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## CHINNEY KIN WING HOLDINGS LIMITED

建業建榮控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1556)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “Board”) of Chinney Kin Wing Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 together with comparative figures in 2021 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>REVENUE</b>	4	<b>851,928</b>	998,278
Cost of construction		<b>(724,505)</b>	(869,031)
Gross profit		<b>127,423</b>	129,247
Other income and gains	4	<b>9,735</b>	6
Administrative expenses		<b>(82,621)</b>	(84,917)
Impairment of trade receivables and contract assets		<b>(9,458)</b>	–
Finance costs	6	<b>(1,097)</b>	(1,730)
<b>PROFIT BEFORE TAX</b>	5	<b>43,982</b>	42,606
Income tax expense	7	<b>(8,461)</b>	(8,000)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>35,521</b>	34,606
Profit and total comprehensive income attributable to: Equity holders of the Company		<b>35,521</b>	34,606
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8	<b>HK 2.37 cents</b>	HK 2.31 cents
Basic and diluted		<b>HK 2.37 cents</b>	HK 2.31 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	260,354	261,589
Right-of-use assets		193,532	197,804
Investment in an associate		121	121
Deposits		1,376	5,527
		455,383	465,041
<b>CURRENT ASSETS</b>			
Trade receivables	11	149,471	191,808
Contract assets		300,913	332,293
Prepayments, deposits and other receivables		42,699	35,325
Due from a fellow subsidiary		1,790	1,790
Tax recoverable		–	1,764
Cash and cash equivalents		298,208	186,028
		793,081	749,008
<b>CURRENT LIABILITIES</b>			
Trade and retention monies payables	12	124,415	214,544
Other payables and accruals		447,186	344,497
Dividend payable		22,500	–
Tax payable		12,779	1,296
		606,880	560,337
<b>NET CURRENT ASSETS</b>			
		186,201	188,671
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		641,584	653,712
<b>NON-CURRENT LIABILITIES</b>			
Other payable		20,817	41,325
Deferred tax liabilities		34,916	39,557
		55,733	80,882
<b>Net assets</b>			
		585,851	572,830
<b>EQUITY</b>			
<b>Equity attributable to holders of the Company</b>			
Issued capital		150,000	150,000
Reserves		435,851	422,830
		585,851	572,830

NOTES:

**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 Rules Governing the Listing of Securities of the Stock Exchange (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 2021.

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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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 (the “Foundation Division”); and
- Drilling and site investigation (the “Drilling Division”).

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.

### 3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2022

	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>
<b>Segment revenue:</b>			
Sales to external customers	702,898	149,030	851,928
Intersegment sales	–	92,893	92,893
Other revenue	7,841	1,894	9,735
	<u>710,739</u>	<u>243,817</u>	<u>954,556</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(92,893)
Other revenue			<u>(9,735)</u>
Revenue			<u><u>851,928</u></u>
<b>Segment results</b>	<b>33,030</b>	<b>17,972</b>	<b>51,002</b>
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(5,942)
Interest income			19
Finance costs			<u>(1,097)</u>
Profit before tax			<u><u>43,982</u></u>
<b>As at 30 June 2022</b>			
	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>
<b>Segment assets</b>	<b>1,015,503</b>	<b>208,929</b>	<b>1,224,432</b>
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>24,032</u>
Total assets			<u><u>1,248,464</u></u>
<b>Segment liabilities</b>	<b>490,917</b>	<b>144,197</b>	<b>635,114</b>
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>27,499</u>
Total liabilities			<u><u>662,613</u></u>

### 3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2021

	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>
<b>Segment revenue:</b>			
Sales to external customers	873,999	124,279	998,278
Intersegment sales	–	92,491	92,491
Other revenue	6	–	6
	<u>874,005</u>	<u>216,770</u>	<u>1,090,775</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(92,491)
Other revenue			<u>(6)</u>
Revenue			<u><u>998,278</u></u>
<b>Segment results</b>	38,720	12,839	51,559
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(7,229)
Interest income			6
Finance costs			<u>(1,730)</u>
Profit before tax			<u><u>42,606</u></u>
As at 31 December 2021			
	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>
<b>Segment assets</b>	995,713	216,882	1,212,595
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>1,454</u>
Total assets			<u><u>1,214,049</u></u>
<b>Segment liabilities</b>	479,647	153,539	633,186
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>8,033</u>
Total liabilities			<u><u>641,219</u></u>

#### 4. REVENUE, OTHER INCOME AND GAINS

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

	<b>Six months ended 30 June</b>		
	<b>2022</b>	<b>2021</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
<i>Revenue from contracts with customers</i>			
Construction services	<b>851,928</b>	998,278	
	<b>851,928</b>	998,278	
<b>Revenue from contracts with customers</b>			
Disaggregate revenue information			
<b>Six months ended 30 June 2022</b>			
<b>Segments</b>			
	<b>Foundation construction and ancillary services (Unaudited) HK\$'000</b>	<b>Drilling and site investigation (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
<b>Type of services</b>			
Construction services	<b>702,898</b>	<b>149,030</b>	<b>851,928</b>
	<b>702,898</b>	<b>149,030</b>	<b>851,928</b>
<b>Geographical market</b>			
Hong Kong	<b>702,898</b>	<b>149,030</b>	<b>851,928</b>
	<b>702,898</b>	<b>149,030</b>	<b>851,928</b>
<b>Timing of revenue recognition</b>			
Services transferred over time	<b>702,898</b>	<b>149,030</b>	<b>851,928</b>
	<b>702,898</b>	<b>149,030</b>	<b>851,928</b>
<b>Revenue from contracts with customers</b>			
External customers	<b>702,898</b>	<b>149,030</b>	<b>851,928</b>
Intersegment sales	–	<b>92,893</b>	<b>92,893</b>
Other revenue	<b>7,841</b>	<b>1,894</b>	<b>9,735</b>
	<b>710,739</b>	<b>243,817</b>	<b>954,556</b>
Elimination of intersegment sales	–	<b>(92,893)</b>	<b>(92,893)</b>
Other revenue	<b>(7,841)</b>	<b>(1,894)</b>	<b>(9,735)</b>
	<b>710,739</b>	<b>243,817</b>	<b>954,556</b>
Revenue from contracts with customers	<b>702,898</b>	<b>149,030</b>	<b>851,928</b>
	<b>702,898</b>	<b>149,030</b>	<b>851,928</b>

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

##### Revenue from contracts with customers (continued)

Disaggregate revenue information (continued)

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
<b>Type of services</b>			
Construction services	873,999	124,279	998,278
<b>Geographical market</b>			
Hong Kong	873,999	124,279	998,278
<b>Timing of revenue recognition</b>			
Services transferred over time	873,999	124,279	998,278
<b>Revenue from contracts with customers</b>			
External customers	873,999	124,279	998,278
Intersegment sales	–	92,491	92,491
Other revenue	6	–	6
<b>Segment revenue</b>	874,005	216,770	1,090,775
Elimination of intersegment sales	–	(92,491)	(92,491)
Other revenue	(6)	–	(6)
Revenue from contracts with customers	873,999	124,279	998,278

##### OTHER INCOME AND GAINS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Bank interest income	<b>19</b>	6
Government subsidies*	<b>9,716</b>	–
	<b>9,735</b>	6

\* 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.

## 5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	31,050	30,010
Depreciation of right-of-use assets	4,271	4,682
Employee benefit expense (including directors' remuneration)	177,215	192,022
Lease payments not included in the measurement of lease liabilities	1,628	2,483
Loss on disposal of items of property, plant and equipment	–	1,433
Impairment of trade receivables	5,533	–
Impairment of contract assets	3,925	–
Foreign exchange differences, net	1,147	95
	<u>          </u>	<u>          </u>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities	–	3
Interest on bank borrowings	–	42
Implicit interest on other payable	1,097	1,685
	<u>          </u>	<u>          </u>
	<u>1,097</u>	<u>1,730</u>

## 7. INCOME TAX

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	13,111	10,230
Overprovision in prior years	(10)	(20)
Deferred	(4,640)	(2,210)
	<hr/>	<hr/>
Total tax charge for the period	8,461	8,000
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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\$35,521,000 (2021: HK\$34,606,000) and the number of ordinary shares of 1,500,000,000 (2021: 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 2022 and 2021.

## 9. DIVIDEND

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

The final dividend of HK1.5 cents per ordinary share for the year ended 31 December 2021 was approved by the Company's shareholders at the annual general meeting of the Company held on 2 June 2022 and paid on 6 July 2022.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with a cost of HK\$29,905,000 (2021: HK\$35,438,000).

## 11. TRADE RECEIVABLES

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Trade receivables	<b>155,004</b>	191,808
Impairment	<b>(5,533)</b>	–
	<b><u>149,471</u></b>	<b><u>191,808</u></b>

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 2022, the Group had certain concentration risk that may arise from the exposure to the largest customer and five largest customers, which accounted for 29% and 81% (31 December 2021: 34% and 74%) 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:

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Current to 30 days	<b>88,659</b>	131,567
31 to 60 days	<b>19,674</b>	51,089
61 to 90 days	<b>17,548</b>	7,553
Over 90 days	<b>23,590</b>	1,599
	<b><u>149,471</u></b>	<b><u>191,808</u></b>

## 12. TRADE AND RETENTION MONIES PAYABLES

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Trade payables	<b>70,711</b>	170,917
Retention monies payable	<b>53,704</b>	43,627
	<b>124,415</b>	214,544

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:

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Trade payables		
Current to 30 days	<b>36,205</b>	125,755
31 to 60 days	<b>27,558</b>	29,236
61 to 90 days	<b>4,102</b>	12,188
Over 90 days	<b>2,846</b>	3,738
	<b>70,711</b>	170,917
Retention monies payable	<b>53,704</b>	43,627
	<b>124,415</b>	214,544

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.

## **RESULTS**

The Board is pleased to announce that the Group recorded a turnover of HK\$851.9 million for the six months ended 30 June 2022 (2021: HK\$998.3 million) and achieved a profit of HK\$35.5 million (2021: HK\$34.6 million).

## **INTERIM DIVIDEND**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **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 2022, the Group had 9 and 51 projects in progress with contract sums of approximately HK\$3,256 million and HK\$756 million in the Foundation and Drilling Divisions respectively.

### ***Revenue***

The Group’s total revenue decreased by 14.7% from last year’s corresponding period of HK\$998.3 million to current reporting period of HK\$851.9 million. The decrease of revenue was primarily attributable to the near completion of certain sizeable foundation contracts in the first half of 2022 while the revenue contribution of the new major contracts will only be predominated in the second half of 2022.

### ***Gross profit and gross profit margin***

The Group’s total gross profit in the reporting period was HK\$127.4 million as compared with the previous corresponding period of HK\$129.2 million, represented a slightly decrease of 1.4%. The overall gross profit margin of the Group however increased from previous corresponding period of 12.9% to current reporting period of 15.0%. The increase of gross profit margin was mainly due to the increased tender opportunities in the foundation market which had in certain extent allowed the reasonableness of the margin being included in the awarded contract price. In addition, the technical difficulties which we anticipated during the site progress were effectively and actively rectified, together with our continually implemented stringent project cost control had minimised our overall project cost accordingly.

### ***Administrative expenses***

The Group's administrative expenses were HK\$82.6 million in the reporting period, represented a decrease of 2.7% as compared with the previous corresponding of HK\$84.9 million. The stabilisation of administrative expenses in both periods was attributable to the Group's persistently implementation of stringent control on administrative overheads.

### ***Net profit***

The Group's net profit for the reporting period was HK\$35.5 million, represented an increase of 2.6% when comparing with the previous corresponding period of HK\$34.6 million. The slightly increase of net profit was basically due to the decrease of administrative expenses in the reporting period. During the period under review, the Group had received subsidies of HK\$9.7 million from the Employment Support Scheme of the Hong Kong Government but the amount was mostly set-off by the allowance for impairment losses of HK\$9.5 million as provided in the reporting period in view of the long overdue trade receivables and related contract assets.

## **Financial Review**

### ***Liquidity and financial resources***

As at 30 June 2022, the Group had unpledged cash and bank balances of HK\$298.2 million as compared to HK\$186.0 million as at 31 December 2021. 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\$29.9 million for the acquisition of plant and machineries and part 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 and remained debt free 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 2022, the Group provided corporate guarantees and counter indemnities to certain banks and an insurance company for an aggregate amount of HK\$231.6 million (31 December 2021: HK\$253.7 million) for the issue of performance bonds in its ordinary course of business.

### ***Employees and remuneration policies***

As at 30 June 2022, the Group employed 574 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.

## **OUTLOOK AND FUTURE PLANS**

As Hong Kong continues to navigate the waves of the COVID-19 pandemic, we are starting to see signs of an economic upturn. Despite a 4% decline in the overall economy, our construction industry is demonstrating resilience, with current construction works by and large unscathed by health restrictions. There is a disparity between private and public sector works. During the first quarter, the gross value of construction works performed by main contractors fell by 1.1% compared to the previous year. On the other hand, public sector contracts increased by 20.3%. Going forward, we see public sector works leading the industry away from the pandemic gloom.

Closer to our business, we are still struggling with a labour shortage. Many of the current workers are aging out while young adults in Hong Kong are not choosing career opportunities in our industry. At the same time, inflation is raising the price of construction materials and increasing production costs. These two factors put pressure on profit margins.

Our Group is taking pro-active steps to address the growing demand for competent and skilled personnel. We are allocating resources including the setting-up of our Chinney Kin Wing Academy for developing staff competence, with a view to creating greater achievements within the Group and among our workforce.

At the same time, we are constantly reviewing our fleet to optimise our cost structures to protect our operating margins. We will allocate capital to modernise the fleet so as to drive cost efficiencies. Our new depot has an optimised machinery and equipment storage system and is operating at full capacity. It contributes to our operational efficiency by improving productivity and smoothing out project management.

As one of the key players in the foundation industry, we remain prudent and vigilant at all times with a finger on the market's pulse. This allows us to adjust our business strategies with great flexibility.

The Group's drilling and site investigation subsidiary DrilTech is running at full steam as well. Accredited with the Koden Test under The Hong Kong Laboratory Accreditation Scheme ("HOKLAS"), DrilTech will further enhance its field testing services in the drilling industry by applying different categories of testing licenses under HOKLAS. In addition, DrilTech has applied for the list of piling contractors under the Hong Kong Housing Authority. When approved, the listing will enhance its tender opportunities within the public sector. DrilTech will continue to diversify its business by allocating more resources to expand the service scope in marine ground investigation, geotechnical instrumentation and monitoring as well as field testing and is expected to increase its overall contribution to the Group.

The Government is dedicated to investing in construction and infrastructure works across the territory. This includes the development strategy of the Northern Metropolis and Lantau Tomorrow Vision, these projects will not only benefit the construction industry but also Hong Kong as a whole. As stated in the Hong Kong Budget 2022-23, a total of HK\$100 billion was earmarked for accelerating the implementation of infrastructure works relating to lands, housing and transportation within the Northern Metropolis. Such mega public infrastructure projects require a great deal of foundation works, which are translated into ample tender opportunities for the foundations industry. With the Group's strong reputation in the foundation market, alongside our continuous investment in machineries and facilities as well as talent development, we will continue to sharpen our competitive edge and look for appropriate opportunities to further extend our presence in both the private and public foundation sectors for the long-term sustainable growth.

## **APPRECIATION**

On behalf of the Board, I would like to thank the management team and the entire staff for their contribution and dedication, particularly during the difficult times plagued by the epidemic. I would also like to extend my gratitude to the Group's business partners and shareholders for their stellar support. Going forward, we will make every effort to bolster our fundamentals and safeguard steady business growth for the long run.

## **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 of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

### ***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 2022.

### ***Audit Committee***

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 of the Company 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 2022 have not been audited, but have been reviewed by the Audit Committee.

## **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 2022.

By Order of the Board  
**Yuen-Keung Chan**  
*Chairman*

Hong Kong, 30 August 2022

*At the date of this announcement, the Board comprises of eight directors, of which five are executive directors, namely Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong, Mr. Wing-Sang Yu, Mr. Philip Bing-Lun Lam and Mr. Hin-Kwong So; and three are independent non-executive directors, namely Mr. Siu-Chee Kong, Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui.*

\* *For identification purpose only*