging analysis of the trade receivables based on invoice date was as follows:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Within 1 year	381,175	195,910
1 to 2 years	198,672	136,668
Over 2 years	70,253	83,920
	650,100	416,498

Retention receivables were classified as current assets. The aging analysis of the retention receivables based on invoice date was as follows:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Within 1 year	25,916	12,215
Between 1 and 5 years	37,641	91,221
Over 5 years	26,745	27,729
	90,302	131,165

The credit period granted to trade customers other than for retention receivables was within 30 days to 90 days for marine construction works and auxiliary marine related services whereas there is generally no credit period granted to the customers for general construction services in the PRC. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The ageing analysis of amounts due from fellow subsidiaries based on invoice dates was as follows:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Within 1 year	1,222,590	1,439,642

Notes to the Condensed Consolidated Interim Financial Information (Continued)

15. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Deposits, prepayments and other receivables (note)	252,903	191,549
Less: non-current deposits	(44,651)	(21,879)
Current	208,252	169,670

Note: The balance mainly represents rental deposit, deposits for property, plant and equipment and other miscellaneous receivables.

16. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Contract assets		
Provision of construction services	1,195,129	1,349,021
Less: loss allowance	(22,285)	(22,285)
	1,172,844	1,326,736
Contract liabilities		
Provision of construction and auxiliary marine services	(13,046)	(22,838)

17. SHARE CAPITAL

The Company's share capital as at 30 June 2022 and 31 December 2021 was as follows:

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised	4,000,000,000	40,000
Issued and fully paid	800,000,000	8,000

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18. TRADE AND RETENTION PAYABLES

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Trade payables	1,972,949	2,084,908
Retention payables	206,396	5,593
	2,179,345	2,090,501

The credit period granted for trade payables and other payables was within 30 to 90 days.

The aging analysis of the trade payables based on invoice dates was as follows:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
With 1 year	1,098,674	1,922,349
Over 1 year	874,275	162,559
	1,972,949	2,084,908

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18. TRADE AND RETENTION PAYABLES (Continued)

In the interim condensed consolidated balance sheet, retention payables were classified as current liabilities. The aging analysis of the retention payables based on invoice date was as follows:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Within 1 year	200,814	1,818
Between 1 year and 2 years	2,698	3,465
Between 2 years and 5 years	2,885	310
	206,396	5,593

19. BORROWINGS

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Non-current:		
Long-term bank loans	462,434	476,943
Current:		
Long-term bank loans due for repayment within one year	5,039	12,263
Short-term bank borrowings	739,300	719,309
	744,339	731,572
Total borrowings	1,206,773	1,208,515

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19. BORROWINGS (Continued)

- (a) Borrowings due for repayment after one year which contain repayment on demand clause were classified as current liabilities.

Based on the scheduled repayment terms set out in the loan agreements and ignoring the effect of any repayment on demand clause, the maturity of bank loans would be as follows:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Within 1 year	744,339	731,572
Between 1 year and 2 years	414,472	140,104
Between 2 years and 5 years	47,962	336,839
	1,206,773	1,208,515

- (b) The carrying amounts of the Group's borrowings were denominated in the following currencies:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
HK\$	238,277	239,778
MOP	67,961	76,490
RMB	900,535	892,247
	1,206,773	1,208,515

- (c) The carrying amounts of the Group's borrowings approximated their fair value as the impact of discounting is not significant.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19. BORROWINGS (Continued)

- (d) The Group's loan facilities are subject to annual review and secured or guaranteed by:
- (i) unlimited guarantees provided by the Company as at 30 June 2022 and 31 December 2021;
 - (ii) unlimited guarantees provided by the ultimate holding company as at 30 June 2022 and 31 December 2021;
 - (iii) vessels and machinery and equipment with carrying amounts of nil as at 30 June 2022 (31 December 2021: nil);
 - (iv) deposits of not less than HK\$58,466,360 as at 30 June 2022 (31 December 2021: HK\$71,717,000); and
 - (v) guarantees of HK\$133,495,000 (31 December 2021: HK\$133,495,000) from a subsidiary for a bank facility which covers a loan of HK\$67,961,000 (31 December 2021: HK\$67,961,000) and performance bond facility of HK\$51,940,000 (31 December 2021: HK\$51,940,000) as at 30 June 2022.

20. CONTINGENT LIABILITIES AND DISPUTES

Contingent liabilities in relation to performance bonds of construction contracts

As at 30 June 2022, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group were HK\$51.9 million (31 December 2021: HK\$51.9 million). The performance bonds as at 30 June 2022 is expected to be released in accordance with the terms of the respective construction contracts.

Involvement in litigation

A subsidiary of the Group is one of the two defendants to a litigation in which they are alleged to have caused damage to certain facilities of the plaintiff during a typhoon in 2018. The plaintiff is claiming damages for HK\$112 million subject to adjustments. As advised by the Group's independent legal advisor, the case is at an early stage before exchanging evidence and it is not possible to give a firm evaluation of the likelihood of the outcome or estimate the possible amount of loss, if any. Consequently, no provision in relation to the litigation has been made in the consolidated financial statements as at 30 June 2022 and 31 December 2021.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the six months ended 30 June 2022 and 2021:

Name of the related party	Relationship with the Group
Star Harvest Enterprise Limited	A related company wholly owned by Mr. Cui Qi
Concentric-Hong Kong River Joint Venture ("CHKRJV") 中國土木工程(澳門)有限公司 — 香港瑞沃工程有限公司 合作經營("MCRJV")	A joint operation
香港瑞沃(澳門)工程有限公司 — 中基基礎工程有限公司 合作經營("MCJO")	A joint operation
Shenzhen Changsheng Marine Engineering Limited ("Shenzhen Changsheng")	A related company controlled by Mr. Cui Qi
West Coast Investment (Hong Kong) Limited	An intermediate holding company of the Company
Qingdao Rongchuang Xifa Cultural Development Limited (青島融創西發文化發展有限公司) ("Rongchuang Xifa")	A fellow subsidiary
Qingdao Xifa Cangmashan Infrastructure Investment Limited (青島西發藏馬山基礎設施建設投資有限公司) ("Xifa Cangmashan Infrastructure")	A fellow subsidiary
Qingdao Xifa Cangmashan Construction Limited (青島西發藏馬山建設開發集團有限公司) ("Xifa Cangmashan Construction")	A fellow subsidiary
Qingdao Xifa Properties Limited (青島西發置業有限公司) ("Xifa Properties")	A fellow subsidiary
Qingdao West Coast New Village Development Limited (青島西海岸新農村社區建設有限公司) ("West Coast New Village District")	A fellow subsidiary
Qingdao West Coast New District Development Limited (青島西海岸新區開發建設有限公司) ("West Coast New District")	A fellow subsidiary
Qingdao West Coast Sky Construction Development Limited (青島西海岸天業建設發展有限公司) ("West Coast Sky")	A fellow subsidiary
Qingdao West Coast Technology Investment and Development Limited (青島西海岸科創投資開發有限公司) ("West Coast Technology Investment")	A fellow subsidiary
Qingdao Xifa Cangmashan Agricultural Development Limited (青島西發藏馬山農業發展有限公司) ("Xifa Cangmashan Agricultural")	A fellow subsidiary
Qingdao Oriental Fashion Development Construction Limited (青島東方時尚開發建設有限公司) ("Oriental Fashion")	A fellow subsidiary
Qingdao Xifa Healthcare Limited (青島西發康養醫療有限公司) ("Xifa Healthcare")	A fellow subsidiary
Qingdao Big Data Technology Development Limited (青島大數據科技發展有限公司) ("Big Data Technology Development")	A fellow subsidiary

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions

Save as disclosed elsewhere in the interim condensed consolidated interim financial information, the following transactions were carried out with related parties at terms mutually agreed by both parties pursuant to the agreements entered into between the Group and the respective related parties:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Continuing transactions		
Rental expenses to Shenzhen Changsheng	1,154	–
Engineering service expenses to Big Data Technology Development	341	–
Engineering service expenses to Xifa Cangmashan Agricultural	157	–
Construction project income from related parties:		
Xifa Properties	157,936	130,998
West Coast New District	273,644	113,454
Rongchuang Xifa	99,272	146,875
Xifa Cangmashan Infrastructure	–	74
Xifa Cangmashan Construction	3,255	446
West Coast Sky	7,217	25,368
West Coast Technology Investment	93,437	108,229
Xifa Cangmashan Agricultural	725	57,711
West Coast New Village District	14,415	–
Oriental Fashion	60,156	–
Xifa Healthcare	2,273	–

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000	Nature
Amounts due from fellow subsidiaries (note (i))	1,222,590	1,439,642	Trade
Amounts due to fellow subsidiaries	–	(12,272)	Trade
– Big Data Technology Development (note (ii))	(152)	–	Trade
– Xifa Cangmashan Agricultural (note (ii))	(49,317)	(52,163)	Non-trade
– Xifa Commercial Factoring (note (iii))	(49,469)	(64,435)	
Amount due to a related party Shenzhen Changsheng (note (iv))	–	(9)	Trade
Loan from an intermediate holding company West Coast Investment (Hong Kong) Limited (note (v))	(130,000)	(100,000)	Non-trade

Notes:

- (i) The amounts due from fellow subsidiaries were unsecured, interest free and generally has no credit period granted. The ageing of amounts due from fellow subsidiaries was within one year. The carrying amounts of amounts due from fellow subsidiaries approximated their fair values and were denominated in RMB.
- (ii) The amount due to Big Data Technology Development and Xifa Cangmashan Agricultural was unsecured, interest free and no credit period was granted generally. The ageing of amount due to Big Data Technology Development and Xifa Cangmashan Agricultural was within one year. The carrying amount of amount due to Big Data Technology Development and Xifa Cangmashan Agricultural approximated its fair value and was denominated in RMB.
- (iii) The amount due to Xifa Commercial Factoring represented the suppliers invoices factoring arrangement among the Group's suppliers and Xifa Commercial Factoring, where the Group's suppliers factor their invoices to the Group via Xifa Commercial Factoring and our payables to suppliers become payables to Xifa Commercial Factoring. There were no transaction between the Group and Xifa Commercial Factoring. The amount due to Xifa Commercial Factoring was unsecured, interest free and repayable within one year. The carrying amount of amount due to Xifa Commercial Factoring approximated its fair value and was denominated in RMB.
- (iv) The amount due to a related party was unsecured, interest free and repayable within one year.
- (v) The loan from an intermediate holding company to one of the subsidiaries of the Company was guaranteed by the Company with a fixed interest at 3.74% per annum (2021: 3.79)% per annum) and repayable after one year from the balance sheet date.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions with key management personnel

Key management include directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Salaries, bonus and other allowances and benefits in kind	2,326	2,424
Pension costs — defined contribution plans	27	72
	2,353	2,496

22. ULTIMATE HOLDING COMPANY

The ultimate holding company of the Company is Qingdao Haifa State-owned Capital Investment and Operation Group Co, Ltd. (formerly known as “Qingdao West Coast Development (Group) Limited”), which is a company incorporated in the PRC and controlled by the State-owned Asset Supervision and Administration Commission of Qingdao, PRC.