建聯集團有限公司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 385)

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**2,227,079**	2,170,305
Cost of sales/services provided		**(1,886,445)**	(1,895,311)
Gross profit		**340,634**	274,994
Other income	*3*	**4,227**	4,337
Selling and distribution costs		**(6,763)**	(5,456)
Administrative expenses		**(215,206)**	(173,340)
Other operating expenses, net		**(9,645)**	(2,564)
Finance costs	*4*	**(1,617)**	(2,460)
Share of profits and losses of associates		**271**	(489)
PROFIT BEFORE TAX	*5*	**111,901**	95,022
Income tax expense	*6*	**(22,307)**	(17,652)
PROFIT FOR THE PERIOD		**89,594**	77,370
Attributable to:			
Owners of the Company		**74,260**	77,370
Non-controlling interests		**15,334**	-
		89,594	77,370
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic and diluted		**HK 12.48 cents**	HK 13.01 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**89,594**	77,370
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations and net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(1,180)**	79
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**88,414**	77,449
Attributable to:		
Owners of the Company	**73,080**	77,449
Non-controlling interests	**15,334**	-
	88,414	77,449

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2016 (Unaudited) *HK$'000***	31 December 2015 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**785,286**	810,598
Investment properties		**16,864**	16,864
Investment in an associate		**47,350**	47,043
Investment in a joint venture		**-**	-
Goodwill		**12,528**	12,528
Deferred tax assets		**260**	612
Other assets		**2,345**	2,345
Total non-current assets		**864,633**	889,990
CURRENT ASSETS			
Inventories		**55,286**	87,317
Gross amount due from contract customers		**199,340**	274,368
Trade receivables	*9*	**488,372**	420,532
Retention monies receivable		**437,844**	395,830
Amount due from a joint venture		**967**	967
Prepayments, deposits and other receivables		**97,190**	57,378
Tax recoverable		**792**	853
Pledged time deposits		**16,685**	19,465
Cash and cash equivalents		**808,583**	792,555
Total current assets		**2,105,059**	2,049,265
CURRENT LIABILITIES			
Gross amount due to contract customers		**917,448**	785,272
Trade and bills payables	*10*	**190,343**	295,372
Trust receipt loans		**108,571**	171,545
Retention monies payable		**164,641**	148,537
Other payables and accruals		**100,313**	113,673
Tax payable		**29,642**	19,519
Interest-bearing bank borrowings		**864**	3,891
Total current liabilities		**1,511,822**	1,537,809
NET CURRENT ASSETS		**593,237**	511,456
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,457,870**	1,401,446
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**2,325**	2,754
Deferred tax liabilities		**88,993**	79,334
Total non-current liabilities		**91,318**	82,088
Net assets		**1,366,552**	1,319,358

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**30 June 2016 (Unaudited)** ***HK$'000***	31 December 2015 (Audited) *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**59,490**	59,490
Reserves		**1,213,190**	1,169,855
		1,272,680	1,229,345
Non-controlling interests		**93,872**	90,013
Total equity		**1,366,552**	1,319,358

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual 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, except for investment properties and certain buildings classified as property, plant and equipment, which have been measured at fair value. 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 ("HKFRSs", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2016.

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

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the trading of plastics and chemical products, provision of building related contracting services, provision of foundation piling works and sub-structure works, building construction works for both public and private sectors and others, which include distribution of aviation system and other hi-tech products and property holding. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

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

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

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

	Plastic and chemical products (Unaudited) *HK$'000*	Building related contracting services (Unaudited) *HK$'000*	Building construction (Unaudited) *HK$'000*	Foundation piling and ground investigation (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:						
Sales to external customers	**259,570**	**647,618**	**451,881**	**855,587**	**12,423**	**2,227,079**
Intersegment sales	**147**	**23,879**	**-**	**30,434**	**-**	**54,460**
Other revenue	**809**	**241**	**1**	**112**	**628**	**1,791**
	260,526	**671,738**	**451,882**	**886,133**	**13,051**	**2,283,330**
Reconciliation:						
Elimination of intersegment sales						**(54,460)**
Revenue						**2,228,870**
Segment results	**2,435**	**19,647**	**22,264**	**73,492**	**(1,161)**	**116,677**
Reconciliation:						
Gain on dissolution of a former associate						**6,243**
Interest income and unallocated gains						**2,436**
Unallocated expenses						**(13,726)**
Share of profit and loss of an associate						**271**
Profit before tax						**111,901**

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2016

	Plastic and chemical products (Unaudited) *HK$'000*	Building related contracting services (Unaudited) *HK$'000*	Building construction (Unaudited) *HK$'000*	Foundation piling and ground investigation (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment assets	**301,760**	**583,000**	**517,394**	**1,124,255**	**170,641**	**2,697,050**
Reconciliation:						
Elimination of intersegment receivables						**(22,245)**
Investment in an associate						**47,350**
Corporate and other unallocated assets						**247,537**
Total assets						**2,969,692**
Segment liabilities	**106,650**	**414,339**	**267,732**	**688,398**	**26,956**	**1,504,075**
Reconciliation:						
Elimination of intersegment payables						**(22,245)**
Corporate and other unallocated liabilities						**121,310**
Total liabilities						**1,603,140**

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2015

	Plastic and chemical products (Unaudited) *HK$'000*	Building related contracting services (Unaudited) *HK$'000*	Building construction (Unaudited) *HK$'000*	Foundation piling and ground investigation (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:						
Sales to external customers	274,654	502,657	513,978	871,355	7,661	2,170,305
Intersegment sales	-	17,424	-	-	65	17,489
Other revenue	2,025	217	1	51	631	2,925
	276,679	520,298	513,979	871,406	8,357	2,190,719
Reconciliation:						
Elimination of intersegment sales						(17,489)
Revenue						2,173,230
Segment results	4,607	14,998	5,950	81,924	(1,695)	105,784
Reconciliation:						
Interest income and unallocated gains						1,412
Unallocated expenses						(11,685)
Share of profits and losses of associates						(489)
Profit before tax						95,022

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2015

	Plastic and chemical products (Audited) *HK$'000*	Building related contracting services (Audited) *HK$'000*	Building construction (Audited) *HK$'000*	Foundation piling and ground investigation (Audited) *HK$'000*	Others (Audited) *HK$'000*	Total (Audited) *HK$'000*
Segment assets	322,982	603,053	505,776	1,050,415	173,618	2,655,844
Reconciliation:						
Elimination of intersegment receivables						(18,790)
Investment in an associate						47,043
Corporate and other unallocated assets						255,158
Total assets						2,939,255
Segment liabilities	128,798	453,729	275,640	643,432	28,133	1,529,732
Reconciliation:						
Elimination of intersegment payables						(18,790)
Corporate and other unallocated liabilities						108,955
Total liabilities						1,619,897

3. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income	**2,016**	1,937
Commission income	**727**	1,375
Gross rental income	**628**	631
Others	**856**	394
	4,227	4,337

4. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,617**	2,460

No interest was capitalised by the Group in both periods.

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	**46,681**	31,154
Employee benefit expense (including directors' remuneration)	**119,664**	91,173
Bad debts written off*	**-**	1
Loss on disposal of items of property, plant and equipment, net*	**15,321**	2,336
Gain on dissolution of a former associate*	**(6,243)**	-
Foreign exchange differences, net*	**567**	227

* *These expenses/(income) are included in "Other operating expenses, net" in the condensed consolidated statement of profit or loss.*

6. INCOME TAX

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**10,734**	15,630
Over provision in prior years	**-**	(10)
Current – Elsewhere	**1,563**	1,175
Deferred	**10,010**	857
Total tax charge for the period	**22,307**	17,652

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. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of HK$74,260,000 (2015: HK$77,370,000) and 594,899,245 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2016 and 2015 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. DIVIDEND

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

The final dividend of HK5.0 cents per ordinary share for the year ended 31 December 2015 was approved by the Company's shareholders at the annual general meeting of the Company held on 1 June 2016 and paid on 27 June 2016.

9. TRADE RECEIVABLES

	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**488,372**	420,532

9. TRADE RECEIVABLES *(continued)*

The Group's trading terms with its customers are mainly on credit. The credit periods range from cash on delivery to 60 days. A longer credit period may be allowed to customers with good business relationships with the Group. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

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

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
Current to 30 days	**352,481**	278,724
31 to 60 days	**78,688**	92,784
61 to 90 days	**26,579**	23,561
Over 90 days	**30,624**	25,463
	488,372	420,532

10. TRADE AND BILLS PAYABLES

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
Trade payables	**173,000**	278,797
Bills payable	**17,343**	16,575
	190,343	295,372

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	**112,610**	221,670
31 to 60 days	**30,446**	27,851
61 to 90 days	**9,109**	14,865
Over 90 days	**20,835**	14,411
	173,000	278,797

RESULTS

The Board is pleased to announce that the Group recorded a revenue of HK$2,227 million for the six months ended 30 June 2016 (2015: HK$2,170 million). The profit for the period was HK$89.6 million (2015: HK$77.4 million). The profit attributable to the owner of the Company was HK$74.3 million (2015: HK$77.4 million).

INTERIM DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemical products

The Plastic Trading division, which consists of Jacobson van den Berg (Hong Kong) Limited and other companies, contributed a revenue of HK$260 million (2015: HK$275 million) with an operating profit of HK$2.4 million (2015: HK$4.6 million). The market was very soft and the division's customers suffered both in terms of business volume and margin under the weakened external market. While the sales of the division were dropped, the commission and rebate from supplier could not be maintained at last year's level and the profit was also decreased. The division is developing new products and sales platform to broaden its earning base and exploring the market in the Mainland China to be more in sync with the economic rhythm of China growth.

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") contributed a revenue of HK$648 million (2015: HK$503 million) and an operating profit of HK$19.6 million (2015: HK$15.0 million). The increase in revenue and profit were mainly attributable to more contracts awarded and in progress. The management is cautiously monitoring the progress of projects and expenses to maintain the profitability level. The division has diversified client base in both public and private sectors in Hong Kong and hotel and resorts in Macau. The division had outstanding contracts on hand of HK$3,498 million as at 30 June 2016 and additional HK$450 million worth contracts were awarded subsequent to the end of the financial period.

Building construction

The division consists of Chinney Construction Company, Limited and Chinney Builders Company Limited which operate in Hong Kong and Chinney Timwill Construction (Macau) Company Limited which operates in Macau. During the period, the division recorded a revenue of HK$452 million (2015: HK$514 million) with an operating profit of HK$22.3 million (2015: HK$6.0 million). Although the revenue decreased, the operating profit increased as a result of the new projects which commenced in the second half of 2015 progressed to the stage to recognise profit in accordance with the accounting policies adopted and improved profit margin of certain projects due to cost saving. The division's client base included schools, institutions, property developers, hospitality facilities and non-profit organisations in Hong Kong and Macau. As at 30 June 2016, the division had outstanding contracts on hand of HK$2,057 million. Subsequent to the period end, an aggregate amount of HK$298 million contracts was awarded to the division.

Foundation piling and ground investigation

Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") and its subsidiaries (the "Chinney Kin Wing Group") contributed revenue of HK$856 million (2015: HK$871 million) and an operating profit of HK$73.5 million (2015: HK$81.9 million). The decrease in revenue of the division was mainly due to the drop in revenue of the drilling business of the division as certain infrastructure projects in Hong Kong are entering into the stage of completion in the near future which suppressed the demand for drilling and site investigation. The division recorded an improved gross profit margin which was due to the award of certain technically complex and sizeable projects in 2015 and the continuing successful implementation of stringent project cost control policies. However, due to the increase in staff costs as well as the increase in depreciation charges, which was resulted from plant and machinery acquired during the last 12 months ended 30 June 2016 and the reduction of the estimated useful lives of certain plant and machineries, the operating profit decreased. The division adjusts its tendering strategy by lowering the profit margin in bidding new contracts to deal with the combined impacts of reducing sizeable public and private projects and increasing competition amongst market players. Despite the current market condition, the board of directors of Chinney Kin Wing is 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.

Other businesses

Other businesses include the holding of properties for the Group's own use and investment, and the distribution of aviation system and other hi-tech products engaged by Chinney Alliance Engineering Limited ("CAE"). CAE recorded a revenue of HK$12 million (2015: HK$8 million) and an operating loss of HK$0.6 million (2015: loss of HK$1.0 million). The new air traffic management system of the Hong Kong airport has commenced phased functional implementation since June 2016. The construction of the Three-Runway System kicked off in August 2016 with estimated completion in 2024. CAE will have many business opportunities to participate in this development.

The properties holding recorded a loss of HK$0.6 million which was mainly due to depreciation charges.

The Group's share of the profits and losses of associates reported net profit of HK$0.3 million (2015: net losses of HK$0.5 million), which represented share of the results of the Group's investment in a real estate property in Hangzhou, the People's Republic of China (the "PRC") held for rental income. The improved performance was due to better occupancy rate.

OUTLOOK

The recovery of the global economy was still in slow pace during the first half of 2016. The referendum of the United Kingdom voted in favour of leaving the European Union in late June 2016 brought uncertainties to the already fragile recovery of the Europe and the global economy. In August 2016, the Bank of England announced aggressive easing package which included interest rate cut for households and businesses, expansion of asset purchase programme for UK government bonds, purchases of corporate bonds and launch of term funding scheme to lower lending rate to banks to stimulate the British economy. Given the uncertainties on the timing of Brexit and future negotiations on trade relationships between UK and EU, as well as other global trading partners, the global economy will be volatile in the coming years. The US economy continues modest growth with continuing improvement employment rate and rise of inflation rate which are close to the targets of US Federal Reserve. The market speculates how quick the US Federal Reserve rate will rise in this year. In China, the GDP in the second quarter of 2016 reported 6.7% growth with increase in contribution from consumption and decrease in contribution from investment. China is still in the progress to transform its economy from export-oriented to self-sustaining growth driven by domestic consumption. While the average wage and standard of living of China citizens continue to improve, the domestic market is expected to be prospering.

The Hong Kong economy recorded modest growth by 1.6% in real GDP in the second quarter of 2016, comparing to a contraction of 0.5% in the first quarter of 2016. The unemployment rate remained unchanged at 3.4% in the second quarter. The growth in private consumption and exports goods contributed to the growth in GDP. Although the investment expenditure still declined, the overall building and construction shows remarkable improvement. The approval of the implementation plan for Shenzhen-Hong Kong Stock Connect will facilitate the further opening-up of the capital markets of the Mainland China. On the other hand, funds from international investors to invest in Mainland's market through Hong Kong market will reinforce Hong Kong's position as an international financial centre. The Group's Plastic Trading division continues to face a tough year under the current global economy environment. With the depreciation of Renminbi, the China export may gain some competitive advantage but China is transforming to rely on domestic consumption and services to support future economic growth so the development in China domestic market will be crucial to enlarge the division's earning base. On the building construction side, the competition is still very keen as evidenced by the very competitive tender prices. The supply of public housing, the new runway of the airport and projects from private sector will provide business opportunities to the Group. With satisfactory level outstanding contracts on hand, the Group's construction related businesses will seek new tender opportunities and monitor projects cautiously to maintain profitability and liquidity.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK$111.8 million as at 30 June 2016 (31 December 2015: HK$178.2 million), of which HK$109.4 million or 98% (31 December 2015: HK$175.4 million or 98%) were classified as current liabilities. Included in the current portion of bank and other borrowings were trust receipt loans of HK$108.6 million (31 December 2015: HK$171.5 million), which represented trade financing for purchases of goods by the Group's Plastic Trading division and the purchases of materials and equipment for installation for the projects of the Group's Building Services division. Current ratio of the Group as at 30 June 2016, measured by total current assets over total current liabilities, was 1.4 (31 December 2015: 1.3). Total unpledged cash and bank balances as at 30 June 2016 was HK$808.6 million (31 December 2015: HK$792.6 million). The increase in unpledged bank balances was mainly due to cash generated from operations, less purchases of plant and machinery of HK$38.7 million, mainly by Chinney Kin Wing Group, net repayment of bank loans of HK$63.4 million and dividend paid during the period.

The Group had a total of HK$1,053 million undrawn banking facilities at period-end available for its working capital, trade finance and issue of performance/surety bonds. The gearing ratio of the Group, measured by total interest-bearing borrowings of HK$111.8 million over the equity attributable to the owners of the Company of HK$1,273 million, was 8.8% as at 30 June 2016 (31 December 2015: 14.5%).

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. Forward contracts of non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group when desirable.

Pledge of assets

As at 30 June 2016, certain properties and a time deposit having aggregate book value of HK$149.6 million and HK$1 million respectively were pledged to banks to secure certain bank loans and general banking facilities extended to the Group. In addition, time deposits of HK$15.7 million were pledged to certain banks to secure the performance/surety bonds issued in favour of the Group's clients on contracting works.

Contingent liability

As at 30 June 2016, the Group provided corporate guarantees and indemnities to certain banks and financial institutions of an aggregate amount of HK$601.8 million to secure the surety/performance bonds issued in favour of the Group's clients on contracting works. The amount included surety/performance bonds issued in favour of the clients of Chinney Kin Wing Group of which corporate guarantees and indemnities of HK$258.5 million were provided by Chinney Kin Wing Group.

Save as disclosed above, the Group has no other material contingent liabilities as at 30 June 2016.

Employees and remuneration policies

The Group employed approximately 1,530 staff in Hong Kong and other parts of the PRC as at 30 June 2016. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

APPRECIATION

I would like to thank my fellow directors for their valuable advice and support and all staff for their hard work and contribution for the success during 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 Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 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 A.4.1, A.4.2, A.5.1 to A.5.4 and A.6.7, which are explained below.

1. Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election and that code provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   The existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting under the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

   According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation save that the Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

Dr. James Sai-Wing Wong, the beneficial owner of Chinney Investments, Limited, Enhancement Investments Limited and Chinney Capital Limited, which collectively hold approximately 73.43% interest in the Company, is the chairman of the Board to safeguard their investments in the Company. In addition, the Board considers that the continuity of the office of the chairman and managing director provide the Group with a strong and consistent leadership for the smooth operation of the businesses of the Group. As a result, the Board concurred that the chairman and the managing director need not be subject to retirement by rotation.

2. Code provisions A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Company has not established a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will determine the suitability of the relevant candidates on the basis of their gender, age, professional qualifications and experience as well as educational background.

3. Code provision A.6.7 of the CG Code 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. Herman Man-Hei Fung and Mr. Chi-Chiu Wu, being non-executive directors of the Company and an executive director Mr. James Sing-Wai Wong, did not attend the annual general meeting of the Company held on 1 June 2016 due to engagement in their own business.

Audit Committee

Regular meetings have been held by the audit committee of the Company (the "Audit Committee") since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 June 2016 has not been audited, but has 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, redeemed or sold any of the Company's listed shares during the six months ended 30 June 2016.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 30 August 2016

At the date of this announcement, the Board comprises of nine directors, of which four are executive directors, namely Dr. James Sai-Wing Wong, Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam; and two are non-executive directors, namely Mr. Herman Man-Hei Fung and Ms. Wendy Kim-See Gan; and three are independent non-executive directors, namely Mr. Yuen-Tin Ng, Mr. Chi-Chiu Wu and Mr. Ronald James Blake.

* *For identification purpose only*