



2021

Interim Report

K 建榮地基

KIN WING

CHINNEY KIN WING HOLDINGS LIMITED

建業建榮控股有限公司*

(Incorporated in Bermuda with limited liability)
Stock Code : 1556



* for identification purpose only



CONTENTS

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	6
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Condensed Consolidated Statement of Financial Position	9
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Interim Financial Statements	13
Other Information	27

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Eric Wing-Hung YUEN

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Hang Seng Bank Limited
Shanghai Commercial Bank Limited
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited

AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2308, 23/F
Wing On Centre
111 Connaught Road Central
Hong Kong

STOCK CODE

SEHK 01556

BUSINESS ADDRESSES AND CONTACTS

Chinney Kin Wing Holdings Limited

Room 2308, 23/F
Wing On Centre
111 Connaught Road Central
Hong Kong

Tel : (852) 2877-3307
Fax : (852) 2877-2035
Website : <http://www.chinneykinwing.com.hk>
E-mail : enquiry@chinneykinwing.com.hk

Kin Wing Engineering Company Limited Kin Wing Foundations Limited Kin Wing Machinery & Transportation Limited

Block A&B, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2415-6509
Fax : (852) 2490-0173
Website : <http://www.kinwing.com.hk>
E-mail : kwecoltd@kinwing.com.hk

Kinwing Engineering (Macau) Company Limited

Alameda Dr. Carlos D'Assumpção
n°s 411-417, Praça Wong Chio
5° andar D-G
em Macau

Tel : (853) 2871-5564
(853) 2871-5718
Fax : (853) 2871-3948

DrilTech Ground Engineering Limited DrilTech Geotechnical Engineering Limited

Block A&B, 8th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2371-0008
Fax : (852) 2744-1037
Website : <http://www.driltech.com.hk>
E-mail : driltech@driltech.com.hk

DrilTech Ground Engineering (Macau) Limited

Alameda Dr. Carlos D'Assumpção
n°s 411-417, Praça Wong Chio
5° andar D-G
em Macau

Tel : (853) 2871-5564
(853) 2871-5718
Fax : (853) 2871-3948

DrilTech Ground Engineering (Singapore) Pte. Ltd.

80 Robinson Road
#25-00
Singapore 068898

Tel : (65) 6534-5755
Fax : (65) 6534-5766

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present to our shareholders the interim report of Chinney Kin Wing Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the six months ended 30 June 2021. The Group's revenue in the reporting period increased by 45.3% to HK\$998.3 million from the previous corresponding period of HK\$686.8 million. The profit and total comprehensive income for the period under review was HK\$34.6 million, represented an increase of 5.7% as compared with the previous corresponding period of HK\$32.8 million.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

BUSINESS AND OPERATION REVIEW

The Group is engaged in foundation construction and ancillary services (the "Foundation Division"), and drilling and site investigation works (the "Drilling Division") for both public and private sectors in Hong Kong and overseas.

As at 30 June 2021, the Group had 17 and 61 projects in progress with contract sums of approximately HK\$4,317 million and HK\$456 million in the Foundation and Drilling Divisions, respectively.

CONNECTED TRANSACTION

On 20 September 2016, Gold Famous Development Limited ("Gold Famous"), an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") and an indirect non wholly-owned subsidiary of Chinney Investments, Limited ("Chinney Investments"), as the employer entered into a framework agreement (the "Framework Agreement") with Kin Wing Foundations Limited ("KWF"), an indirect wholly-owned subsidiary of the Company and an indirect non wholly-owned subsidiary of Chinney Alliance Group Limited ("CAG"), as a contractor for the construction of piling foundation, pipe piling, bored pile wall works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong at a contract sum of HK\$210 million (the "Foundation Construction Works"). The entering into the Framework Agreement constituted a connected transaction of each of Chinney Investments, Hon Kwok, CAG and the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). On 7 November 2016, at the respective extraordinary general meetings held by each of Chinney Investments and Hon Kwok and at the respective special general meetings held by each of CAG and the Company, the transaction was approved by the independent shareholders of each of Chinney Investments, Hon Kwok, CAG and the Company.

Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok, CAG and the Company dated 20 September 2016 and the Company's circular dated 21 October 2016. During the six months ended 30 June 2021, no revenue was recognised by KWF as the Foundation Construction Works were substantially completed and pending for agreement of variation orders and final account of the project.

OUTLOOK AND FUTURE PLANS

With the gradual recovery of the economic growth in Hong Kong since the onset of the COVID-19 pandemic, the Group sees a moderate uptick of the foundation industry and expects a steady increase in tender opportunities for the foundation construction works from both the public and private sectors. Meanwhile, the set-up of our self-owned depot has enhanced the Group's plant maintenance and engineering works as well as the optimisation of the overall project management and production efficiencies. However, keen competition amongst the market players still persist in the foundation industry, together with the increasing trend of direct material cost and labour wages has added uncertain factors to the foundation contractors. Amid this dynamic and challenging environment, the Group shall remain prudent by staying close to the market trends and flexibly adjusting its operations strategies in ensuring the sustainable growth of the Group.

During the reporting period, our drilling division, DrilTech, was newly admitted as the specialist contractor of Rock-socketed Steel H-pile in Pre-bored Hole (Group II) under Development Bureau. With its advanced technology and machineries specialising in a broad spectrum of drilling services, and by capitalising our reputation for quality, excellence and innovation in the drilling industry, DrilTech has full confidence in winning more tender opportunities from both the public and private sectors. Additionally, DrilTech will speed up its new business line of laboratory and field testing under The Hong Kong Laboratory Accreditation Scheme by allocating more appropriate resources thereto. We expect that DrilTech will expand its scope of services as well as its client base and in turn increase its overall contributions to the Group.

As an established brand in the foundation industry, the Group strives for premium quality and adheres to its mission of becoming a trusted and reliable partner by formulating strategies in responding to the market needs of our clients. In addition, the Group has remained resilient and performed stably by leveraging our industry experience and expertise to capture opportunities in creating greater value to our shareholders and investors. We are conservatively optimistic to the long term development of the construction market in viewing that the Hong Kong Special Administrative Region will have HK\$100 billion annual capital expenditure in infrastructure in the coming years and the targeted provision of 316,000 units of public housing in the next decade.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the management team and all of all staff members for their contributions and commitment, particularly amid difficult conditions that were exacerbated by the pandemic. Also, my gratitude must certainly be extended to all of the Group's business partners and shareholders for their unwavering support. Going forward, we will make every effort to bolster our fundamentals and strive to safeguard our steady business growth in the long run.

Yuen-Keung Chan

Chairman

Hong Kong, 25 August 2021

BUSINESS AND OPERATION REVIEW

REVENUE

The Group's overall revenue increased by 45.3% from last year's corresponding period of HK\$686.8 million to current reporting period of HK\$998.3 million. The increase of revenue was primarily attributable to the satisfactory construction progress of certain sizeable foundation contracts, together with the increased revenue contribution from drilling and site investigation contracts in the reporting period.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit in the reporting period was HK\$129.2 million as compared with the previous corresponding period of HK\$104.4 million, represented an increase of 23.8%. The overall gross profit margin of the Group dropped from previous corresponding period of 15.2% to current reporting period of 12.9%. The decrease of gross profit margin was mainly due to the significant price increase of direct material cost as well as the high index level of labour wages in the foundation market. In addition, extra resources were utilised in stabilising the ground condition by complying with the stringent contract requirements. These combined effects had deteriorated the slimmed contract profit which being generated from the competitive and aggressive awarded contract price.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses was HK\$84.9 million in the reporting period, represented an increase of 21.4% as compared with the previous corresponding of HK\$70.0 million. The increase of administrative expenses was generally in line with the increased revenue in the reporting period, including the increased payment of HK\$4.0 million of employee benefit expense for rewarding the talented staff as well as HK\$4.3 million in upkeeping the efficiencies of the machinery fleets.

NET PROFIT

The Group's net profit for the reporting period was HK\$34.6 million, represented an increase of 5.7% when comparing with the previous corresponding period of HK\$32.8 million. The increase of net profit was due to the increased gross profit in the reporting period and being partly set-off with the increased administrative expenses.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had cash and bank balances of HK\$127.2 million as compared to HK\$80.6 million as at 31 December 2020. The increase of cash and bank balances was primarily due to the net cash inflow from certain sizeable foundation contracts, after the capital payment of HK\$35.4 million for the acquisition of plant and machineries and partial consideration payment of HK\$21.0 million for investment in an associate and the corresponding right-of-use assets during the reporting period. The Group had maintained a sound financial position during the period under review.

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the management closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group provided corporate guarantees and counter indemnities to certain banks and an insurance company for an aggregate amount of HK\$286.9 million (31 December 2020: HK\$288.9 million) for the issue of performance bonds in its ordinary course of business.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed 652 staff in Hong Kong. The Group is proud of the professional foundation and drilling contracting team formed by these colleagues. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE	4	998,278	686,820
Cost of construction		(869,031)	(582,398)
Gross profit		129,247	104,422
Other income and gains	4	6	5,621
Administrative expenses		(84,917)	(69,976)
Finance costs	6	(1,730)	(172)
PROFIT BEFORE TAX	5	42,606	39,895
Income tax expense	7	(8,000)	(7,144)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		34,606	32,751
Profit and total comprehensive income attributable to: Equity holders of the Company		34,606	32,751
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		HK 2.31 cents	HK 2.18 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	257,678	253,683
Right-of-use assets		180,386	185,068
Investment in an associate		121	121
Total non-current assets		438,185	438,872
CURRENT ASSETS			
Trade receivables	11	165,123	265,436
Contract assets		362,996	333,001
Prepayments, deposits and other receivables		23,349	23,210
Due from a fellow subsidiary		1,790	1,790
Tax recoverable		916	4,270
Cash and cash equivalents		127,246	80,587
Total current assets		681,420	708,294
CURRENT LIABILITIES			
Trade and retention monies payables	12	200,977	213,509
Other payables and accruals		273,757	301,249
Dividend payable		22,500	–
Tax payable		5,806	4,986
Lease liabilities		16	866
Total current liabilities		503,056	520,610
NET CURRENT ASSETS		178,364	187,684
TOTAL ASSETS LESS CURRENT LIABILITIES		616,549	626,556
NON-CURRENT LIABILITIES			
Other payable		61,528	81,431
Deferred tax liabilities		35,572	37,782
Total non-current liabilities		97,100	119,213
Net assets		519,449	507,343
EQUITY			
Equity attributable to holders of the Company			
Issued capital	13	150,000	150,000
Reserves		369,449	357,343
Total equity		519,449	507,343

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (Unaudited) HK\$'000	Share premium* (Unaudited) HK\$'000	Capital reserve* (Unaudited) HK\$'000	Merger reserve* (Unaudited) HK\$'000	Retained profits* (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2021	150,000	63,628	(1)	20,002	273,714	507,343
Profit and total comprehensive income for the period	-	-	-	-	34,606	34,606
Final 2020 dividend declared	-	-	-	-	(22,500)	(22,500)
At 30 June 2021	150,000	63,628	(1)	20,002	285,820	519,449
At 1 January 2020	150,000	63,628	(1)	20,002	219,034	452,663
Profit and total comprehensive income for the period	-	-	-	-	32,751	32,751
Final 2019 dividend declared	-	-	-	-	(22,500)	(22,500)
At 30 June 2020	150,000	63,628	(1)	20,002	229,285	462,914

The merger reserve of the Group represents the capital contribution from the equity holders of a subsidiary now comprising the Group before the completion of the Reorganisation.

* *These reserve accounts comprise the consolidated reserves of HK\$369,449,000 in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		42,606	39,895
Adjustments for:			
Finance costs		1,730	172
Interest income	4	(6)	(42)
Depreciation of property, plant and equipment	5	30,010	29,933
Depreciation of right-of-use assets	5	4,682	4,458
Loss on disposal of items of property, plant and equipment	5	1,433	–
		80,455	74,416
Decrease in trade receivables		100,313	58,705
Increase in contract assets		(29,995)	(47,611)
Increase in prepayments, deposits and other receivables		(139)	(7,458)
Decrease in amount due from a related company		–	5,250
Increase in amounts due to fellow subsidiaries		–	31
Increase/(decrease) in trade and retention monies payables		(12,532)	12,936
Decrease in other payables and accruals		(47,395)	(62,793)
		90,707	33,476
Cash generated from operations		(6,036)	(7,439)
Hong Kong profits tax paid			
		84,671	26,037
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		6	42
Purchase of items of property, plant and equipment		(35,438)	(15,205)
		(35,432)	(15,163)
Net cash flows used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(1,727)	(28)
Principal portion of lease payments		(853)	(4,634)
		(2,580)	(4,662)
Net cash flows used in financing activities			

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,659	6,212
Cash and cash equivalents at beginning of period	80,587	54,607
CASH AND CASH EQUIVALENTS AT END OF PERIOD	127,246	60,819
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	107,246	60,819
Non-pledged time deposits with original maturity of less than three months when acquired	20,000	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	127,246	60,819

1. CORPORATE INFORMATION

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

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

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

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for leasehold land which has been measured at fair value. The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA 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</i> (early adopted)

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2021

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	873,999	124,279	998,278
Intersegment sales	–	92,491	92,491
Other revenue	6	–	6
	874,005	216,770	1,090,775
<i>Reconciliation:</i>			
Elimination of intersegment sales			(92,491)
Other revenue			(6)
Revenue			998,278
Segment results	38,720	12,839	51,559
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(7,229)
Interest income			6
Finance costs			(1,730)
Profit before tax			42,606

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2021

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	952,966	162,489	1,115,455
<i>Reconciliation:</i>			
Corporate and other unallocated assets			4,150
Total assets			1,119,605
Segment liabilities	441,453	130,972	572,425
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			27,731
Total liabilities			600,156

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2020

	Foundation construction and ancillary services (Unaudited) <i>HK\$'000</i>	Drilling and site investigation (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	598,951	87,869	686,820
Intersegment sales	–	34,836	34,836
Other revenue	4,414	1,207	5,621
	<hr/>	<hr/>	<hr/>
	603,365	123,912	727,277
<i>Reconciliation:</i>			
Elimination of intersegment sales			(34,836)
Other revenue			<hr/> (5,621)
Revenue			<hr/> 686,820
Segment results	32,748	16,006	48,754
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(8,729)
Interest income			42
Finance costs			<hr/> (172)
Profit before tax			<hr/> 39,895

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2020

	Foundation construction and ancillary services (Audited) <i>HK\$'000</i>	Drilling and site investigation (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Segment assets	938,773	196,678	1,135,451
<i>Reconciliation:</i>			
Corporate and other unallocated assets			11,715
Total assets			1,147,166
Segment liabilities	481,451	151,594	633,045
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			6,778
Total liabilities			639,823

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Construction services	998,278	686,820

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

Disaggregate revenue information

Six months ended 30 June 2021

Segments

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Type of services			
Construction services	873,999	124,279	998,278
Geographical markets			
Hong Kong	873,999	124,279	998,278
Timing of revenue recognition			
Services transferred over time	873,999	124,279	998,278
Revenue from contracts with customers			
External customers	873,999	124,279	998,278
Intersegment sales	–	92,491	92,491
Other revenue	6	–	6
Segment revenue			
Elimination of intersegment sales	–	(92,491)	(92,491)
Other revenue	(6)	–	(6)
Revenue from contracts with customers	873,999	124,279	998,278

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

Disaggregate revenue information (continued)

Six months ended 30 June 2020

Segments

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Type of services			
Construction services	598,951	87,869	686,820
Geographical markets			
Hong Kong	598,951	87,869	686,820
Timing of revenue recognition			
Services transferred over time	598,951	87,869	686,820
Revenue from contracts with customers			
External customers	598,951	87,869	686,820
Intersegment sales	–	34,836	34,836
Other revenue	4,414	1,207	5,621
Segment revenue	603,365	123,912	727,277
Elimination of intersegment sales	–	(34,836)	(34,836)
Other revenue	(4,414)	(1,207)	(5,621)
Revenue from contracts with customers	598,951	87,869	686,820

OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Bank interest income	6	42
Government subsidies*	–	5,579
	6	5,621

* The government subsidies represented mainly grants from the Employment Support Scheme of the Hong Kong Government. There are no unfulfilled conditions or contingencies relating to these subsidies.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	30,010	29,933
Depreciation of right-of-use assets	4,682	4,458
Employee benefit expense (including directors' remuneration)	192,022	167,211
Lease payments not included in the measurement of lease liabilities	2,483	1,280
Loss on disposal of items of property, plant and equipment	1,433	–
Foreign exchange differences, net	95	29

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	3	144
Interest on bank borrowings	42	28
Interest on other payable	1,685	–
	1,730	172

7. INCOME TAX

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	10,230	7,304
Under/(over) provision in prior years	(20)	307
Deferred	(2,210)	(467)
Total tax charge for the period	8,000	7,144

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. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$34,606,000 (2020: HK\$32,751,000) and the number of ordinary shares of 1,500,000,000 (2020: 1,500,000,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2021 and 2020.

9. DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

The final dividend of HK1.5 cents per ordinary share for the year ended 31 December 2020 was approved by the Company's shareholders at the annual general meeting of the Company held on 4 June 2021 and paid on 7 July 2021.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a cost of HK\$35,438,000 (2020: HK\$15,205,000).

11. TRADE RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables	165,123	265,436

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. At 30 June 2021, the Group had certain concentration risk that may arise from the exposure to the largest customer and five largest customers, which accounted for 17% and 65% (31 December 2020: 24% and 66%) of the Group's total trade receivable balances, respectively.

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current to 30 days	126,396	212,363
31 to 60 days	23,171	41,066
61 to 90 days	7,191	2,353
Over 90 days	8,365	9,654
	165,123	265,436

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. TRADE AND RETENTION MONIES PAYABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade payables	145,157	167,375
Retention monies payable	55,820	46,134
	200,977	213,509

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade payables		
Current to 30 days	138,767	163,626
31 to 60 days	3,898	1,485
61 to 90 days	801	82
Over 90 days	1,691	2,182
	145,157	167,375
Retention monies payable	55,820	46,134
	200,977	213,509

The trade and retention monies payables are non-interest-bearing. Trade payables are normally settled on 30-day terms. Retention monies payable had repayment terms ranging from one to two years.

13. SHARE CAPITAL

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Authorised:		
3,000,000,000 (31 December 2020: 3,000,000,000) ordinary shares of HK\$0.10 each	300,000	300,000
Issued and fully paid:		
1,500,000,000 (31 December 2020: 1,500,000,000) ordinary shares of HK\$0.10 each	150,000	150,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. CONTINGENT LIABILITIES

As at 30 June 2021, the Group provided corporate guarantees and counter indemnities to certain banks and an insurance company for an aggregate amount of HK\$286,871,000 (31 December 2020: HK\$288,878,000) for the issue of performance bonds in its ordinary course of business.

15. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Rent paid to fellow subsidiaries	(i)	1,047	1,052
Rent paid to a related company	(i)	97	97
Purchases from fellow subsidiaries	(ii)	884	404

Notes:

- (i) Rents paid to fellow subsidiaries and a related company are based on the market price.
- (ii) In the opinion of the directors, the above transactions were made according to the published prices and conditions similar to those offered to other major customers and suppliers.

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Short-term employee benefits	18,532	16,177
Post-employment benefits	336	311
Total compensation paid to key management personnel	18,868	16,488

16. CAPITAL COMMITMENTS

As at 30 June 2021, the Group had contracted, but not provided for acquisition of plant and machineries in the amount of approximately HK\$10,861,000 (31 December 2020: Nil).

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

Fair value hierarchy

At 30 June 2021 and 31 December 2020, the Group did not have any financial assets and liabilities measured at fair value.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

18. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified from administrative expenses to cost of construction to conform with the current period's presentation, which would better reflect the performance of the Group.

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with all relevant code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2021.

Audit Committee

The audit committee of the Company (the “Audit Committee”) comprises all the three independent non-executive Directors, namely Mr. Siu-Chee Kong (Chairman of the Audit Committee), Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui. Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each year to review and oversee the Group’s financial reporting process and internal control. The Company’s interim results for the six months ended 30 June 2021 have not been audited, but have been reviewed by the Audit Committee.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Number of shares held, capacity and nature of interest				Total	Percentage of the Company’s issued share capital
	Personal interests	Family interests	Corporate interests			
Wing-Sang Yu	5,000,000	–	–		5,000,000	0.33%
Hin-Kwong So	2,000,000	–	–		2,000,000	0.13%

Save as disclosed above, as at 30 June 2021, none of the Directors had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six-month period ended 30 June 2021 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 30 June 2021, the interests and short positions of those persons in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	1	Interest through controlled corporations	1,117,500,000	74.50%
Chinney Alliance Group Limited		Beneficial owner	1,117,500,000	74.50%
Enhancement Investments Limited	1, 2	Interest through a controlled corporation	1,117,500,000	74.50%

Notes:

1. Dr. James Sai-Wing Wong and Enhancement Investments Limited are deemed to be interested in the same parcel of 1,117,500,000 shares by virtue of Section 316 of the SFO; and
2. Enhancement Investments Limited is beneficially wholly-owned by Dr. James Sai-Wing Wong.

Save as disclosed above, as at 30 June 2021, no person had registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2021.