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CR Construction Group Holdings Limited

華營建築集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1582)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

The total revenue of the Group for the six months ended 30 June 2021 increased to approximately HK\$2,394.8 million as compared to that of approximately HK\$2,225.1 million (restated) for the six months ended 30 June 2020.

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

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

The Board has resolved to declare the payment of an interim dividend of HK2.5 cents per share to shareholders whose names appear on the register of members of the Company on Wednesday, 8 September 2021 and such interim dividend will not be subject to any withholding tax in Hong Kong.

The board (the “**Board**”) of directors (the “**Directors**”) of CR Construction Group Holdings Limited (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2020, as follows:

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

For the six months ended 30 June 2021

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2021

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

30 June 2021

		As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) (Restated) HK\$'000
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Provision		4,000	4,000
Lease liabilities	11	8,849	14,301
Deferred tax liabilities		902	1,317
		<hr/>	<hr/>
Total non-current liabilities		13,751	19,618
		<hr/>	<hr/>
Net assets		556,325	558,588
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		5,000	5,000
Reserves		551,325	553,588
		<hr/>	<hr/>
Total equity		556,325	558,588
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. CORPORATE AND GROUP INFORMATION

CR Construction Group Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit Nos. 3–16, Level 32, Standard Chartered Tower of Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2019 (the “**Listing**”).

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

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

2.1 ACQUISITION UNDER COMMON CONTROL

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

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

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

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

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

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

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

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

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

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

	At previously reported <i>HK\$'000</i>	Acquisition of TS <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
EQUITY				
Share capital	5,000	*	*	5,000
Reserves	572,418	(18,830)	*	553,588
	<u>577,418</u>	<u>(18,830)</u>	<u>–</u>	<u>558,588</u>
Total equity/(deficiency in assets)	<u>577,418</u>	<u>(18,830)</u>	<u>–</u>	<u>558,588</u>

* These items had amounts of less than a thousand.

2.2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 is unaudited and has been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

3. OPERATING SEGMENT INFORMATION

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

5. PROFIT BEFORE TAX

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

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

* 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.

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Current — Hong Kong Charge for the period	8,635	7,301
Deferred	(415)	(1,569)
Total tax charge for the period	<u>8,220</u>	<u>5,732</u>

8. DIVIDEND

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

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

11. LEASES

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

12. CONTRACT ASSETS

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

Notes:

- (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 generally one to three months.

The expected timing of recovery or settlement for contract assets, net of loss allowances, arising from construction services as at 30 June 2021 and 31 December 2020 is as follows:

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

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

The due date for settlement of the Group's retention receivables, net of loss allowances, as at 30 June 2021 and 31 December 2020 is as follows:

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

13. TRADE RECEIVABLES

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

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

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

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

14. TRADE AND RETENTION PAYABLES

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

Notes:

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

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

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

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

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans	Hong Kong Interbank Offered Rate (“HIBOR”)+ 1.2–1.6	On demand	<u>200,000</u>	HIBOR+ 1.4–1.6	On demand	<u>80,000</u>
				30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	
Analysed into:						
Bank loans repayable:						
On demand				<u>200,000</u>	<u>80,000</u>	

Note:

All borrowings were in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

As at 30 June 2021, the Group had 33 projects on hand with an aggregate original contract sum of approximately HK\$15.0 billion, which includes projects in progress and projects that have been awarded to the Group but not yet commenced. As at 31 December 2020, excluding the projects from the acquisition of Triumph Success Developments Limited, the Group had 27 projects on hand with an aggregate original contract sum of approximately HK\$15.9 billion.

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

THE PROSPECTS

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

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

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

FINANCIAL REVIEW

Revenue

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

Building Construction Works

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

RMAA Works

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

Contract Costs

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

Gross Profit and Gross Profit Margin

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

Building Construction Works

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

RMAA Works

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

Other Income

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

Administrative Expenses

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

Other Operating Expenses, net

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

Finance Costs

The finance costs of the Group increased by approximately HK\$0.2 million, from approximately HK\$6.7 million for the six months ended 30 June 2020 to approximately HK\$6.9 million for the six months ended 30 June 2021. The increase was mainly due to the increase in the interest expense for discounted amounts of retention payables arising from the passage of time, which was partly offset by the decrease in interest on bank loans.

Income Tax Expenses

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

Net Profit

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

The Company provides introductory training at the time when members of our staff first join us and thereafter regular on-the-job training, depending on the staff's role. In addition, it is our policy to provide training to our staff on an as-needed basis to enhance their technical and industry knowledge. During the Reporting Period, the Group has not experienced any significant 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 announcement.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

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

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

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

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

CAPITAL EXPENDITURE

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no other contingent liabilities as at 30 June 2021:

- (a) As at 30 June 2021, performance bonds of approximately HK\$1,348,654,000 (31 December 2020: HK\$1,064,180,000) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its 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.

FOREIGN EXCHANGE EXPOSURE

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

GEARING RATIO

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

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

DEBTS AND CHARGE ON ASSETS

The Group had interest-bearing bank borrowings of approximately HK\$200.0 million as at 30 June 2021 (31 December 2020: HK\$80.0 million). Analysis of the maturity profile of the interest-bearing bank borrowings of the Group as at 30 June 2021 and 31 December 2020 is set out in the note 15 to the interim condensed consolidated financial information of this announcement.

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.

USE OF PROCEEDS

The Shares were successfully listed on the Stock Exchange on the Listing Date. The net proceeds, after deducting related underwriting commission and listing expenses, were approximately HK\$97.7 million. The net proceeds from the Listing Date to 30 June 2021 (the “**Relevant Period**”) were utilised as follows:

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from strengthening the Group’s current business and future plans as disclosed in the Prospectus, the Group may from time to time consider appropriate new business opportunities as and when appropriate, in order to enhance its shareholders’ value. Save as disclosed herein, there was no specific plan for material investments or capital assets as at 30 June 2021.

DIVIDEND

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

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 6 September 2021 to Wednesday, 8 September 2021, both days inclusive, in order to determine the entitlement of the Company's shareholders who are entitled to receive the interim dividend, during which period no transfers of the Company's shares shall be effected. In order to qualify for the entitlement of the interim dividend, all transfer of the Company's shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 3 September 2021.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF INTERIM RESULTS

The unaudited consolidated interim results for the six months ended 30 June 2021 have been reviewed by the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by HKICPA. The Board, through the audit committee of the Company, has also conducted a review of the internal control and the unaudited consolidated interim results for the six months ended 30 June 2021.

SUBSEQUENT EVENT

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

PUBLICATION OF THE INTERIM RESULTS AND 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.cr-construction.com.hk>), and the interim report of the Group for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be dispatched to the Company’s shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
CR Construction Group Holdings Limited
Guan Manyu
Chairman

Hong Kong, 20 August 2021

As at the date of this announcement, the Company has five executive directors, namely Mr. Guan Manyu, Mr. Li Kar Yin, Ms. Chu Ping, Mr. Law Ming Kin, Mr. Chan Tak Yiu; one non-executive director, namely Mr. Yang Haojiang; and three independent non-executive directors, namely The Honourable Tse Wai Chun Paul JP, Mr. Ho Man Yiu Ivan, and Mr. Lau Pak Shing.