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 2018

Contents

Management Discussion and Analysis

The board (the "**Board**") of directors (the "**Directors**") of Prosper Construction Holdings Limited (the "**Company**") is pleased the present the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Period**"), together with the comparative figures for the corresponding period in 2017 (the "**Previous Period**"). These information should be read in conjunction with the annual report of the Company for the year ended 31 December 2017.

BUSINESS REVIEW

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$ millions)	Contribution to total revenue	Current status
Macao			
FPC contract for electricity generation facility	42.4	16.5%	Ongoing and expecting completion in year 2019
Indonesia			
Others	0.4	0.1%	
Pakistan			
Hiring of vessels and engineering equipment	158.4	61.5%	Ongoing and expecting completion in year 2018
Hong Kong			
Kai Tak underground structure and excavation	19.9	7.7%	Ongoing and expecting completion in third quarter of 2019
Pier construction	19.5	7.6%	Ongoing and expecting completion in fourth quarter of 2018
Others	17.1	6.6%	
	56.5	21.9%	
Total	257.7	100.0%	

OUTLOOK AND PROSPECTS

The status of the Group's key projects on hand as at 30 June 2018 is as below.

	Location	Estimated remaining contract value (HK$ millions)	Expected time of completion
Project(s) already commenced as at 30 June 2018			
EPC contract for an electricity generation facility	Macao	446.9	Q4/2019
Leasing of vessels and engineering equipment	Pakistan	73.0	Q4/2018
Marine disposal of excavated materials	Hong Kong	18.7	Q3/2019
Pier construction	Hong Kong	16.2	Q4/2018
Vessel hiring for transportation	Southeast Asia	12.0	Q4/2018
Project(s) commencing or newly awarded after 30 June 2018			
Vessel hiring for transportation	Southeast Asia	50.0	Q3/2019

Aside from the above-listed projects on hand, the Group is in the final stage of negotiation for a potential land reclamation project in Macao which is expected to commence in the latter part of year 2018 with an estimated contract sum of over HK$500.0 million.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of HK$257.7 million for the Period, representing a decline of approximately 29.5% from the Previous 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 of the condensed consolidated interim financial information. The Group's revenue from marine construction works for the Period decreased by HK$267.8 million from the Previous Period, which is mainly attributable to (i) majority of the Group's projects in Indonesia and the land reclamation project in Macao had been completed prior to the Period; (ii) the progress of the EPC project for an electricity generation facility in Macao had been slowed down as a result of certain change in design. Nonetheless, revenue from the leasing of vessels increased by HK$159.7 million to approximately HK$165.7 million for the Period, which is mainly attributable to the leasing of vessels and associated equipment to the contractor of a marine engineering project in Pakistan.

Cost of sales and gross profit

Cost of sales for the Period decreased by 32.7% to HK$213.3 million, which is a combination of the effects of (i) the substantial reduction in marine engineering works undertaken during the Period; and (ii) increase in costs incurred in relation to the leasing of vessels and equipment project in Pakistan. The percentage decrease in cost of sales is higher than the decrease in revenue as the leasing of vessels and equipment project required less raw materials and yields higher profit margin than marine engineering projects in general.

Overall, the gross profit margin of the Group improved to 17.2% for the Period, as compared to that of 13.4% for the Previous Period, while the gross profit for the Period decreased by HK$4.5 million or approximately 9.2%.

Other administrative expenses

Other administrative expenses for the Period was approximately HK$12.1 million and comparable to the Previous Period.

Income tax expense

The decrease in income tax expense for the Period was due the majority of the Group's profit for the Period was derived from leasing income sourced from overseas locations where either the applicable tax jurisdiction provided for favourable tax treatment or the Group's customers as lessee had agreed to take up the tax liability for the lessor.

Profit for the Period

The Group's recorded a profit for the Period of HK$30.7 million, which is comparable to that of HK$30.5 million for the Previous Period, as the effect of the decrease in gross profit for the Period was counteracted by the reduction in income tax for the Period for reasons as stated above.

Plant and equipment

The Group disposed 2 units of vessels and acquired 4 units of machinery and equipment for a total of HK$0.3 million during the Period to facilitate its new project in Macao and other potential projects. As at 30 June 2018, the Group owned a total of 45 units of construction vessels and 78 units of machinery and equipment.

Trade and retention receivables

The Group's trade and retention receivables increased by approximately HK$7.8 million to HK$317.4 million as at 30 June 2018, which mainly comprised of receivables for works on projects already completed and pending settlement of final account. The increase in trade and retention receivables balances during the Period was attributable to rise in leasing revenue to be settled by customer of the Pakistan project. There is presently no indication of possible default on any of the Group's receivable balances.

Amounts due from/to contract customers

Amounts due from contract customers mainly represent value of contract works performed for marine engineering projects which had not been billed as at end of the reporting period, out of which approximately HK$57.4 million was related to three projects in Hong Kong already completed as at 30 June 2018 (31 December 2017: HK$57.4 million) pending the finalisation of project account with the respective customers. According to the respective project work contract, where consensus cannot be reached between the employer and the subcontractor on interim certification of works performed, such discrepancy would be subject to assessment during finalisation of project account, which is due to commence only when the main contract for the project as a whole (of which the Group's marine work contract form part) is completed. Based on preliminary assessment by the Group's project legal consultant, the Group would be able to recover not less than the carrying value of the amounts due from contract customers for the aforesaid three completed projects and would instigate dispute resolution procedures if and when determined fit.

Amounts due to contract customers represent consideration received from customers in excess of revenue recognisable by the Group according to the progress achieved on the contract works. The increase in the amounts due to contract customers for the Period was attributable to the combined effect of (i) approximately HK$10.0 million adjustment on initial adoption of certain new Hong Kong Financial Reporting Standards; and (ii) amounts received from customer being in excess of recognisable revenue for the Period.

Liquidity, financial resources and capital structure

The Group maintained a healthy liquidity position with net current asset balance and net cash position of approximately HK$293.6 million (31 December 2017: HK$286.8 million) and HK$65.5 million (31 December 2017: HK$59.9 million) respectively as at 30 June 2018. The Group's gearing ratio (calculating by dividing total debts by total equity) as at 30 June 2018 was 32.6% (31 December 2017: 34.3%). The maturity and interest rate profile of the Group's borrowings are set out in note 14 to the condensed consolidated interim financial information.

Foreign exchange

Operations of the Group are mainly conducted in Hong Kong dollars ("**HK$**"), United States dollars ("**US$**"), Macao Patacas ("**MOP**") (together, the "**Major Currencies**"), 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 our suppliers and operating expenses where possible. In the event that settlement from the Group's customer are received in 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 99 staff as at 30 June 2018 (31 December 2017: 114) 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$35.0 million (Previous Period: HK$20.6 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$9.6 million in the acquisition of plant and equipment, which comprised approximately HK$9.3 million in vessels, approximately HK$0.3 million in machinery and equipment.

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

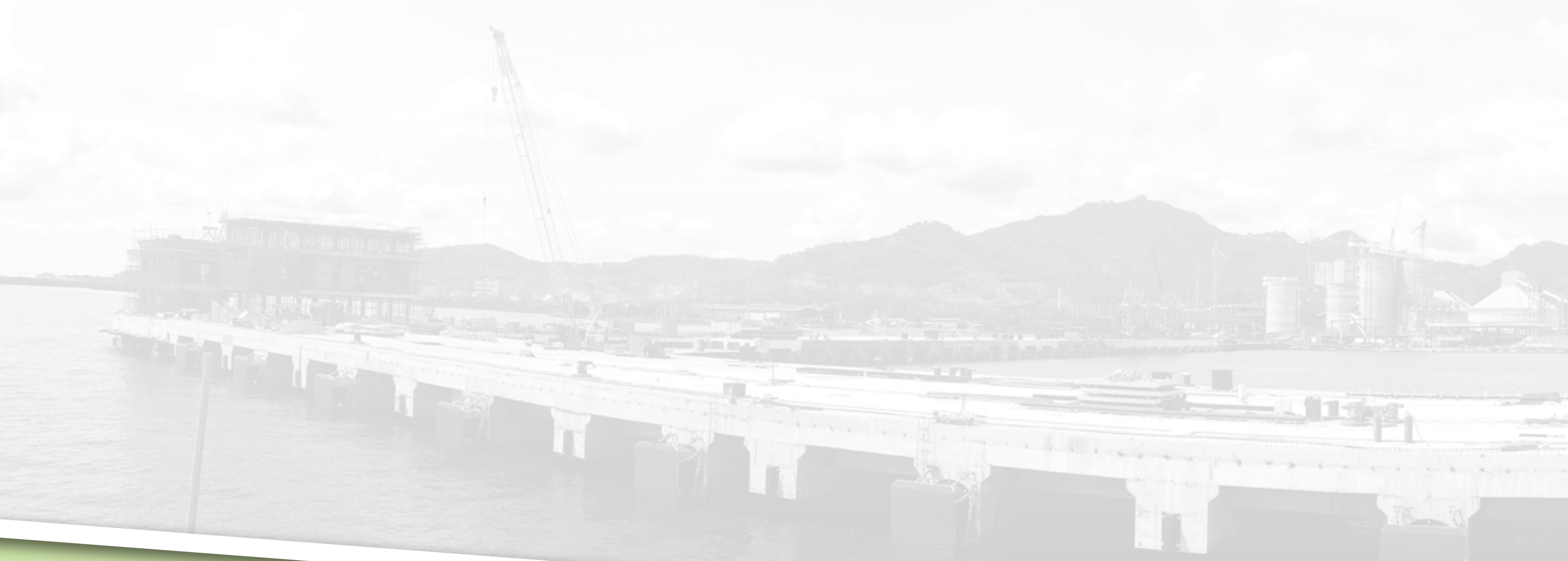
As at 30 June 2018, plant and equipment with carrying value of (i) approximately HK$18,515,000 (31 December 2017: HK$16,117,000) were pledged to secure for the Group's bank borrowings and (ii) approximately HK$22,556,000 (31 December 2017: HK$22,126,000) were pledged as security for provision of performance bond and prepayment surety bond to the project owner in the Group's project in Macao.

CONTINGENT LIABILITIES

As at 30 June 2018, 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 of HK$16,990,000 (31 December 2017: HK$20,836,000). As at 30 June 2018, the Group has not given any guarantees (31 December 2017: Nil) on performance bonds in relation to construction contracts of the Group in the ordinary course of business. Save for the guarantee given on these performance bonds, the Group has no material contingent liabilities.

DISCLOSURE OF INTERESTS

As at 30 June 2018, 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 follows:



Directors' interests in the Company

Director	Number of shares/Position	Percentage of shareholding	Capacity
Mr. Cui Qi	510,000,000 Long position	63.75%	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**")	87.00% Long position	Beneficial owner
Mr. Cui Qi	Sky Hero Global Limited ("**Sky Hero**")	100.00% Long position	Interest of a controlled corporation *(Note)*
Mr. Yu Ming	Solid Jewel	13.00% Long position	Beneficial owner

Note: These Shares were held by Sky Hero, which was wholly owned by Solid Jewel, which was owned as to 87% by Mr. Cui Qi and 13% by Mr. Yu Ming respectively. Subsequent to the end of the Period, Sky Hero had on 18 July 2018 entered into an agreement to dispose of 402,000,000 shares ("Share Sale") in the Company to Qingdao West Coast Holdings (Internation) Limited, an independent third party which is indirectly wholly-owned by the State-owned Asset Supervision and Administration Commission of Qingdao of the PRC. The Share Sale was completed on 16 August 2018 and Qingdao West Coast Holdings (Internation) Limited had since become the controlling shareholder of the Company, and the interests of Mr. Cui Qi and Sky Hero have in the Company had since been reduced to 102,000,000 shares, equivalent to 12.75% of the Company's issued share capital.

So far as the directors are aware, as at 30 June 2018, 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:

Substantial shareholders' interests in the Company

Shareholder	Number of shares/ Position	Percentage of shareholding	Capacity
Sky Hero *(Note 3)*	510,000,000 Long position	63.75%	Beneficial owner
Solid Jewel *(Note 1)*	510,000,000 Long position	63.75%	Interest of a controlled corporation
Ms. Mu Zhen *(Note 2)*	510,000,000 Long position	63.75%	Interest of spouse
CITICC International Investment Limited	90,000,000 Long position	11.25%	Beneficial owner

Notes:

1. 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.

2. 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.

3. Subsequent to the end of the Period, Sky Hero had on 18 July 2018 entered into an agreement to dispose of 402,000,000 shares ("Share Sale") in the Company to Qingdao West Coast Holdings (Internation) Limited, an independent third party which is indirectly wholly-owned by the State-owned Asset Supervision and Administration Commission of Qingdao of the PRC. The Share Sale was completed on 16 August 2018 and Qingdao West Coast Holdings (Internation) Limited had since become the controlling shareholder of the Company, and the interests of Mr. Cui Qi and Sky Hero have in the Company had since been reduced to 102,000,000 shares, equivalent to 12.75% of the Company's issued share capital.

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 2018.

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, except in relation to CG Code provision A.2.1 where the roles of the Group's chairman and chief executive officer ("**CEO**") are both performed by Mr. Cui Qi. CG Code provision A.2.1 requires that the roles of chairman and CEO should be separate and should not be performed by the same individual. Please refer to the annual report of the Company for the year 2017 for nature of the non-compliance with CG Code provision A.2.1.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (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

The Company's executive director and controlling shareholder Mr. Cui Qi, through his associated corporation Sky Hero Global Limited, had on 18 July 2018 entered into an agreement to dispose of 402,000,000 shares ("**Share Sale**") in the Company to Qingdao West Coast Holdings (Internation) Limited, an independent third party which is indirectly wholly-owned by the State-owned Asset Supervision and Administration Commission of Qingdao of the PRC. The Share Sale was completed on 16 August 2018 and Qingdao West Coast Holdings (Internation) Limited had since become the controlling shareholder of the Company. Mr. Cui Qi remains as an executive Director and chairman of the Company after completion of the Share Sale.

AUDIT COMMITTEE

The audit committee, comprising Mr. Cheung Chi Man Dennis (chairman of the audit committee), Ms. Leung Sau Fan Sylvia and Mr. Leung Yee Tak, each an independent non-executive Director, has reviewed the accounting standards and policies adopted by the Group and the unaudited condensed consolidated financial information of the Group for the Period.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Revenue	5	**257,683**	365,736
Cost of sales		**(213,307)**	(316,838)
Gross profit		**44,376**	48,898
Other income and gain, net		**1,679**	63
Other administrative expenses		**(12,089)**	(12,394)
Operating profit		**33,966**	36,567
Finance income		**178**	346
Finance costs		**(3,425)**	(2,097)
Finance costs, net		**(3,247)**	(1,751)
Profit before income tax		**30,719**	34,816
Income tax expense	6	**(24)**	(4,366)
Profit for the period		**30,695**	30,450
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		**(6,840)**	2,241
Other comprehensive income for the period		**(6,840)**	2,241
Profit and total comprehensive income attributable to equity holders of the Company		**23,855**	32,691
Basic and diluted earnings per share (HK cents)	8	**3.84**	3.81

The notes on pages 15 to 36 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Balance Sheet

As at 30 June 2018

	Note	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	9	**229,526**	230,185
Deposits		**7,332**	8,387
		236,858	238,572
Current assets			
Trade and retention receivables	10	**317,397**	309,571
Deposits, prepayments and other receivables	10	**13,081**	8,830
Amounts due from contract customers	11	**80,809**	73,615
Amounts due from the other partner of a joint operation		**74**	50
Income tax recoverable		**3,679**	2,529
Time deposits with maturity over 3 months		**19,092**	15,103
Pledged bank deposits		**13,200**	24,251
Cash and cash equivalents		**200,324**	193,348
		647,656	627,297
Total assets		**884,514**	865,869
EQUITY			
Capital and reserves			
Share capital	12	**8,000**	8,000
Reserves		**497,029**	496,416
Total equity		**505,029**	504,416

	Note	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	14	**8,186**	12,500
Deferred income tax liabilities		**8,473**	8,473
		16,659	20,973
Current liabilities			
Trade and retention payables	13	**46,766**	61,551
Accruals and other payables	13	**15,282**	18,028
Amounts due to contract customers	11	**119,396**	96,724
Amount due to a related company	17(d)	**3,585**	–
Dividend payable		**16,000**	–
Borrowings	14	**158,897**	160,266
Income tax payable		**2,900**	3,911
		362,826	340,480
Total liabilities		**379,485**	361,453
Total equity and liabilities		**884,514**	865,869

The notes on pages 15 to 36 are an integral part of this condensed consolidated interim financial information.

	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Exchange reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2017	8,000	214,840	23,104	–	218,179	464,123
Comprehensive income						
Profit for the period	–	–	–	–	30,450	30,450
Other comprehensive income						
Exchange differences	–	–	–	2,241	–	2,241
Contribution by and distribution to owner						
Dividends declared *(Note 7)*	–	–	–	–	(24,000)	(24,000)
At 30 June 2017 (unaudited)	8,000	214,840	23,104	2,241	224,629	472,814
At 31 December 2017 as originally presented (audited)	**8,000**	**214,840**	**23,104**	**(177)**	**258,649**	**504,416**
Change in accounting policies	**—**	**—**	**—**	**—**	**(7,242)**	**(7,242)**
At 1 January 2018	**8,000**	**214,840**	**23,104**	**(177)**	**251,407**	**497,174**
Comprehensive income						
Profit for the period	**–**	**–**	**–**	**–**	**30,695**	**30,695**
Other comprehensive income						
Exchange differences	**–**	**–**	**–**	**(6,840)**	**–**	**(6,840)**
Contribution by and distribution to owner						
Dividends declared *(Note 7)*	**–**	**–**	**–**	**–**	**(16,000)**	**(16,000)**
At 30 June 2018 (unaudited)	**8,000**	**214,840**	**23,104**	**(7,017)**	**266,102**	**505,029**

The notes on pages 15 to 36 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 2018

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Cash flows from operating activities		
Net cash used in operations	**19,634**	(25,281)
Interest received	**176**	346
Interest paid	**(3,425)**	(2,097)
Income tax paid	**(1,321)**	(899)
Net cash generated from/(used in) operating activities	**15,064**	(27,931)
Cash flows from investing activities		
Purchase of plant and equipment	**(9,581)**	(20,154)
Proceeds from disposal of plant and equipment	**312**	3
(Increase)/decrease in time deposits with maturity over 3 months	**(3,989)**	4,370
Decrease in pledged bank deposits	**11,051**	7,631
Net cash used in investing activities	**(2,207)**	(8,150)
Cash flows from financing activities		
Proceeds from borrowings	**26,000**	69,709
Repayments of borrowings	**(31,683)**	(23,078)
Dividend paid	**–**	(21,293)
Net cash (used in)/generated from financing activities	**(5,683)**	25,338
Net increase/(decrease) in cash and cash equivalents	**7,174**	(10,743)
Cash and cash equivalents at beginning of the period	**193,348**	220,157
Effect of foreign exchange rate changes	**(198)**	827
Cash and cash equivalents at end of the period	**200,324**	210,241

The notes on pages 15 to 36 are an integral part of this condensed consolidated interim financial information.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

General information

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, lease and trade of vessels. 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 2018 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 2017 ("2017 Financial Statements").

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 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"). The condensed consolidated interim financial information should be read in conjunction with the 2017 Financial Statements, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2017, 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.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. Those that are relevant to the Group's interim condensed consolidated financial information are as follows:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policy are disclosed below. The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 9 Financial Instruments ("HKFRS 9") and HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") on the Group's interim condensed consolidated financial information:

(a) HKFRS 9 Financial Instruments

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

— those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies (Continued)

(a) New and amended standards adopted by the Group (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the interim condensed consolidated statement of comprehensive income.

(ii) Fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the interim condensed consolidated statement of comprehensive income.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies (Continued)

(a) New and amended standards adopted by the Group (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impact of adoption

The financial assets held by the Group mainly represents debt instruments previously classified as loans and receivables and measured at amortised cost, meet the conditions for classification at amortised cost under HKFRS 9. Accordingly, there is no impact on the Group's accounting for financial assets.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The Group has assessed the expected credit loss model applied to the trade receivables and contract assets as at 1st January 2018 and the change in impairment methodologies has no significant impact of the Group's condensed consolidated financial information and the opening loss allowance is not restated in this respect.

(b) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial information. The Group has adopted the modified retrospective approach with the cumulative effect on initial adoption recognised at the date of initial application, which is 1 January 2018, and comparative information has not been restated. The accounting policies are as follows:

(i) Construction services

Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group has applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. The Group considers the input method better depicts the Group's performance in transferring control of goods or services to their customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies (Continued)

(a) New and amended standards adopted by the Group (Continued)

(b) HKFRS 15 Revenue from Contracts with Customers (Continued)

(ii) Rental income from vessel chartering

The Group provides leasing of vessels. Revenue is recognised over the period that services are rendered and the Group's performance provide all of the benefits received and consumed simultaneously by the customers.

(iii) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceed the measure of the remaining unsatisfied performance obligations. In the interim condensed consolidated balance sheet, the contract assets mainly consist of unbilled revenue arising from the construction contracts and contract liabilities mainly consist of the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

The impact on the group's retained earnings has been adjusted from HK$258,649,000 as originally presented to HK$251,407,000.

The following adjustments were made to the amounts recognised in the condensed consolidated balance sheet at the date of initial application (1 January 2018):

	31 December 2017 as originally presented HK$'000	Reclassifications HK$'000	Remeasurement HK$'000	1 January 2018 HK$'000
Current assets				
Amounts due from customers for contract work	73,615	(73,615)	–	–
Contract assets				
— Amounts due from contract customers	–	73,615	1,816	75,431
Income tax recoverable	2,529	–	895	3,424
Current liabilities				
Amounts due to customers for contract work	96,724	(96,724)	–	–
Contract liabilities				
— Amounts due to contract customers	–	96,724	9,953	106,677

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies (Continued)

(a) New and amended standards adopted by the Group (Continued)

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

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the entity's interim condensed consolidated financial information.

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 2017 Financial Statements.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed consolidated interim financial information requires management to make judgements, 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 condensed consolidated interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the 2017 Financial Statements.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Unaudited Six months ended 30 June	
	2018 **HK$'000**	2017 HK$'000
Rendering of services		
— Marine construction works	**91,995**	359,782
— Leasing of vessels	**165,688**	5,954
	257,683	365,736

(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, leasing of vessels and trading of vessels. They review financial information accordingly.

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

Segment assets mainly consist of current assets and non-current assets as disclosed in the condensed consolidated balance sheet except for unallocated cash and bank balances, income tax recoverable, and certain amounts due from related parties.

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Profit or loss

	Marine construction works HK$'000	Leasing of vessels HK$'000	Trading of vessels HK$'000	Total HK$'000
For the six months ended 30 June 2018 (unaudited)				
Segment results	**1,679**	**40,199**	**–**	**41,878**
Unallocated expenses				**(7,451)**
Depreciation				**(461)**
Finance costs, net				**(3,247)**
Profit before income tax				**30,719**
Income tax expense				**(24)**
Profit for the period				**30,695**
Included in segment results are:				
Depreciation	**(7,353)**	**(1,393)**	**–**	**(8,746)**
Finance income/(costs), net	**(691)**	**–**	**–**	**(691)**
For the six months ended 30 June 2017 (unaudited)				
Segment results	43,346	447	–	43,793
Unallocated expenses				(4,780)
Depreciation				(2,100)
Finance costs, net				(2,097)
Profit before income tax				34,816
Income tax expense				(4,366)
Profit for the period				30,450
Included in segment results are:				
Depreciation	(4,651)	(1,283)	–	(5,934)
Finance income/(costs), net	335	(26)	–	309

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Assets

	Marine construction works HK$'000	Leasing of vessels HK$'000	Trading of vessels HK$'000	Total HK$'000
At 30 June 2018 (unaudited)				
Segment assets	**344,443**	**294,454**	**–**	**638,879**
Unallocated assets				**242,907**
Total assets				**881,804**
Additions to non-current assets	**8,342**	**1,231**	**–**	**9,573**
At 31 December 2017 (audited)				
Segment assets	436,416	176,399	–	612,815
Unallocated assets				253,054
Total assets				865,869
Additions to non-current assets	87,851	–	–	87,851

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Liabilities

	Marine construction works HK$'000	Leasing of vessels HK$'000	Trading of vessels HK$'000	Total HK$'000
At 30 June 2018 (unaudited)				
Segment liabilities	**155,537**	**4,258**	**–**	**159,795**
Dividend payable				**16,000**
Borrowings				**167,083**
Income tax payable				**2,900**
Deferred tax liabilities				**8,473**
Unallocated liabilities				**15,282**
Total liabilities				**369,533**
At 31 December 2017 (audited)				
Segment liabilities	169,225	–	–	169,225
Borrowings				172,766
Income tax payable				3,911
Deferred tax liabilities				8,473
Unallocated liabilities				7,078
Total liabilities				361,453

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	
	2018 HK$'000	2017 HK$'000
Hong Kong	**56,531**	47,455
Indonesia	**309**	78,788
Macao	**42,444**	233,522
Malaysia	**–**	5,971
Pakistan	**158,399**	–
	257,683	365,736

Non-current assets

(i) Based on countries of domicile of companies holding the assets:

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Hong Kong	**216,854**	213,284
Indonesia	**16,313**	12,899
Macao	**3,673**	3,981
Malaysia	**18**	21
	236,858	230,185

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Non-current assets (Continued)

(ii) Based on physical location of the assets:

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Hong Kong	**164,137**	129,569
Indonesia	**16,313**	12,899
Macao	**3,673**	3,981
Malaysia	**18**	30,170
Pakistan	**52,717**	53,566
	236,858	230,185

6 INCOME TAX EXPENSE

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

	Unaudited Six months ended 30 June 2018 HK$'000	Unaudited Six months ended 30 June 2017 HK$'000
Hong Kong profits tax		
Current income tax	**(176)**	–
Indonesia income tax		
Withholding income tax	**9**	2,302
Interest income tax	**1**	1
Macao complementary income tax		
Current income tax	**190**	1,929
Malaysia corporate income tax		
Current income tax	**–**	134
	24	4,366

6 INCOME TAX EXPENSE (Continued)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2018 and 2017.

Macao complementary income tax has been provided at the rate of 12% on the estimated assessable profit for the six months ended 30 June 2018 and 2017.

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 2018 and 2017.

Malaysia corporate income tax has been provided at the rate of 24% on the estimated taxable income.

7 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018 and 2017.

The final dividend in respect of the year ended 31 December 2017 amounting to HK$16,000,000 has been approved by shareholders at the Company's annual general meeting and the payment for which has been despatched on 20 July 2018 (2017: HK$24,000,000).

8 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	
	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**30,695**	30,450
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	**800,000**	800,000
Basic earnings per share (HK cents)	**3.84**	3.81

8 EARNINGS PER SHARE (Continued)

(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.

9 PLANT AND EQUIPMENT

	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 2018 (unaudited)						
Opening net book amount	–	233	49,942	179,184	826	230,185
Additions	–	8	260	9,313	–	9,581
Disposals	–	–	–	(633)	–	(633)
Depreciation	–	(57)	(3,288)	(5,458)	(235)	(9,038)
Exchange differences	–	–	(21)	(546)	(2)	(569)
Closing net book amount	–	184	46,893	181,860	589	229,526
Six months ended 30 June 2017 (unaudited)						
Opening net book amount	–	237	34,962	120,799	929	156,927
Additions	–	71	2,783	16,964	336	20,154
Depreciation	–	(96)	(2,333)	(3,818)	(234)	(6,481)
Exchange differences	–	–	40	63	(26)	77
Closing net book amount	–	212	35,452	134,008	1,005	170,677

10 TRADE AND RETENTION RECEIVABLES, AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Trade receivables	**260,722**	254,487
Retention receivables	**56,675**	55,084
Trade and retention receivables	**317,397**	309,571
Deposits and other receivables *(note)*	**20,413**	17,217
Less: non-current deposits	**(7,332)**	(8,387)
	13,081	8,830

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

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.

10 TRADE AND RETENTION RECEIVABLES, AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Current	**40,967**	60,664
1 to 30 days	**5,257**	27,698
31 to 60 days	**19,123**	542
61 to 90 days	**20,256**	–
91 to 180 days	**–**	–
181 to 365 days	**20,021**	57,774
More than 1 year	**155,098**	107,809
	260,722	254,487

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

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Within 1 year	**3,296**	3,734
Between 1 and 5 years	**53,379**	51,350
	56,675	55,084

11 CONTRACT ASSETS/CONTRACT LIABILITIES

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Contract assets		
Amounts due from contract customers	**80,809**	73,615
Contract liabilities		
Amounts due to contract customers	**119,396**	96,724

Amounts due from contract customers mainly represent value of contract works performed but not yet billed. The amounts due from contract customers are transferred to trade receivables when the value of works billable is agreed with customers or when the Group's rights to payment become enforceable and/or unconditional.

Amounts due to contract customers represent consideration received from customers in excess of revenue recognised by the Group according to the progress achieved on the contract works.

12 SHARE CAPITAL

The Company's share capital as at 30 June 2018 and 31 December 2017 was as follows:

	Number of shares	**HK$**
Ordinary shares of HK$0.01 each		
Authorised	4,000,000,000	40,000,000
Issued and fully paid	800,000,000	8,000,000

13 TRADE AND RETENTION PAYABLES, ACCRUALS AND OTHER PAYABLES

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Trade payables	42,310	56,653
Retention payables	4,456	4,898
Accruals and other payables *(note i)*	15,282	18,028
	62,048	79,579

note i: The amounts mainly represent wages, legal and professional fees and transportation costs.

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

The ageing analysis of the trade payables based on invoice date was as follows:

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Current	39,752	45,657
1 to 30 days	–	6,944
31 to 60 days	–	2,253
61 to 90 days	–	775
91 to 180 days	–	1,024
181 to 365 days	2,558	–
	42,310	56,653

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

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Within 1 year	2,459	827
Between 1 year and 2 years	1,332	3,406
Between 2 years and 5 years	665	665
	4,456	4,898

14 BORROWINGS

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Non-current:		
Long-term bank loans	**8,186**	12,500
Current:		
Long-term bank loans due for repayment within one year	**15,852**	13,883
Long-term bank loans due for repayment within one year which contain a repayment on demand clause	**63,661**	64,097
Long-term bank loans due for repayment after one year which contain a repayment on demand clause	**49,384**	52,286
Short-term bank borrowings	**30,000**	30,000
	158,897	160,266
Total borrowings	**167,083**	172,766

(a) The maturity of borrowings is as follows:

In the interim condensed consolidated balance sheet, bank loans 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 2018 HK$'000	Audited 31 December 2017 HK$'000
Within 1 year	**109,513**	107,980
Between 1 and 2 years	**42,775**	48,191
Between 2 and 5 years	**14,795**	16,595
	167,083	172,766

(b) The carrying amounts of the Group's borrowings were denominated in Hong Kong dollar.

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

14 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 2018 and 31 December 2017;

(ii) vessels and machinery and equipment with carrying amounts of HK$18,515,000 (31 December 2017: HK$16,117,000) as at 30 June 2018;

(iii) deposits of not less than HK$13,200,000 (31 December 2017: HK$24,251,000) as at 30 June 2018; and

(iv) guarantees of HK$133,495,000 (31 December 2017: HK$133,495,000) from a subsidiary for a bank facility which covers a loan of 24,272,000 (31 December 2017: HK$24,272,000) and performance bond facility of HK$97,087,000 (31 December 2017: HK$97,087,000) as at 30 June 2018.

15 COMMITMENTS

(a) Operating lease commitments — as lessee

The future aggregate minimum lease rental expenses in respect of hiring equipment, office and storage premises, and quarters for workers and directors under non-cancellable operating leases are payable during the periods.

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
No later than 1 year	**1,271**	1,482
Later than 1 year and no later than 5 years	**955**	1,453
	2,226	2,935

(b) Operating lease commitments — as lessor

As at 30 June 2018, the Group did not have any operating lease commitments as a lessor (31 December 2017: Nil).

16 CONTINGENT LIABILITIES

As at 30 June 2018, 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 of HK$16,990,000 (31 December 2017: HK$20,836,000). The performance bonds as at 30 June 2018 are expected to be released in accordance with the terms of the respective construction contracts.

As at 30 June 2018, the Group has not given any guarantees (31 December 2017: Nil) on performance bonds in respect of a construction contract of the Group in the ordinary course of business.

17 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 2018:

Name of the related party	Relationship with the Group
Concentric-Hong Kong River Joint Venture ("CHKRJV")	A joint operation
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	A joint operation
Shenzhen Changsheng Marine Engineering Limited ("Shenzhen Changsheng")	A related company with 92% equity interest owned by Mr. Cui Qi

(b) Transactions

Save as disclosed elsewhere in the condensed consolidated interim financial information, during the six months ended 30 June 2018 and 2017, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Unaudited Six months ended 30 June	
	2018 HK$'000	2017 HK$'000
Continuing transactions		
Paid to a related party:		
Rental expenses to Shenzhen Changsheng *(Note)*	**4,803**	945

Note: Rental expenses in relation to leasing of vessels are charged at terms pursuant to the agreement as entered into between the Group and the respective related party.

17 RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with key management personnel

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

	Unaudited Six months ended 30 June	
	2018 HK$'000	2017 HK$'000
Salaries, bonus, other allowances and benefits in kind	**3,439**	3,082
Pension costs — defined contribution plans	**53**	54
	3,492	3,136

(d) Balances

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000	Nature
Amount due to a related party — Shenzhen Changsheng	**3,585**	–	Trade

18 ULTIMATE HOLDING COMPANY

Management consider that Solid Jewel Investments Limited as the ultimate holding company of the Group, which is a company incorporated in the British Virgin Islands and owned by Mr. Cui Qi as to 87% and Mr. Yu Ming as to 13%.