



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

2021 Interim Report





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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 2021 (the “Period”), together with the comparative figures for the corresponding period in 2020 (the “Previous Period”). These information should be read in conjunction with the annual report of the Company for the year ended 31 December 2020.

BUSINESS REVIEW

During the six months ended 30 June 2021, the Group’s marine construction business remained relatively stable and mainly driven by projects in Macao. All of the Group’s marine construction projects overseas have been substantially completed previously and did not contribute significant revenue for the Period. In the general construction contracting segment, the Group completed the acquisition of a 34% equity interest in Qingdao Honghai Curtain Wall Co., Ltd.* (青島宏海幕牆有限公司) (“Honghai Curtain Wall”) in January 2021 and gained control over its board simultaneously. It is envisaged that the operation of Honghai Curtain Wall will complement and synergise with the Group’s general construction contracting business and facilitate the Group’s development as a comprehensive construction services provider in the People’s Republic of China (the “PRC”). During the Period, the majority of the Group’s revenue in the general construction contracting segment was derived from projects related to Qingdao West Coast Development (Group) Limited* (青島西海岸發展(集團)有限公司) (“Qingdao West Coast Development”, together with its subsidiaries, collectively referred to as “West Coast Group”), which is the controlling shareholder of the Company. A breakdown of the Group’s revenue by geographic location and major projects for the Period is set out in the table below.

	Revenue recognised for the Period HK\$'million	Contribution to total revenue
Marine construction works and auxiliary marine related services (collectively, the “Marine Business”)		
Macao		
Two land reclamation projects	148.7	15.1%
Trestle bridge and dredging in relation to cross-harbour bridge project	33.9	3.5%
Engineering, procurement and construction (“EPC”) contract for electricity generation facility	15.7	1.6%
Others	6.3	0.6%
Pakistan		
Auxiliary marine services for port authority	8.4	0.9%
Other locations		
Marine construction works	6.4	0.7%
Auxiliary marine services	12.9	1.3%
General construction contracting services (the “General Construction Business”)		
Qingdao		
Landong & Lanxi re-development projects	207.0	21.1%
Innovation and Technology Centre construction work	108.2	11.0%
Office building construction work	136.0	13.8%
Other smaller general construction projects	299.5	30.4%
Total	983.0	100.0%

Management Discussion and Analysis (Continued)

As noted above, revenue General Construction Business contributed approximately HK\$750.7 million or 76.3% of the Group's revenue for the Period, out of which approximately HK\$583.2 or 59.3% of the Group's total revenue was derived from the West Coast Group.

OUTLOOK AND PROSPECTS

Majority of the Group's projects in Macao are expected to be substantially completed by the end of year 2021 and the Group is actively engaged in the bidding for new projects in Macao scheduled to be launched in the next twelve months; the marine construction market in Macao is expected to maintain a steady and growing trend in the foreseeable future. The launch of marine construction projects in Hong Kong is expected to speed up as proceedings at the legislative council returned to normal and disruptions caused by the COVID-19 outbreak subsided; meanwhile the Group has secured two new marine construction projects in Hong Kong with estimated contract sum of over HK\$100 million each during the Period. On the other hand, the exploration and negotiation of projects at overseas locations, such as Pakistan, Indonesia and the Philippines, have been restricted owing to the prolonged outbreak of COVID-19; nonetheless, the Group is incessantly monitoring market development and keeping communication with our potential customers to stay abreast of business opportunities in such regions.

As part of the governmental initiative for urban development of the Qingdao West Coast New Area, the Group expects a large number of projects to be launched in the foreseeable future and the Group's participation in construction projects related to the West Coast Group will continue to rise. Accordingly, the Group has entered into a supplemental agreement with the Qingdao West Coast Development in June 2021 for upward revision of annual caps of construction services transactions to be entered into between the Group and the West Coast Group for the three years ending 31 December 2021, 2022 and 2023.

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

	Location	Estimated remaining contract sum HK\$ million	Expected time of completion
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Project(s) that have already commenced as at 30 June 2021

EPC contract for an electricity generation facility	Macao	377.2	End of year 2021
Land reclamation projects	Macao	53.5	End of year 2021
Trestle bridge and dredging in relation to a cross-harbour bridge project	Macao	51.4	Third quarter of year 2023
Landong and Lanxi re-development projects	Qingdao City	327.0	End of year 2021
Office building construction project	Qingdao West Coast New Area	101.4	End of year 2021
Innovation and Technology Business Centre construction work	Qingdao Lingshan Bay Culture Industry Area	919.5	Second quarter of 2024
Elderly nursing home and integrated medical centre construction project	Qingdao Chengyang district	178.5	Third quarter of 2023

Project(s) commencing or newly awarded after 30 June 2021

Rock placement for pipeline project	Hong Kong	166.5	Second quarter of year 2022
Public landing facility project	Hong Kong	116.0	Second quarter of year 2023

Management Discussion and Analysis (Continued)

Going forward, the Group's Marine Business will focus on exploring opportunities in overseas, Macao and Hong Kong while simultaneously support the development and technical diversification of its General Construction Business in the PRC; as such, it is envisaged that the General Construction Business will continue to be the key revenue driver for the Group, with a significant portion of revenue sourced through the West Coast Group. Overall, the Group will remain dedicated to cultivate growth in both its General Construction Business and Marine Business by capturing business opportunities in both public and private sectors in the PRC, particularly in the greater Qingdao area and Macao, and overseas locations.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of HK\$983.0 million for the Period, representing an increase of approximately 98.4% from the Previous Period as a result of (i) increase in revenue from marine construction works by approximately HK\$92.2 million, mainly from projects in Macao; (ii) increase in revenue from General Construction Business generated from Qingdao by approximately HK\$494.2 million; and (iii) partially offset by the drop in revenue from auxiliary marine related services as substantial portions of such projects had been completed prior to the Period. A breakdown of the Group's revenue from major projects and by geographic location is set out in the section headed "Business Review" above and in note 5 to the consolidated financial information.

Cost of sales and gross profit

Cost of sales for the Period increased by 100.0% to HK\$923.2 million; the percentage increase in cost of sales is higher than the increase in revenue due to (i) a substantial increase in revenue from general construction contracting business in Qingdao which required a high proportion of subcontracting works and therefore yielded a relatively lower profit margin as compared to marine construction business; and (ii) a lower proportion of revenue was derived from auxiliary marine services, which generally yields a higher profit margin as less direct costs are required as compared to marine construction works.

As a result, while the gross profit for the Period increased by HK\$25.3 million or approximately 73.4% to HK\$59.8 million driven by the growth in revenue, the gross profit margin of the Group declined to 6.1%, as compared to 7.0% for the Previous Period.

Other administrative expenses

Other administrative expenses for the Period increased to approximately HK\$43.7 million as compared to approximately HK\$21.7 million for the Previous Period as a result of (i) administrative expenses in the ordinary operation of the newly acquired Honghai Curtain Wall, which mainly comprised staff costs; and (ii) increase in legal and professional fees by HK\$2.9 million to HK\$7.3 million for the Period, mainly due to fee incurred for the acquisition of Honghai Curtain Wall and handling of connected transactions.

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% in years 2019, 2020 and 2021. The Group did not generate any profits chargeable to income tax in Hong Kong and Macao during the Period.

Management Discussion and Analysis (Continued)

Profit for the period

In spite of the increase in revenue and gross profit, the Group recorded substantial rise in administrative overhead and income tax expense during the Period and as such, the Group's profit for the Period decreased by approximately 23.7% to approximately HK\$5.8 million.

Property, plant and equipment

As at 30 June 2021, the Group owned a total of 40 units of marine vessels and 84 units of machinery and equipment and an office building located in Qingdao, PRC.

The Group acquired property, plant and equipment amounted to HK\$13.5 million through the acquisition of Honghai Curtain Wall during the Period.

Trade and retention receivables

The Group's trade and retention receivables decreased by approximately HK\$8.1 million to HK\$395.7 million as at 30 June 2021, of which approximately HK\$226.1 million pertained to the Marine Business segment while approximately HK\$169.6 million pertained to the General Construction Business segment. Trade and retention receivables in the Marine Business mainly comprised of receivables for works on projects already completed and pending settlement of final accounts. Trade receivables in the General Construction Business mainly comprised works performed pending certification by customers.

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

Contract assets/liabilities

Contract assets represent amounts due from customers for contract works performed which had not been billed as at the end of the reporting period. The balance of contract assets as at 30 June 2021 for the Marine Business and General Construction Business was approximately HK\$200.0 million and HK\$975.9 million respectively. Majority of the contract assets in the Marine Business was related to three completed projects in Hong Kong which were pending the finalisation of project account. The Group has commenced dispute resolution procedures for the aforesaid three completed projects and based on preliminary assessment by the Group's project legal consultant, the Group is expected to be able to recover not less than the carrying value of the contract assets for these projects.

Contract liabilities as at 30 June 2021 represent amounts due to contract customers for payment received in excess of revenue recognisable by the Group according to the progress achieved, mainly in relation to the Group's land reclamation project in Macao.

Liquidity, financial resources and capital structure

The Group maintained a healthy liquidity position with net current asset balance and net debt position of approximately HK\$599.5 million (31 December 2020: HK\$367.8 million) and HK\$547.8 million (31 December 2020: HK\$168.0 million) respectively as at 30 June 2021. The Group's gearing ratio (calculated by dividing total debts by total equity) as at 30 June 2021 was 187.9% (31 December 2020: 80.4%). The increase in gearing during the Period was due to (i) funds used in the acquisition of Honghai Curtain Wall; (ii) funds used for the improvement and repairs and maintenance works on vessels; and (iii) drawdown of loans to finance for working capitals to support business growth. The maturity profile of the Group's borrowings is set out in note 18 to the interim condensed consolidated financial information.

Management Discussion and Analysis (Continued)

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 498 staff as at 30 June 2021 (31 December 2020: 298) 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\$69.3 million (Previous Period: HK\$48.1 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\$33.6 million in the acquisition of property, plant and equipment, which comprised approximately HK\$28.2 million in buildings, HK\$3.7 million in vessels and approximately HK\$0.5 million in machinery and equipment.

Management Discussion and Analysis (Continued)

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group completed the acquisition of 34% equity interests in Honghai Curtain Wall at a consideration of approximately RMB49.9 million (subject to adjustment), the details of which have been disclosed in the announcement and circular of the Company dated 16 November 2020 and 18 December 2020 respectively. Upon completion, Honghai Curtain Wall has become an indirect non-wholly owned subsidiary of the Company and the financial results, assets and liabilities of Honghai Curtain Wall have been consolidated into the financial statement of the Group. Details of the purchase consideration, the net assets acquired and goodwill are set out in note 19 of the interim condensed consolidated financial information.

Other than the above, 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 2021, property, plant and equipment with carrying value of (i) approximately nil (31 December 2020: HK\$6.2 million) and deposits of not less than HK\$27.0 million (31 December 2020: HK\$23.7 million) were pledged to secure for the Group's bank borrowings; and (ii) approximately HK\$63.4 million (31 December 2020: HK\$44.4 million) were pledged as security for provision of a performance bond and a prepayment surety bond for the Group's project in Macao.

CONTINGENT LIABILITIES

As at 30 June 2021, 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\$128.8 million (31 December 2020: HK\$128.8 million). The performance bonds as at 30 June 2021 are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on these performance bonds, the Group has no material contingent liabilities.

Management Discussion and Analysis (Continued)

DISCLOSURE OF INTERESTS

As at 30 June 2021, the interests and short positions of Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), are as follow:

Directors’ interests in the Company

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

Directors’ interests in associated corporations of the Company

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

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

Management Discussion and Analysis (Continued)

So far as the directors are aware, as at 30 June 2021, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follow:

Substantial shareholders' interests in the Company

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

Notes:

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

* For identification purpose only

Management Discussion and Analysis (Continued)

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 June 2016 to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. No options have been granted, exercised or cancelled since then and up to 30 June 2021.

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

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

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

DIVIDEND

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

EVENTS AFTER END OF THE PERIOD

No significant event has occurred subsequent to 30 June 2021 which would have material effect on the Group.

AUDIT COMMITTEE

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Note	Unaudited Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenue	5	982,975	495,530
Cost of sales		(923,190)	(461,042)
Gross profit		59,785	34,488
Other gains, net	7	3,265	1,175
Other administrative expenses		(43,682)	(21,708)
Operating profit		19,368	13,955
Finance income	8	52	188
Finance costs	8	(9,076)	(5,417)
Finance costs, net		(9,024)	(5,229)
Profit before income tax	6	10,344	8,726
Income tax expense	9	(4,541)	(1,121)
Profit for the period		5,803	7,605
Profit is attributable to:			
Owner of the Company		4,812	6,785
Non-controlling interests		991	820
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit of loss</i>			
Currency translation differences		(2,461)	(7,445)
Other comprehensive loss for the period		(2,461)	(7,445)
Total comprehensive income/(loss) for the period is attributable to:			
Owner of the Company		1,564	(657)
Non-controlling interests		1,778	817
Total comprehensive income for the period		3,342	160
Basic and diluted earnings per share (HK cents)	11	0.60	0.95

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

Interim Condensed Consolidated Balance Sheet

As at 30 June 2021

	Note	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	276,117	240,568
Investment properties		9,717	9,707
Right-of-use assets	13	68,885	39,049
Goodwill	19	42,717	16,395
Intangible assets		27,248	9,138
Deferred tax assets		3,146	—
Deposits and prepayments	14	18,672	23,414
		446,502	338,271
Current assets			
Inventory		99,808	2,574
Trade and retention receivables	14	395,695	403,764
Amounts due from fellow subsidiaries	21(d)	98,949	50,305
Deposits, prepayments and other receivables	14	183,055	64,829
Contract assets	15	1,175,942	616,206
Time deposits with maturity over 3 months		11,163	23,847
Pledged bank deposits		27,000	23,700
Restricted cash		—	1,513
Cash and cash equivalents		246,076	228,821
		2,237,688	1,415,559
Total assets		2,684,190	1,753,830
EQUITY			
Capital and reserves			
Share capital	16	8,000	8,000
Reserves		528,756	527,192
		536,756	535,192
Non-controlling interests		86,461	19,680
Total equity		623,217	554,872

Interim Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2021

	Note	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	300,673	34,147
Loan from an intermediate holding company	21(d)	100,000	100,000
Lease liabilities	13	3,295	918
Deferred income tax liabilities		18,801	16,118
		422,769	151,183
Current liabilities			
Trade and retention payables	17	955,657	652,222
Accruals and other payables		189,844	60,493
Contract liabilities	15	33,783	9,209
Amount due to a related company	21(d)	33	98
Amount due to non-controlling interests		—	1,043
Borrowings	18	431,324	311,699
Lease liabilities	13	1,975	1,130
Income tax payable		25,588	11,881
		1,638,204	1,047,775
Total liabilities		2,060,973	1,198,958
Total equity and liabilities		2,684,190	1,753,830

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Share capital	Share premium	Other reserves	Exchange reserves	Statutory reserves	Retained earnings	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	8,000	214,840	23,104	(3,801)	—	274,859	—	517,002
Comprehensive income								
Profit for the period	—	—	—	—	—	6,785	820	7,605
Exchange differences	—	—	—	(7,442)	—	—	(3)	(7,445)
Total comprehensive income	—	—	—	(7,442)	—	6,785	817	160
Transaction with owners								
Acquisition of a subsidiary	—	—	—	—	—	—	14,425	14,425
At 30 June 2020 (unaudited)	8,000	214,840	23,104	(11,243)	—	281,644	15,242	531,587
At 1 January 2021	8,000	214,840	23,104	798	1,309	287,141	19,680	554,872
Comprehensive income								
Profit for the period	—	—	—	—	—	4,812	991	5,803
Exchange differences	—	—	—	(3,248)	—	—	787	(2,461)
Transaction with owners								
Acquisition of a subsidiary (note 19)	—	—	—	—	—	—	65,003	65,003
Appropriation to statutory reserves	—	—	—	—	1,745	(1,745)	—	—
At 30 June 2021 (unaudited)	8,000	214,840	23,104	(2,450)	3,054	290,208	86,461	623,217

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Net cash used in operating activities	(274,070)	(105,535)
Net cash used in investing activities	(82,554)	(61,462)
Net cash generated from financing activities	365,368	28,507
Net increase/(decrease) in cash and cash equivalents	8,744	(138,490)
Cash and cash equivalents at beginning of the period	228,821	336,164
Effect of foreign exchange rate changes	8,511	(3,374)
Cash and cash equivalents at end of the period	246,076	194,300

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

Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

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

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2021 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 2020 ("2020 Financial Statements").

2.1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020 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 2020 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.

The other standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

(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 2020 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 2020 Financial Statements.

5. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Rendering of services, recognised over time		
– Marine construction works	210,444	118,217
– Auxiliary marine related services	21,827	120,826
– General construction contracting services	750,704	256,487
	982,975	495,530

(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 2021 (unaudited)				
Segment revenue from external customers	210,444	21,827	750,704	982,975
Segment results	13,628	1,591	15,424	30,643
Unallocated expenses				(8,791)
Depreciation of property, plant and equipment				(515)
Depreciation of right-of-use assets				(1,969)
Finance costs, net				(9,024)
Profit before income tax				10,344
Income tax expenses				(4,541)
Profit for the period				5,803
Included in segment results are: Depreciation and amortisation	(7,308)	(2,510)	(1,194)	(11,012)
For the six months ended 30 June 2020 (unaudited)				
Segment revenue from external customers	118,217	120,826	256,487	495,530
Segment results	17,943	1,988	6,079	26,010
Unallocated expenses				(7,025)
Depreciation of property, plant and equipment				(3,279)
Depreciation of right-of-use assets				(1,751)
Finance costs, net				(5,229)
Profit before income tax				8,726
Income tax expenses				(1,121)
Profit for the period				7,605
Included in segment results are: Depreciation and amortisation	(3,516)	(2,321)	(1,812)	(7,649)

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 2021 (unaudited)				
Segment assets	473,165	196,253	1,635,381	2,304,799
Unallocated assets				379,391
Total assets				2,684,190
Additions to non-current assets	1,869	2,249	29,510	33,628
At 31 December 2020 (audited)				
Segment assets	295,208	192,857	959,782	1,447,847
Unallocated assets				305,983
Total assets				1,753,830
Additions to non-current assets	52,566	—	3,173	55,739

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 2021 (unaudited)				
Segment liabilities	58,788	6,157	1,102,786	1,167,731
Borrowings				731,997
Loan from an intermediate holding company				100,000
Income tax payable				25,588
Deferred tax liabilities				18,801
Unallocated liabilities				16,856
Total liabilities				2,060,973
At 31 December 2020 (audited)				
Segment liabilities	43,510	448	668,277	712,235
Borrowings				345,846
Loan from an intermediate holding company				100,000
Income tax payable				11,881
Deferred tax liabilities				16,118
Unallocated liabilities				12,878
Total liabilities				1,198,958

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

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

Revenue from external customers

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Bangladesh	5,534	4,613
Cambodia	—	11,890
Hong Kong	13,350	1,479
Macao	204,610	116,738
Mainland China	750,704	256,487
Pakistan	8,418	38,472
Indonesia	359	—
Vietnam	—	65,851
	982,975	495,530

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 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
	Hong Kong	201,312
Indonesia	9,266	9,971
Macao	9,623	10,146
Mainland China	65,627	23,917
Malaysia	6	6
	285,834	250,275

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 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Hong Kong	80,766	104,158
Indonesia	9,266	9,971
Macao	110,875	78,763
Mainland China	65,627	30,323
Malaysia	6	6
Pakistan	19,294	24,904
Philippines	—	2,150
	285,834	250,275

6. PROFIT BEFORE INCOME TAX

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Staff cost including directors' emoluments (note)	69,315	48,076
Auditor's remuneration	—	—
Cost of sales excluding direct staff costs	873,805	421,632
Depreciation of property, plant and equipment (Note 12)	11,527	10,928
Depreciation of right-of-use assets	1,969	1,751
Leases expenses relating to short-term leases and leases of low-value assets	46	79
Legal and professional fees	7,291	4,396

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. PROFIT BEFORE INCOME TAX (Continued)

Note:

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Wages and salaries	64,744	46,217
Pension costs — defined contribution plans	4,424	1,632
Other employment benefits	147	227
	69,315	48,076
Less: amounts charged to cost of sales	(49,385)	(39,410)
Less: amounts charged to administrative expenses	(19,930)	(8,666)

7. OTHER GAINS, NET

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
(Loss)/gain on disposal of property, plant and equipment	(722)	53
Foreign exchange gains	3,408	882
Sundry income	579	240
	3,265	1,175

8. FINANCE COSTS, NET

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Finance income		
— Interest income on bank balances	52	188
Finance costs		
— Interest expense on bank loans	(8,952)	(5,365)
— Interest expense on lease liabilities	(124)	(52)
Finance costs, net	(9,024)	(5,229)

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9. INCOME TAX EXPENSE

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

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Indonesia income tax Withholding income tax	28	15
PRC corporate income tax Current income tax	4,513	1,106
	4,541	1,121

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 2021.

PRC corporate income tax has been provided at a rate of 25% on the estimated assessable profit for the six months ended 30 June 2021, except that Qingdao Honghai Curtain Wall Company Limited which is approved for 3 years as an enterprise satisfied as a High-New Technology Enterprise and is entitled to the preferential tax rate of 15% in 2019, 2020 and 2021.

10. DIVIDENDS

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

11. EARNINGS PER SHARE

(a) Basic

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

	Unaudited Six months ended 30 June	
	2021	2020
Profit attributable to equity holders of the Company (HK\$'000)	4,812	7,605
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ('000)	800,000	800,000
Basic earnings per share (HK cents)	0.60	0.95

(b) Diluted

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

12. PROPERTY, PLANT AND EQUIPMENT

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Machinery and equipment HK\$'000	Vessels HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Six months ended 30 June 2020 (unaudited)							
Opening net book amount	—	52	138	39,276	165,103	88	204,657
Acquisition of subsidiary	55,230	—	34	56	—	27	55,347
Additions	—	—	940	2,907	10,568	96	14,511
Disposal	—	—	—	—	—	(1)	(1)
Depreciation	(1,736)	(7)	(296)	(3,338)	(5,468)	(83)	(10,928)
Exchange differences	(223)	—	(4)	(4)	(456)	—	(687)
Closing net book amount	53,271	45	812	38,897	169,747	127	262,899

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 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Right-of-use assets		
Non-current	68,885	39,049
Lease liabilities		
Non-current	3,295	918
Current	1,975	1,130
	5,270	2,048

Additions to the right-of-use assets during the six months ended 30 June 2021 and 2020 were HK\$3,682,000 and HK\$1,991,000 respectively.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

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

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

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Depreciation charge of right-of-use assets	1,969	1,751
Interest expenses on lease liabilities (Note 8)	124	52
Leases expenses relating to short-term leases of machineries and equipment	31,825	34,488
Leases expenses relating to short-term leases of low value assets	46	79

The total cash outflow for leases during the six months ended 30 June 2021 and 2020 were HK\$26,175,000 and HK\$23,480,000 respectively.

14. TRADE AND RETENTION RECEIVABLES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Trade receivables	304,832	289,189
Retention receivables	90,863	114,575
Trade and retention receivables	395,695	403,764
Deposits, prepayments and other receivables (note)	201,727	88,243
Less: non-current deposits	18,672	23,414
Current	183,055	64,829

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

14. TRADE AND RETENTION RECEIVABLES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES (Continued)

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

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Within 1 year	162,370	158,616
1 to 2 years	74,831	105,530
Over 2 years	67,631	25,043
	304,832	289,189

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

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Within 1 year	13,842	24,302
Between 1 and 5 years	50,276	61,979
Over 5 years	26,745	28,294
	90,863	114,575

The credit period granted to trade customers other than for retention receivables was within 30 days. 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)

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Contract assets		
Provision of construction services	1,183,815	624,079
Less: loss allowance	(7,873)	(7,873)
	1,175,942	616,206
Contract liabilities		
Provision of construction and auxiliary marine services	(33,783)	(9,209)

16. SHARE CAPITAL

The Company's share capital as at 30 June 2021 and 31 December 2020 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)

17. TRADE AND RETENTION PAYABLES

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Trade payables	932,434	648,002
Retention payables	23,223	4,220
	955,657	652,222

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 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Current	27,732	165,054
1 to 30 days	259,094	1,524
31 to 60 days	63,468	101,891
61 to 90 days	23,892	62,782
91 to 180 days	459,202	79,514
181 to 365 days	58,561	90,731
More than 365 days	40,485	146,506
	932,434	648,002

Notes to the Condensed Consolidated Interim Financial Information (Continued)

17. 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 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Within 1 year	23,111	4,108
Between 1 year and 2 years	—	—
Between 2 years and 5 years	112	112
	23,223	4,220

18. BORROWINGS

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Non-current:		
Long-term bank loans	300,673	34,147
Current:		
Long-term bank loans due for repayment within one year	—	11,877
Long-term bank loans due for repayment within one year which contain a repayment on demand clause	68,875	177,136
Long-term bank loans due for repayment after one year which contain a repayment on demand clause	—	—
Short-term bank borrowings	362,449	122,686
	431,324	311,699
Total borrowings	731,997	345,846

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18. 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 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Within 1 year	431,324	311,699
Between 1 year and 2 years	153,386	11,877
Between 2 years and 5 years	147,287	22,270
	731,997	345,846

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

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
HK\$	183,394	136,845
MOP	67,961	67,961
RMB	480,642	141,040
	731,997	345,846

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18. 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 2021 and 31 December 2020;
 - (ii) unlimited guarantees provided by the ultimate holding company as at 30 June 2021 and 31 December 2020;
 - (iii) vessels and machinery and equipment with carrying amounts of nil as at 30 June 2021 (31 December 2020: HK\$6,226,000);
 - (iv) deposits of not less than HK\$27,000,000 as at 30 June 2021 (31 December 2020: HK\$23,700,000); and
 - (v) guarantees of HK\$133,495,000 (31 December 2020: HK\$133,495,000) from a subsidiary for a bank facility which covers a loan of HK\$67,961,000 (31 December 2020: HK\$67,961,000) and performance bond facility of HK\$218,447,000 (31 December 2020: HK\$218,447,000) as at 30 June 2021.

19. BUSINESS COMBINATION

The Group completed the acquisition of 34% equity interests in Qingdao Honghai Curtain Wall Co., Ltd. (青島宏海幕牆有限公司) ("Honghai Curtain Wall") on 13 January 2021 and gained control over its board of directors simultaneously, upon which Honghai Curtain Wall has become an indirect non-wholly owned subsidiary of the Company.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19. BUSINESS COMBINATION (Continued)

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration	59,264
Fair value of non-controlling interests (provisional)	65,003
	124,267
<hr style="border-top: 1px dashed black;"/>	
Provisional fair value of assets and liabilities recognised on acquisition	
Cash and cash equivalents	952
Property, plant and equipment	13,498
Right-of-use assets	27,025
Intangible assets	20,423
Deferred tax assets	199
Inventory	5,744
Trade and retention receivables and note receivables	65,849
Deposits and other receivables	34,878
Contract assets	123,304
Trade payables and note payables	(96,608)
Accruals and other payables	(71,274)
Borrowings	(22,353)
Contract liabilities	(1,817)
Lease liabilities	(1,330)
	98,490
<hr style="border-top: 1px dashed black;"/>	
Net identifiable assets acquired	98,490
	25,777
Goodwill	25,777

The acquired businesses contributed revenue of HK\$35,469,000 and net profit of HK\$1,084,000 recognised in the interim condensed consolidated statement of profit or loss for the period from 13 January 2021 to 30 June 2021. There would be no significant differences to the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2021 had Qingdao Honghai Curtain Wall Company Limited been consolidated from 1 January 2021.

20. CONTINGENT LIABILITIES

As at 30 June 2021, 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\$128,818,000 (31 December 2020: HK\$128,818,000). The performance bonds as at 30 June 2021 are expected to be released in accordance with the terms of the respective construction contracts.

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 2021 and 2020:

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

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	
	2021 HK\$'000	2020 HK\$'000
Continuing transactions		
Rental expenses to Shenzhen Changsheng	—	2,689
Construction project income from related parties:		
Xifa Properties	130,998	135,287
West Coast New District	113,454	65,071
Rongchuang Xifa	146,875	—
Xifa Cangmashan Infrastructure	74	—
Xifa Cangmashan Construction	446	—
West Coast Sky	25,368	—
West Coast Technology Investment	108,229	—
Xifa Cangmashan Agricultural	57,711	—

(c) 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	
	2021 HK\$'000	2020 HK\$'000
Salaries, bonus and other allowances and benefits in kind	2,424	1,766
Pension costs — defined contribution plans	72	9
	2,496	1,775

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. RELATED PARTY TRANSACTIONS (Continued)

(d) Balances

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000	Nature
Amounts due from fellow subsidiaries:			
Rongchuang Xifa	241	6,708	Trade
West Coast New District	1,648	2,359	Trade
Xifa Cangmashan Infrastructure	—	3,971	Trade
Xifa Cangmashan Construction	1,223	1,277	Trade
Xifa Properties	2,881	16,262	Trade
West Coast Sky	24,356	14,080	Trade
West Coast New Village District	61,624	6,156	Trade
West Coast Technology Investment	6,976	—	Trade
	98,949	50,813	
Less: Loss allowance	—	(508)	
Carrying amounts	98,949	50,305	
Amount due to a related party:			
Shenzhen Changsheng	(33)	(98)	Trade
Loan from an intermediate holding company			
West Coast Investment (Hong Kong) Limited	(100,000)	(100,000)	Non-trade

22. ULTIMATE HOLDING COMPANY

The ultimate holding company of the Company is Qingdao West Coast Development (Group) Limited, which is a company incorporated in the PRC and controlled by the State-owned Asset Supervision and Administration Commission of Qingdao, PRC.