



瑞港建設控股有限公司

Prosper Construction Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6816

Interim Report
2023





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Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors”) of Prosper Construction Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023 (the “Period”), together with the comparative figures for the corresponding period in 2022 (the “Previous Period”). These information should be read in conjunction with the annual report of the Company for the year ended 31 December 2022.

Business Review

As disease prevention measures gradually lifted during year 2022 after more than 2 years of restricted business activities since the COVID-19 outbreak, the Group took to expedite negotiation on a number of potential projects and successfully contracted for an auxiliary marine related service project in the Philippines and a pier construction project in Hong Kong, both of which have been launched but remained in the preliminary stage during the Period. Meanwhile, the Group’s key marine construction projects in Macao from prior years had been substantially completed by end of year 2022 and led to a trough in the operation cycle of its marine construction business segment during the Period with relatively low revenue.

The Group’s general construction business segment also experienced a slowdown during the Period, as a few relatively large scale projects were at early stage of commencement and not yet in full progress during the Period. Furthermore, the launch of potential real estate projects has been delayed pending decision and administrative procedures from project owners. Management considers the drop in revenue during the Period is temporary in nature which coincides with the current macroeconomic conditions.

A summary of the Group’s revenue by geographic locations and major projects for the Period is set out below.

	Revenue recognised for the Period HK\$'million	Contribution to total revenue
Marine construction works and auxiliary marine related services (collectively, the “Marine Engineering”)		
Hong Kong		
Structural steel works for ecommerce centre	22.9	2.6%
Others	50.8	5.8%
The Philippines		
Auxiliary marine related services	30.1	3.5%
Other locations	3.6	0.4%
General construction contracting services (the “General Construction”)		
Qingdao		
Arts and crafts college	96.7	11.1%
Residential and commercial complex	65.1	7.4%
College student residence	40.9	4.7%
Residential development project	37.0	4.2%
Industrial complex building 1&2	35.5	4.1%
Other smaller general construction projects	491.7	56.2%
Total	874.3	100.0%

Outlook

The Group's new marine engineering project in the Philippines has been temporarily suspended since August 2023 after being launched earlier during the Period; we understand from the project owner that there is further administrative clearance pending from local governmental body before the project may be resumed. As relatively high level of preliminary expenditures were incurred by the Group to prepare for the launch of the said project, the current project suspension will delay the generation of revenue and recovery of costs from the project; such has negatively impacted the operating results of the Group for the Period and is expected to have detrimental effects on the Group for the full year 2023. Meanwhile in Macao, the Group had entered into a cooperation agreement with the main contractor of a new land reclamation project in Macao, the commencement of which is pending for administrative clearance; the Group is also closely monitoring the development of potential marine construction projects under planning by our target customers along the belt-and-road region where it has commendable business record.

As with the General Construction segment, the Group will focus on negotiations with central government controlled property development operators on potential construction projects to capture business opportunities associated with governmental initiative for urban development of the Qingdao West Coast New Area. Furthermore, in order to enhance access to market intelligence, construction solution capability and overall reach and competitiveness, the Group acquired control in an architectural design company in January 2023.

Overall, the Group expects the various challenges in both its Marine Engineering and General Construction segments will continue during the remaining part of year 2023, rendering unfavourable outlook for the Group's revenue and profitability in the short term. Looking beyond the current uncertain macroeconomic conditions, the Group shall follow the strong national development roadmap and is well-positioned to take on opportunities available on the national or cross-nation level in the post-pandemic period brought on by governmental policies to stimulate economy rebound and is confident that its business strategies will drive the Group towards becoming a well-respected integrated construction and engineering solution provider.

The status of the Group's key projects on hand is set out below.

Projects that have already commenced as at 30 June 2023	Estimated remaining contract value
Qingdao	
Technology personnel residential project	RMB616 million
Science and technology innovation centre project	RMB537 million
Commercial centre project	RMB537 million
Residential and commercial complex phase 1	RMB244 million
Residential development project	RMB130 million
Commercial data centre phase 4	RMB122 million
Hong Kong	
Structural steel works for an ecommerce facility	HK\$21 million
Pier construction at outlying island	HK\$73 million
The Philippines	
Auxiliary marine related services	US\$51 million

Management Discussion and Analysis (Continued)

Projects commencing or newly awarded after 30 June 2023	Estimated remaining contract value
Qingdao	
Lingshan Bay residential project phase 2	RMB116 million
Media centre curtain wall	RMB107 million

Financial Review

Revenue

The Group recorded revenue of HK\$874.3 million for the Period, representing a decrease of HK\$425.9 million or approximately 32.7% from the Previous Period as a result of (i) decrease in revenue from Marine Engineering segment by HK\$188.6 million or approximately 63.7%; and (ii) decrease in revenue from General Construction segment generated from Qingdao by HK\$237.3 million or approximately 23.6%.

As mentioned in the Business Review section above, the Group's key projects in the Marine Engineering segment were substantially completed by end of year 2022 while newly launched projects were still at the preliminary stage during the Period, leading to the substantial drop in revenue; and fewer potential new projects in the General Construction segment were launched during the Period owing to economic uncertainties. A breakdown of the Group's revenue from major projects and by geographic location is set out in the Business Review above and in note 5 to the consolidated financial information.

Cost of sales and gross profit

Cost of sales decreased by HK\$379.3 million or 31.5% to HK\$826.1 million for the Period, which generally coincided with the drop in revenue. Gross profit for the Period was further affected by preliminary expenditures incurred, such as repairs on and mobilisation of vessels and equipment, and staff costs, on the launch of a marine engineering project in the Philippines during the Period. As a result, the gross profit and gross profit margin declined from HK\$94.8 million and 7.3% for the Previous Period to HK\$48.2 million and 5.5% for the Period respectively.

Other (losses)/gains

The Group recorded other losses of HK\$2.3 million, which mainly comprised (i) foreign exchange loss of HK\$3.7 million mainly as a result of depreciation of Indonesia Rupiah against Hong Kong Dollars; and (ii) partially offset by gain on disposal of property plant and equipment of HK\$0.7 million.

Research and development expenses

Research and development expenses increased by HK\$2.6 million to HK\$7.5 million for the Period as more resources were allocated to the research and development of curtain wall engineering and construction technology.

Other administrative expenses

Other administrative expenses decreased by HK\$5.2 million to approximately HK\$48.5 million for the Period as a result of (i) decrease in profession and audit fees by HK\$1.3 million; (ii) decrease in bank charges by HK\$1.1 million; and (iii) a general decrease of other expenses for PRC operations owing to depreciation of Renminbi against Hong Kong Dollars for the Period.

Finance costs

Finance costs increased by approximately HK\$1.8 million or 6.0% to HK\$31.6 million for the Period as a result of increase in bank borrowings in our PRC operations and general increase in interest rates.

Income tax expense

Income tax expense for the Period is substantially comprised of income tax on the Group's general construction contracting business in Qingdao, which is subject to PRC corporate income tax at a rate of 25%, except Honghai Curtain Wall is entitled to the preferential tax rate of 15% since year 2019.

(Loss)/profit for the period

Owing to the substantial drop in gross profit for the Period, the increase in foreign exchange losses and research and development expenses for reasons mentioned above, the Group recorded a loss after taxation of HK\$43.6 million for the Period, as opposed to a profit of HK\$7.1 million for the Previous Period.

Property, plant and equipment

As at 30 June 2023, the Group owned a total of 41 units of marine vessels, 190 units of machinery and equipment, and an office building located in Qingdao, PRC.

The additions to property, plant and equipment during the Period were mainly related to modification and overhaul of the Group's vessels.

Trade, retention and notes receivables

The Group's trade and retention receivables increased by approximately HK\$54.1 million during the Period to HK\$914.2 million as at 30 June 2023, of which approximately HK\$267.5 million pertained to the Marine Engineering segment while approximately HK\$646.7 million pertained to the General Construction segment. Trade and retention receivables in the Marine Engineering segment mainly comprised of receivables for works on projects completed and pending settlement of final accounts. Trade receivables in the General Construction segment mainly comprised works performed pending certification by customers.

Management Discussion and Analysis (Continued)

The Group's amounts due from fellow subsidiaries increased by approximately HK\$143.1 million to HK\$1,200.0 million as at 30 June 2023, which pertained to receivables for works on projects of the General Construction business segment pending settlement by the fellow subsidiaries.

There was a slight deterioration in the aging profile of the Group's trade receivables balance and amounts due from fellow subsidiaries as at 30 June 2023; management will exert additional efforts on recovery of these balances in the remaining part of year 2023.

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

Contract assets/liabilities

Contract assets represent amounts due from customers for contract works performed which had not been billed as at the end of the Period. The balance of contract assets as at 30 June 2023 for the Marine Engineering segment and General Construction segment was approximately HK\$266.7 million and HK\$1,194.4 million respectively. Majority of the contract assets in the Marine Engineering segment was related to completed projects in Macao which were pending the finalisation of project account. The Group has commenced dispute resolution procedures for the aforesaid projects and expects to be able to recover not less than the carrying value of the contract assets for these projects. There is no indication of any disputes regarding contract assets balances in the General Construction segment.

Contract liabilities as at 30 June 2023 represent amounts due to contract customers for payment received in excess of revenue recognisable by the Group according to the progress achieved.

Liquidity, financial resources and capital structure

The Group's net current asset balance and net debt were approximately HK\$476.6 million (31 December 2022: HK\$469.5 million) and HK\$1,089.5 million (31 December 2022: HK\$672.8 million) respectively as at 30 June 2023. The Group's gearing ratio (calculated by dividing total debts by total equity) as at 30 June 2023 was 247.1% (31 December 2022: 198.4%). The increase in gearing during the Period was due to drawdown of loans to finance for loss incurred during the Period. The maturity profile of the Group's borrowings is set out in note 19 to the interim condensed consolidated financial information.

Foreign exchange

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



Employees and Remuneration Policies

The Group had 690 staff as at 30 June 2023 (31 December 2022: 638) and the total staff costs of the Group (including Directors' emoluments, salaries to staff, direct wages and other staff benefits included provident fund contributions and other staff benefits) for the Period was approximately HK\$88.3 million (Previous Period: HK\$93.1 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance by salary revision, bonus and promotion as suited. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

Capital Expenditures and Commitments

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

During the Period, the Group invested approximately HK\$19.2 million in the acquisition of property, plant and equipment, which comprised approximately HK\$17.4 million in vessels and approximately HK\$0.8 million in motor vehicles, etc.

The Group had no material capital commitments as at 30 June 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Significant Investments Held

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

Charges on Assets

As at 30 June 2023, deposits of not less than HK\$42.1 million (31 December 2022: HK\$42.1 million) were pledged to secure for the Group's bank borrowings.



Management Discussion and Analysis (Continued)

Contingent Liabilities

Contingent liabilities in relation to performance bonds of construction contracts

As at 30 June 2023, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group were HK\$52.9 million (31 December 2022: HK\$52.9 million). The performance bonds as at 30 June 2023 is expected to be released in accordance with the terms of the respective construction contracts.

Involvement in litigation

A subsidiary of the Group is one of the two defendants to a litigation in which they are alleged to have caused damage to certain facilities of the plaintiff during a typhoon in 2018. The plaintiff is claiming damages for HK\$112 million subject to adjustments. As advised by the Group's independent legal advisor, the case is at an early stage before exchanging evidence and it is not possible to give a firm evaluation of the likelihood of the outcome or estimate the possible amount of loss, if any. Consequently, no provision in relation to the litigation has been made in the consolidated financial statements as at 30 June 2023 and 31 December 2022.

Share Option Scheme

The Company adopted a share option scheme on 22 June 2016 to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. No options have been granted, exercised or cancelled since then and up to 30 June 2023.

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

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

Disclosure of Interests

Directors' interests in the Company

As at 30 June 2023, no Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Substantial shareholders' interests in the Company

So far as the Directors are aware, as at 30 June 2023, the interest and short positions of the persons, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Shareholder	Number of shares/Position	Percentage of shareholding	Capacity
Qingdao West Coast Holdings (Internation) Limited	498,000,000 Long position	62.25%	Beneficial owner
West Coast Investment (Hong Kong) Limited ^(Note 1)	498,000,000 Long position	62.25%	Interest of a controlled corporation
West Coast Holdings (Hong Kong) Limited ^(Note 1)	498,000,000 Long position	62.25%	Interest of a controlled corporation
Qingdao West Coast Holding Development Limited* 青島西海岸控股發展有限公司 ^(Note 1)	498,000,000 Long position	62.25%	Interest of a controlled corporation
Qingdao Haifa State-owned Capital Investment and Operation Group Co. Ltd.* 青島海發國有資本投資運營集團有限公司 ^(Note 1)	498,000,000 Long position	62.25%	Interest of a controlled corporation
Qingdao State-owned Assets Supervision and Administration Commission of the State Council	498,000,000 Long position	62.25%	Interest of a controlled corporation
Sky Hero Global Limited (“Sky Hero”)	102,000,000 Long position	12.75%	Beneficial owner
Sold Jewel Investments Limited ^(Note 2) (“Solid Jewel”)	102,000,000 Long position	12.75%	Interest of a controlled corporation
Mr. Cui Qi ^(Note 2)	102,000,000 Long position	12.75%	Interest of a controlled corporation
Ms. Mu Zhen ^(Note 3)	102,000,000 Long position	12.75%	Interest of spouse

Management Discussion and Analysis (Continued)

Notes:

1. Each of these entities was wholly owned and controlled by the Qingdao State-owned Assets Supervision and Administration Commission of the State Council and was deemed under the SFO to be interested in all the Share which are directly and beneficially owned by Qingdao West Coast Holdings (International) Limited.
 2. Sky Hero is wholly-owned by Solid Jewel, which is in turn owned as to 60% by Mr. Cui Qi. Solid Jewel is deemed or taken to be interested in all the Shares which are beneficially owned by Sky Hero under the SFO.
 3. Ms. Mu Zhen is the spouse of Mr. Cui Qi and she is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Cui Qi under the SFO.
- * *For identification purpose only*

Corporate Governance Practices

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

Directors' Securities Transactions

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

Dividend

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

Events After End of the Period

The Group's new marine engineering project in the Philippines has been temporarily suspended since August 2023 after being launched earlier during the Period; we understand from the project owner that there is further administrative clearance pending from local governmental body before the project may be resumed. Depending on the suspension duration before the project is resumed, there may be further detrimental impacts on the Group's operating results.

Except as stated in above paragraph, no significant event has occurred subsequent to 30 June 2023 which would have material effect on the Group.

Audit Committee

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Note	Unaudited Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Revenue	5	874,322	1,300,249
Cost of sales		(826,120)	(1,205,403)
Gross profit		48,202	94,846
Other (losses)/gains, net	7	(2,336)	996
Provision for impairment losses on financial assets		(1,555)	–
Research and development expenses		(7,497)	(4,920)
Other administrative expenses		(48,531)	(53,724)
Operating profit		(11,717)	37,198
Finance income	8	228	654
Finance costs	8	(31,638)	(29,860)
Finance costs, net		(31,410)	(29,206)
(Loss)/profit before income tax	6	(43,127)	7,992
Income tax expense	9	(458)	(919)
(Loss)/profit for the period		(43,585)	7,073
(Loss)/profit is attributable to:			
Owner of the Company		(49,349)	3,845
Non-controlling interests		5,764	3,228
		(43,585)	7,073
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit of loss</i>			
Currency translation differences		(4,102)	(21,329)
Other comprehensive loss for the period		(4,102)	(21,329)
Total comprehensive (loss)/income for the period is attributable to:			
Owner of the Company		(55,240)	(17,394)
Non-controlling interests		7,553	3,138
Total comprehensive loss for the period		(47,687)	(14,256)
Basic and diluted (loss)/earnings per share (HK cents)	11	(6.17)	0.48

The notes on pages 16 to 40 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Balance Sheet

As at 30 June 2023

	Note	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	337,063	331,348
Investment properties		8,623	15,561
Right-of-use assets	13	64,861	68,078
Goodwill		36,625	39,990
Intangible assets		17,423	18,715
Deferred tax assets		6,377	7,845
Deposits and prepayments		20,321	25,473
		491,293	507,010
Current assets			
Inventory		18,382	13,259
Trade, retention and note receivables	14	914,238	860,176
Amounts due from fellow subsidiaries	14, 21(c)	1,200,006	1,056,869
Deposits, prepayments and other receivables	15	246,000	261,065
Contract assets	16	1,461,092	1,629,966
Time deposits with maturity over 3 months		9,161	204
Pledged bank deposits		102,206	236,978
Restricted cash		181	4,008
Cash and cash equivalents		223,770	324,459
		4,175,036	4,386,984
Total assets		4,666,329	4,893,994
EQUITY			
Capital and reserves			
Share capital	17	8,000	8,000
Reserves		444,552	499,792
		452,552	507,792
Non-controlling interests		124,078	116,525
Total equity		576,630	624,317

Interim Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2023

	Note	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	251,461	209,395
Loan from an intermediate holding company		130,000	130,000
Lease liabilities		2,995	3,348
Deferred income tax liabilities		6,805	9,435
		391,261	352,178
Current liabilities			
Trade, retention and notes payables	18	2,056,617	2,599,104
Accruals and other payables		272,196	294,219
Contract liabilities	16	38,989	7,646
Amount due to a related company		386	909
Amounts due to fellow subsidiaries	21(c)	227,709	35,536
Loan from an intermediate holding company		15,852	15,852
Amount due to non-controlling interests		47,014	47,163
Borrowings	19	1,027,471	883,171
Lease liabilities		2,331	2,088
Income tax payable		9,873	31,811
		3,698,438	3,917,499
Total liabilities		4,089,699	4,269,677
Total equity and liabilities		4,666,329	4,893,994

The notes on pages 16 to 40 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Exchange reserves HK\$'000	Statutory reserves HK\$'000	Retained earnings HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2022	8,000	214,840	23,506	6,045	4,904	286,127	99,977	643,399
Comprehensive income								
Profit for the period	-	-	-	-	-	3,845	3,228	7,073
Exchange differences	-	-	-	(21,239)	-	-	(90)	(21,329)
Transaction with owners								
Appropriation to statutory reserves	-	-	-	-	802	(802)	-	-
At 30 June 2022 (unaudited)	8,000	214,840	23,506	(15,194)	5,706	289,170	103,115	629,143
At 1 January 2023	8,000	214,840	23,506	(17,399)	8,387	270,458	116,525	624,317
Comprehensive income								
Profit for the period	-	-	-	-	-	(49,349)	5,764	(43,585)
Exchange differences	-	-	-	(5,891)	-	-	1,789	(4,102)
Transaction with owners								
Appropriation to statutory reserves	-	-	-	-	1,068	(1,068)	-	-
At 30 June 2023 (unaudited)	8,000	214,840	23,506	(23,290)	9,455	220,041	124,078	576,630

The notes on pages 16 to 40 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(409,062)	246,309
Net cash generated from investing activities	99,068	5,679
Net cash generated from/(used in) financing activities	197,606	(16,063)
Net (decrease)/increase in cash and cash equivalents	(112,388)	235,925
Cash and cash equivalents at beginning of the period	324,459	291,838
Effect of foreign exchange rate changes	11,700	32,864
Cash and cash equivalents at end of the period	223,771	560,627

The notes on pages 16 to 40 are an integral part of this condensed consolidated interim financial information.



Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

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

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2023 has not been audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2022 ("2022 Financial Statements").

2.1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the 2022 Financial Statements, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

2.2 Accounting policies

The accounting policies applied are consistent with those of the 2022 Financial Statements, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies (Continued)

(a) New and amended standards adopted by the Group

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2022 Financial Statements.

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

3.2 Fair value estimation

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the critical accounting estimates and judgments applied were consistent with those described in the 2022 Financial Statements.

5. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Note	Unaudited Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Rendering of services, recognised over time			
– Marine construction works		73,728	282,602
– Auxiliary marine related services		33,677	13,445
– General construction contracting services		766,917	1,004,202
		874,322	1,300,249

(b) Segment Information

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Profit or loss

	Marine construction works HK\$'000	Auxiliary marine related services HK\$'000	General construction contracting services HK\$'000	Total HK\$'000
For the six months ended 30 June 2023 (unaudited)				
Segment revenue from external customers	73,728	33,677	766,917	874,322
Segment results	2,415	(36,390)	29,767	(4,208)
Unallocated expenses				(3,331)
Depreciation of property, plant and equipment				(3,096)
Depreciation of right-of-use assets				(1,081)
Finance costs, net				(31,411)
Profit before income tax				(43,127)
Income tax expenses				(458)
Profit for the period				(43,585)
Included in segment results are:				
Depreciation and amortisation	(5,896)	(4,686)	(4,420)	(15,002)
For the six months ended 30 June 2022 (unaudited)				
Segment revenue from external customers	282,602	13,445	1,004,202	1,300,249
Segment results	9,424	339	35,386	45,149
Unallocated expenses				(5,166)
Depreciation of property, plant and equipment				(1,120)
Depreciation of right-of-use assets				(1,665)
Finance costs, net				(29,206)
Profit before income tax				7,992
Income tax expenses				(919)
Profit for the period				7,073
Included in segment results are:				
Depreciation and amortisation	(7,149)	(2,599)	(2,812)	(12,560)

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Assets

	Marine construction works HK\$'000	Auxiliary marine related services HK\$'000	General construction contracting services HK\$'000	Total HK\$'000
At 30 June 2023 (unaudited)				
Segment assets	774,179	38,547	3,561,497	4,374,223
Unallocated assets				292,106
Total assets				4,666,329
Additions to non-current assets	760	21,058	1,061	22,879
At 31 December 2022 (audited)				
Segment assets	513,958	221,428	3,532,791	4,268,177
Unallocated assets				625,817
Total assets				4,893,994
Additions to non-current assets	9,051	4,595	32,559	46,205

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Liabilities

	Marine construction works HK\$'000	Auxiliary marine related services HK\$'000	General construction contracting services HK\$'000	Total HK\$'000
At 30 June 2023 (unaudited)				
Segment liabilities	94,059	5,005	2,541,569	2,640,633
Borrowings				1,278,932
Loan from an intermediate holding company				145,852
Income tax payable				9,873
Deferred tax liabilities				6,805
Unallocated liabilities				7,604
Total liabilities				4,089,699
At 31 December 2022 (audited)				
Segment liabilities	61,501	5,224	2,597,571	2,664,296
Borrowings				1,092,566
Loan from an intermediate holding company				145,852
Income tax payable				31,811
Deferred tax liabilities				9,435
Unallocated liabilities				325,717
Total liabilities				4,269,677

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Revenue from external customers

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Cambodia	–	2,668
Hong Kong	74,242	141,928
Macao	–	141,912
Mainland China	766,917	1,004,202
Philippine	30,125	–
Indonesia	3,038	9,539
	874,322	1,300,249

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

Non-current assets

Based on countries of domicile of companies holding the assets:

	Unaudited	Audited
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Hong Kong	211,297	201,899
Mainland China	120,433	130,215
Indonesia	7,880	7,891
Macao	6,076	6,904
	345,686	346,909

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Non-current assets (Continued)

Based on physical location of the assets:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Hong Kong	94,800	91,297
Indonesia	7,880	7,891
Macao	68,626	55,176
Mainland China	125,901	154,199
Malaysia	12,488	12,825
Pakistan	22,829	23,610
Philippines	13,162	1,881
	345,686	346,909

6. PROFIT BEFORE INCOME TAX

	Unaudited Six months ended 30 June 2023 HK\$'000	2022 HK\$'000
Staff cost including directors' emoluments (<i>note</i>)	88,285	93,147
Auditor's remuneration	–	–
Cost of sales excluding direct staff costs	768,271	1,138,886
Depreciation of property, plant and equipment (<i>Note 12</i>)	13,681	12,691
Depreciation of right-of-use assets	1,081	1,665
Leases expenses relating to short-term leases and leases of low-value assets	198	5
Legal and professional fees	6,491	9,459

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. PROFIT BEFORE INCOME TAX (Continued)

Note:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Wages and salaries	76,095	85,557
Pension costs — defined contribution plans	10,441	7,190
Other employment benefits	1,749	400
	88,285	93,147
Charged to cost of sales	57,849	(66,517)
Charged to administrative expenses	30,436	(26,630)

7. OTHER (LOSSES)/GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	654	85
Foreign exchange (losses)/gains	(3,723)	3,740
Sundry losses	(43)	(2,829)
	(2,336)	996

Notes to the Condensed Consolidated Interim Financial Information (Continued)

8. FINANCE COSTS, NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Finance income		
– Interest income on bank balances	228	654
Finance costs		
– Interest expense on bank loans	(31,524)	(29,809)
– Interest expense on lease liabilities	(114)	(51)
Finance costs, net	(31,410)	(29,206)

9. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax charged/(credited) to the interim condensed consolidated statement of comprehensive income represents:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong profits tax over provision in prior years	–	(23)
Indonesia income tax		
– Withholding income tax	84	135
PRC corporate income tax		
– Current income tax	374	807
	458	919

Indonesia income tax is charged through a system of withholding taxes. Companies are required to withhold final income tax for construction works performance and interest income from bank deposits. The income tax has been provided at the rate of 3% of the construction income and 20% of the interest income from bank deposits for the six months ended 30 June 2023.

PRC corporate income tax has been provided at a rate of 25% on the estimated assessable profit for the six months ended 30 June 2023, except that Qingdao Honghai Curtain Wall Company Limited which satisfied as a High-New Technology Enterprise and is entitled to the preferential tax rate of 15% since 2019.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

10. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (2022: Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	Unaudited Six months ended 30 June	
	2023	2022
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(49,349)	3,845
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ('000)	800,000	800,000
Basic (loss)/earnings per share (HK cents)	(6.17)	0.48

(b) Diluted

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Machinery and equipment HK\$'000	Vessels HK\$'000	Motor vehicles HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
Six months ended 30 June 2023 (unaudited)								
Opening net book amount	92,972	56	7,326	40,416	188,714	1,864	-	331,348
Additions/(disposal)	-	6	475	239	17,432	751	313	19,216
Depreciation	(1,597)	(13)	(1,192)	(3,960)	(6,622)	(297)	-	(13,681)
Exchange differences	681	-	(301)	(625)	278	(71)	218	180
Closing net book amount	92,056	49	6,308	36,070	199,802	2,247	531	337,063

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Right-of-use assets		
Non-current	64,861	68,078
Lease liabilities		
Non-current	2,995	3,348
Current	2,331	2,088
	5,326	5,436

Additions to the right-of-use assets during the six months ended 30 June 2023 and 2022 were HK\$581,000 and Nil respectively.

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

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

	Unaudited Six months ended 30 June 2023 HK\$'000	2022 HK\$'000
Depreciation charge of right-of-use assets	1,081	1,665
Interest expenses on lease liabilities (Note 8)	114	51
Leases expenses relating to short-term leases of machineries and equipment	10,861	30,356
Leases expenses relating to short-term leases of low value assets	198	60

The total cash outflow for leases excluding short-term leases and leases of low-value assets during the six months ended 30 June 2023 and 2022 were HK\$1,425,000 and HK\$2,409,000 respectively.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade receivables	826,577	730,365
Retention receivables	84,556	110,088
Note receivables	3,105	19,723
Trade, retention and note receivables	914,238	860,176

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 1 year	163,211	505,537
1 to 2 years	462,305	101,161
Over 2 years	201,061	123,667
	826,577	730,365

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 1 year	9,381	25,504
Between 1 and 5 years	53,870	64,814
Over 5 years	21,305	19,770
	84,556	110,088

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 1 year	322,534	840,870
1 to 2 years	671,292	215,999
Over 2 years	206,180	–
	1,200,006	1,056,896

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Deposits, prepayments and other receivables (note)	266,321	286,538
Less: non-current deposits	20,321	25,473
Current	246,000	261,065

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Contract assets		
Provision of construction services – third parties	107,898	892,694
Provision of construction services – fellow subsidiaries	1,374,143	758,221
Less: loss allowance	(20,949)	(20,949)
	1,461,092	1,629,966
Contract liabilities		
Provision of construction services	38,989	7,646

17. SHARE CAPITAL

The Company's share capital as at 30 June 2023 and 31 December 2022 was as follows:

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18. TRADE AND RETENTION PAYABLES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade payables	1,895,209	2,280,459
Notes payables	154,000	310,090
Retention payables	7,408	8,555
	2,056,617	2,599,104

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

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 1 year	1,608,591	1,980,958
Over 1 year	286,618	299,501
	1,895,209	2,280,459

The aging analysis of the notes payables based on invoice date was a follows:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 1 year	154,000	310,090

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18. TRADE AND RETENTION PAYABLES (Continued)

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 1 year	1,470	3,162
Between 1 year and 2 years	3,053	1,619
Between 2 years and 5 years	2,885	3,774
	7,408	8,555

19. BORROWINGS

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Non-current:		
Long-term bank loans	251,461	209,395
Current:		
Long-term bank loans due for repayment within one year	185,387	201,395
Short-term bank borrowings	842,084	681,776
	1,027,471	883,171
Total borrowings	1,278,932	1,092,566

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19. BORROWINGS (Continued)

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

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 1 year	788,929	883,171
Between 1 year and 2 years	382,593	182,865
Between 2 years and 5 years	107,410	26,530
	1,278,932	1,092,566

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
HK\$	228,598	213,322
MOP	67,961	67,961
RMB	982,373	811,283
	1,278,932	1,092,566

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

19. BORROWINGS (Continued)

- (d) The Group's loan facilities are subject to annual review and secured or guaranteed by:
- (i) unlimited guarantees provided by the Company as at 30 June 2023 and 31 December 2022;
 - (ii) unlimited guarantees provided by the ultimate holding company as at 30 June 2023 and 31 December 2022;
 - (iii) deposits of not less than HK\$42,147,000 as at 30 June 2023 (31 December 2022: HK\$42,147,000); and
 - (iv) guarantees of HK\$315,049,000 (31 December 2022: HK\$315,049,000) from a subsidiary for a bank facility which covers a loan of HK\$67,961,000 (31 December 2022: HK\$67,961,000) and performance bond facility of HK\$52,914,000 (31 December 2022: HK\$52,914,000) as at 30 June 2023.

20. CONTINGENT LIABILITIES AND DISPUTES

Contingent Liabilities

Contingent liabilities in relation to performance bonds of construction contracts

As at 30 June 2023, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group were HK\$52.9 million (31 December 2022: HK\$52.9 million). The performance bonds as at 30 June 2023 is expected to be released in accordance with the terms of the respective construction contracts.

Involvement in litigation

A subsidiary of the Group is one of the two defendants to a litigation in which they are alleged to have caused damage to certain facilities of the plaintiff during a typhoon in 2018. The plaintiff is claiming damages for HK\$112 million subject to adjustments. As advised by the Group's independent legal advisor, the case is at an early stage before exchanging evidence and it is not possible to give a firm evaluation of the likelihood of the outcome or estimate the possible amount of loss, if any. Consequently, no provision in relation to the litigation has been made in the consolidated financial statements as at 30 June 2023 and 31 December 2022.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. RELATED PARTY TRANSACTIONS

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

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the six months ended 30 June 2023 and 2022:

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

21. RELATED PARTY TRANSACTIONS (Continued)

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the six months ended 30 June 2023 and 2022: (Continued)

Name of the related party	Relationship with the Group
Qingdao Xifa Cangmashan Agricultural Development Limited (青島西發藏馬山農業發展有限公司) ("Xifa Cangmashan Agricultural")	A fellow subsidiary
Qingdao Oriental Fashion Development Construction Limited (青島東方時尚開發建設有限公司) ("Oriental Fashion")	A fellow subsidiary
Qingdao Xifa Healthcare Limited (青島西發康養醫療有限公司) ("Xifa Healthcare")	A fellow subsidiary
Qingdao Big Data Technology Development Limited (青島大數據科技發展有限公司) ("Big Data Technology Development")	A fellow subsidiary
Beijing Film Academy Modern Creative Media College (北京電影學院現代創意媒體學院) ("Beijing Film Academy")	A fellow subsidiary
Oriental Movie Metropolis Rongchuang Investment Limited (東方影都融創投資有限公司) ("Oriental Movie Metropolis")	A fellow subsidiary
Qingdao West Coast Tianze Construction Development Limited (青島西海岸天澤建設發展有限公司) ("West Coast Tianze")	A fellow subsidiary
Qingdao Haifa Tianqing Construction Limited (青島海發天清建設有限公司) ("Haifa Tianqing")	A fellow subsidiary
Qingdao Aucma Environmental Technology Limited (青島澳柯瑪環境科技有限公司) ("Aucma Environmental Technology")	A fellow subsidiary
Qingdao West Coast Financing Guarantee Limited (青島西海岸融資擔保有限公司) ("West Coast Financing")	A fellow subsidiary
Qingdao Haifa Cultural (Group) Limited (青島海發文化(集團)有限公司) ("Haifa Cultural")	A fellow subsidiary

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions

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

	Unaudited	
	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Rental expenses to Shenzhen Changsheng	–	1,154
Construction project costs paid to Big Data Technology Development	2,857	341
Construction project costs paid to Xifa Cangmashan Agricultural	–	157
Interest expenses to West Coast Investment (Hong Kong) Limited	3,545	2,117
Construction project income from related parties:		
Xifa Properties	337	157,936
West Coast New District	125,736	273,644
Rongchuang Xifa	14,448	99,272
Xifa Cangmashan Construction	71	3,255
West Coast Sky	9,429	7,217
West Coast Technology Investment	–	93,437
Xifa Cangmashan Agricultural	–	725
West Coast New Village District	–	14,415
Oriental Fashion	26,584	60,156
Xifa Healthcare	–	2,273
West Coast Technology Innovation	42,465	–
Blue Valley Medical Management	53	–
Haifa Investment	28,020	–
Aucma Refrigeration Appliance	35,519	–
Xifa Commercial Factoring	49	–
Qingdao Film Academy	48,744	–
Haifa Tianqing	1,257	–
West Coast Tianze	2,124	–

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000	Nature
Amounts due from fellow subsidiaries (<i>note (i)</i>)	1,200,006	1,056,869	Trade
Amounts due to fellow subsidiaries			
— Big Data Technology Development (<i>note (ii)</i>)	(10,032)	(7,011)	Trade
— Xifa Cangmashan Agricultural (<i>note (ii)</i>)	—	(301)	Trade
— Xifa Commercial Factoring (<i>note (iii)</i>)	(217,677)	(28,224)	Non-trade
	(227,709)	(35,536)	
Amount due to a related party Shenzhen Changsheng (<i>note (iv)</i>)	(386)	(909)	Trade
Loan from an intermediate holding company West Coast Investment (Hong Kong) Limited (<i>note (v)</i>)	(145,852)	(145,852)	Non-trade

Notes:

- (i) The amounts due from fellow subsidiaries were unsecured, interest free and generally has no credit period granted. The ageing of amounts due from fellow subsidiaries were within one year. The carrying amounts of amounts due from fellow subsidiaries approximated their fair values and were denominated in RMB.
- (ii) The amounts due to fellow subsidiaries were unsecured, interest free and no credit period was granted generally. The ageing of amount due to fellow subsidiaries were within one year. The carrying amount of amount due to fellow subsidiaries were approximated its fair value and were denominated in RMB.
- (iii) The amount due to Xifa Commercial Factoring represented the suppliers invoices factoring arrangement among the Group's suppliers and Xifa Commercial Factoring, where the Group's suppliers factor their invoices to the Group via Xifa Commercial Factoring and our payables to suppliers become payables to Xifa Commercial Factoring. There were no transaction between the Group and Xifa Commercial Factoring. The amount due to Xifa Commercial Factoring was unsecured, interest free and repayable within one year. The carrying amount of amount due to Xifa Commercial Factoring approximated its fair value and was denominated in RMB.
- (iv) The amount due to a related party was unsecured, interest free and repayable within one year.
- (v) Loans from an intermediate holding company of HK\$130,000,000 (2022: HK\$130,000,000) were guaranteed by the Company with fixed interest rate at 4.10% per annum (2022: 4.10% per annum), approximated their fair values, denominated in HK\$ and are repayable after one year from the balance sheet date.

Loan from an intermediate holding company of HK\$15,852,000 (2022: HK\$15,852,000) was guaranteed by the Company with fixed rate at 4.95% per annum (2022: 4.95% per annum), approximated its fair value, denominated in RMB and is repayable in 2023.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions with key management personnel

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

	Unaudited Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Salaries, bonus and other allowances and benefits in kind	1,192	2,326
Pension costs — defined contribution plans	36	27
	1,228	2,353

22. ULTIMATE HOLDING COMPANY

Management considers Qingdao Haifa State-owned Capital Investment and Operation Group Co., Ltd as the ultimate holding company of the Group, which is a company incorporated in the PRC and controlled by the State-owned Asset Supervision and Administration Commission of Qingdao.