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CHINNEY KIN WING HOLDINGS LIMITED

建業建榮控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1556)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the “Board”) of Chinney Kin Wing Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 and the unaudited consolidated statement of financial position of the Group as at 30 June 2016 together with comparative figures in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3	886,021	871,355
Cost of construction		<u>(677,442)</u>	<u>(692,198)</u>
Gross profit		208,579	179,157
Other income and gains	4	259	229
Administrative expenses		<u>(133,688)</u>	<u>(95,867)</u>
PROFIT BEFORE TAX	5	75,150	83,519
Income tax expense	6	<u>(13,478)</u>	<u>(14,400)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>61,672</u>	<u>69,119</u>
Profit and total comprehensive income attributable to: Equity holders of the Company		<u>61,672</u>	<u>69,119</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		<u>HK 4.11 cents</u>	<u>HK 6.19 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	355,866	382,810
Deferred tax assets		-	352
Total non-current assets		355,866	383,162
CURRENT ASSETS			
Inventories		-	1,597
Gross amount due from contract customers		33,881	93,161
Trade receivables	10	168,166	32,399
Retention monies receivable		225,476	199,502
Prepayments, deposits and other receivables		20,955	16,607
Due from a fellow subsidiary		1,790	-
Pledged time deposits		10,624	13,928
Cash and cash equivalents		300,370	302,102
Total current assets		761,262	659,296
CURRENT LIABILITIES			
Gross amount due to contract customers		557,573	457,266
Trade payables	11	55,029	113,265
Retention monies payable		31,508	29,074
Other payables and accruals		44,288	43,921
Tax payable		17,598	14,130
Total current liabilities		705,996	657,656
NET CURRENT ASSETS		55,266	1,640
TOTAL ASSETS LESS CURRENT LIABILITIES		411,132	384,802
NON-CURRENT LIABILITIES			
Deferred tax liabilities		48,774	39,116
Net assets		362,358	345,686
EQUITY			
Equity attributable to owners of the Company			
Issued capital		150,000	150,000
Reserves		212,358	195,686
Total equity		362,358	345,686

NOTES:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda on 29 May 2015. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 11 November 2015.

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

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

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

The condensed consolidated interim financial statements have been prepared under the historical cost convention. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015 except as described below. In the current period, the Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards (“HKFRS”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s financial years beginning on or after 1 January 2016.

Amendments to HKFRS 10 HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interest in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs has had no significant financial effect on this interim financial information and there have been no significant changes to the accounting policies applied in this interim financial information.

3. OPERATING SEGMENT INFORMATION

The Group is organised into business units based on their services and has two reportable operating segments as follows:

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

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

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

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

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

Six months ended 30 June 2016

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	829,810	56,211	886,021
Intersegment sales	-	15,871	15,871
Other revenue	137	-	137
	829,947	72,082	902,029
<i>Reconciliation:</i>			
Elimination of intersegment sales			(15,871)
Other revenue			(137)
Revenue			886,021
Segment results	80,913	774	81,687
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(6,649)
Interest income			112
Profit before tax			75,150

3. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2016

	Foundation construction and ancillary services (Unaudited) <i>HK\$'000</i>	Drilling and site investigation (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment assets	987,781	97,792	1,085,573
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>31,555</u>
Total assets			<u>1,117,128</u>
Segment liabilities	648,394	103,475	751,869
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>2,901</u>
Total liabilities			<u>754,770</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2015

	Foundation construction and ancillary services (Unaudited) HK\$'000	Drilling and site investigation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	796,519	74,836	871,355
Intersegment sales	-	20,732	20,732
Other revenue	51	178	229
	<u>796,570</u>	<u>95,746</u>	<u>892,316</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(20,732)
Other revenue			<u>(229)</u>
Revenue			<u><u>871,355</u></u>
Segment results	78,766	4,737	83,503
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(35)
Interest income			<u>51</u>
Profit before tax			<u><u>83,519</u></u>

As at 31 December 2015

	Foundation construction and ancillary services (Audited) HK\$'000	Drilling and site investigation (Audited) HK\$'000	Total (Audited) HK\$'000
Segment assets	946,920	95,538	1,042,458
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>-</u>
Total assets			<u><u>1,042,458</u></u>
Segment liabilities	585,325	110,744	696,069
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>703</u>
Total liabilities			<u><u>696,772</u></u>

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	112	51
Exchange gains, net	25	-
Others	122	178
	<u>259</u>	<u>229</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	36,879	22,107
Employee benefit expense (including directors' remuneration)	50,971	33,794
Minimum lease payments under operating leases	1,547	1,547
Loss on disposal of items of property, plant and equipment	14,942	2,139
Foreign exchange differences, net	(25)	805

6. INCOME TAX

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	3,468	12,466
Current – Macau		
Charge for the period	-	708
Deferred	10,010	1,226
	<u>13,478</u>	<u>14,400</u>
Total tax charge for the period		

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Macau complementary income tax has been provided at the rate of 12% (2015: 12%) on the estimated assessable profits arising in Macau during the period.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$61,672,000 (2015: HK\$69,119,000) and the number of ordinary shares of 1,500,000,000 (2015: 1,117,500,000) in issue during both periods. The number of ordinary shares in issue for the six months ended 30 June 2016 used in the basic earnings per share calculation has reflected the effect of the capitalisation issue of 1,117,490,000 ordinary shares of the Company (the "Capitalisation Issue") and the effect of the global offer of 382,500,000 ordinary shares of the Company, both on 11 November 2015, while the number of ordinary shares in issue for the six months ended 30 June 2015 used in the basic earnings per share calculation had reflected the effect of the Capitalisation Issue.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2016 and 2015.

8. DIVIDENDS

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

A special dividend of HK3.0 cents per ordinary share, totaling of HK\$45,000,000 for the year ended 31 December 2015 was approved at the Company's annual general meeting held on 1 June 2016 and paid on 27 June 2016.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with a total cost of approximately HK\$26,780,000 (2015: HK\$65,569,000). Property, plant and equipment with a net book value of approximately HK\$16,582,000 were disposed of by the Group during the six months ended 30 June 2016 (2015: HK\$2,139,000) resulted a net loss of approximately HK\$14,942,000 (2015: HK\$2,139,000).

10. TRADE RECEIVABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade receivables	<u>168,166</u>	<u>32,399</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing. At 30 June 2016, the Group has certain concentration risk that may arise from the exposure to the five largest customers which accounted for 74% (31 December 2015: 79%) of the Group's total receivables. At 30 June 2016, the Group has certain concentration risk that may arise from the exposure to the largest customer which accounted for 28% (31 December 2015: 33%) of the Group's total receivables.

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Current to 30 days	132,240	20,101
31 to 60 days	25,240	876
61 to 90 days	120	572
Over 90 days	<u>10,566</u>	<u>10,850</u>
	<u>168,166</u>	<u>32,399</u>

11. TRADE PAYABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade payables	<u>55,029</u>	<u>113,265</u>

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Current to 30 days	43,020	107,087
31 to 60 days	3,135	3,237
61 to 90 days	29	459
Over 90 days	<u>8,845</u>	<u>2,482</u>
	<u>55,029</u>	<u>113,265</u>

The trade payables are non-interest bearing and normally settled on 30-day terms.

RESULTS

The Board is pleased to announce that the Group recorded a turnover of approximately HK\$886.02 million for the six months ended 30 June 2016 (2015: HK\$871.36 million) and achieved a profit of approximately HK\$61.67 million (2015: HK\$69.12 million).

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

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

During the six months ended 30 June 2016, the Group had completed 6 and 24 projects in the Foundation Division and the Drilling Division respectively with total contract sum of approximately HK\$495 million. On the other hand, the Foundation Division and the Drilling Division had been awarded 5 foundation contracts and 18 drilling contracts respectively with total contract sum of approximately HK\$238 million during the period under review.

Revenue

The Group's total revenue for the period under review was approximately HK\$886.02 million, representing a slightly increase of 1.68% from approximately HK\$871.36 million for the six months ended 30 June 2015. However, the revenue from Drilling Division recorded a decrease of 24.89% from approximately HK\$74.84 million for the period ended 30 June 2015 to approximately HK\$56.21 million for the period under review. The drop in revenue in the Drilling Division was mainly due to the fact that certain major infrastructure projects in Hong Kong are now approaching the completion stage in which the demand for drilling and site investigation is usually lower.

Gross profit and gross profit margin

During the period under review, the Group's total gross profit was approximately HK\$208.58 million as compared with the corresponding period last year of approximately HK\$179.16 million, representing an increase of 16.42%. The gross profit margin of approximately 23.54% for the period under review is higher than that of the corresponding period last year of approximately 20.56%. The increase in gross profit and gross profit margin was due to the award of certain technically complex and sizable projects in the year 2015 and the continuing success implementation of stringent project cost control policies by the Group.

Administrative expenses

The Group's administrative expenses increased to approximately HK\$133.69 million during the period under review from last year's corresponding period of approximately HK\$95.87 million, representing an increase of 39.45%. Such increase was mainly attributable to the increase of staff costs and depreciation charges. The increase of depreciation charges was due to the acquisition of machinery of approximately HK\$123.64 million over the last 12 months ended 30 June 2016 and reducing the estimated remaining useful life of certain machinery according to the Group's latest estimates.

Net profit

The Group's net profit for the period under review was approximately HK\$61.67 million, representing a decrease of 10.77% over the corresponding period last year of approximately HK\$69.12 million. The decrease of net profit was due to the increase of administrative expenses and partly set-off by the increase of gross profit.

Financial Review

Liquidity and financial resources

The Group maintained a sound financial position during the period under review. As at 30 June 2016, the Group had unpledged cash and bank balances of approximately HK\$300.37 million which is comparable with that of approximately HK\$302.10 million as at 31 December 2015.

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. To manage liquidity risk, the board of directors closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of assets

As at 30 June 2016, time deposits of approximately HK\$9.62 million (31 December 2015: HK\$12.93 million) were pledged to banks to secure the performance bonds issued in favour of the Group's clients on contracting works. In addition, a time deposit of HK\$1.00 million (31 December 2015: HK\$1.00 million) was pledged to a bank to secure general banking facilities extended to the Group.

Capital commitments

As at 30 June 2016, the Group had capital commitments of approximately HK\$2.32 million (31 December 2015: HK\$11.59 million) contracted for the acquisition of plant and machinery.

Contingent liabilities

As at 30 June 2016, the Group provided corporate guarantees and indemnities to certain banks for an aggregate amount of approximately HK\$258.52 million (31 December 2015: HK\$285.81 million) for the issue of performance bonds in its ordinary course of business. Certain of these performance bonds were also secured by time deposits amounting to approximately HK\$9.62 million (31 December 2015: HK\$12.93 million).

Employees and remuneration policies

As at 30 June 2016, the Group employed 536 staffs in Hong Kong to form a foundation contracting professional team that we are proud of. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staffs.

Use of Net Proceeds from the Company's Initial Public Offering

The net proceeds from the listing have been utilised subsequent to the listing in accordance with the proposed applications set out in the section "Future Plans and Use of Proceeds" of the Prospectus. The below table sets out the proposed applications of the net proceeds and usage up to 30 June 2016:

	Actual net proceeds HK\$million	Amount utilised up to 30 June 2016 HK\$million	Unutilised balance as at 30 June 2016 HK\$million
Acquisition of additional machinery	115.63	72.81	42.82
Investment in human resources	38.54	11.23	27.31
Enhancement of design capability and modifications of plant and machinery	19.27	3.48	15.79
General working capital	19.27	19.27	-
Total	<u>192.71</u>	<u>106.79</u>	<u>85.92</u>

The unused amounts of the net proceeds of approximately HK\$85.92 million were deposited into licensed banks in Hong Kong.

Outlook and Future Plans

The slowdown in the global economy and the weakened retail and property market has proven the signs of weakness of the overall economy in Hong Kong in the first half of 2016 and the foundation market has no exception. The combined impacts of reducing sizable public and private projects and increasing competition amongst market players resulted the Group to adjust the tendering strategy by lowering the profit margin in bidding new contracts. The Group believes that the business prospects of the foundation market tends to remain diminishing and the downward cycle looks to continue in the second half of 2016 that may affect the revenue of the Group.

To cope with the challenges, the Group will continue to implement stringent measures on project cost control, strengthen the project management system, optimise the design capability and enhance the production efficiency aiming to maintain the current profit margin. Our Drilling Division is actively searching for job opportunities from overseas and the third runway projects of the Hong Kong International Airport targeting to enhance the revenue level of the Drilling Division. The Board is considering investment opportunities prudently to utilise our strong financial resources to generate income whenever appropriate.

With the Group's good reputation and relationship with the customers and business partners in the foundation industry, together with our established competitive strengths and talented staffs with high morale led by the committed Execution Panel, we are confident that the Group will continue to develop despite the current foundation market is rather challenging. Looking forward, we are conservatively positive to the long term demands in the foundation and construction sectors, in particular, the need for providing 460,000 public and private housing units in the next decade.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our customers, business partners and shareholders for their long-lasting support. I would also like to thank my fellow Directors for their advice and guidance, Execution Panel for their expertise management of operation departments and all staff for their hard work, loyalty and contributions which are very essential to the Group's success for the period under review.

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2016, except Code provision A.6.7 of the CG Code which requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Siu-Chee Kong, an independent non-executive director of the Company, did not attend the annual general meeting of the Company held on 1 June 2016 due to engagement in his own official business.

Audit Committee

The Audit Committee comprises all the three independent non-executive directors namely Mr. Siu-Chee Kong (Chairman of the Audit Committee), Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui. Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control.

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management and the external auditors the financial reporting matters of the Group for the period ended 30 June 2016. The Company's interim results for the six months ended 30 June 2016 have not been audited, but have been reviewed by the Audit Committee.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2016.

By Order of the Board
Herman Man-Hei Fung
Chairman

Hong Kong, 30 August 2016

At the date of this announcement, the Board comprises of seven directors, of which four are executive directors, namely Mr. Herman Man-Hei Fung, Mr. Yuen-Keung Chan, Mr. Wing-Sang Yu and Mr. Hin-Kwong So; and three are independent non-executive directors, namely Mr. Siu-Chee Kong, Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui.

** For identification purpose only*