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 2019

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 2019 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 together with comparative figures in 2018 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(Restated)
REVENUE	*3*	**2,453,426**	2,768,219
Cost of sales/services provided		**(2,098,110)**	(2,437,686)
Gross profit		**355,316**	330,533
Other income	*3*	**3,276**	5,571
Selling and distribution costs		**(6,882)**	(7,912)
Administrative expenses		**(229,261)**	(209,396)
Other operating expenses, net		**(258)**	(2,336)
Finance costs	*4*	**(5,953)**	(5,032)
Share of profits and losses of an associate		**–**	(351)
PROFIT BEFORE TAX	*5*	**116,238**	111,077
Income tax expense	*6*	**(24,524)**	(22,701)
PROFIT FOR THE PERIOD		**91,714**	88,376
Attributable to:			
Owners of the Company		**84,766**	79,947
Non-controlling interests		**6,948**	8,429
		91,714	88,376
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic and diluted		**HK14.25 cents**	HK13.44 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
PROFIT FOR THE PERIOD	**91,714**	88,376
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations and net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**247**	(199)
Other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investment designated at fair value through other comprehensive income	**(82)**	(6)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**165**	(205)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**91,879**	88,171
Attributable to:		
Owners of the Company	**84,931**	79,742
Non-controlling interests	**6,948**	8,429
	91,879	88,171

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019 (Unaudited) *HK$'000***	31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**820,834**	815,340
Right-of-use assets		**75,940**	–
Investment properties		**20,386**	20,386
Investment in an associate		**208**	208
Investment in a joint venture		**–**	–
Equity investment designated at fair value through other comprehensive income		**3,072**	2,919
Goodwill		**14,369**	14,369
Financial assets at fair value through profit or loss		**3,964**	3,964
Prepayments, deposits and other receivables		**2,618**	2,618
Deferred tax assets		**144**	144
Total non-current assets		**941,535**	859,948
CURRENT ASSETS			
Inventories		**60,595**	88,370
Contract assets		**1,252,170**	1,139,522
Trade receivables	*9*	**642,098**	670,167
Amount due from a related company	*10*	**55,085**	22,420
Amount due from a joint venture		**967**	967
Prepayments, deposits and other receivables		**129,489**	78,760
Derivative financial instruments		**331**	827
Tax recoverable		**9,546**	16,349
Pledged time deposits		**491**	2,102
Cash and cash equivalents		**587,537**	778,936
Total current assets		**2,738,309**	2,798,420

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
CURRENT LIABILITIES			
Trade, bills and retention monies payables	11	**630,367**	707,212
Trust receipt loans		**131,089**	166,452
Other payables and accruals		**623,188**	711,444
Dividend payable		**35,694**	–
Dividend payable to non-controlling interests		**7,650**	–
Tax payable		**41,807**	22,283
Interest-bearing bank borrowings		**36,097**	947
Lease liabilities		**11,773**	–
Total current liabilities		**1,517,665**	1,608,338
NET CURRENT ASSETS		**1,220,644**	1,190,082
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,162,179**	2,050,030
NON-CURRENT LIABILITIES			
Lease liabilities		**65,805**	–
Deferred tax liabilities		**96,461**	98,652
Total non-current liabilities		**162,266**	98,652
Net assets		**1,999,913**	1,951,378
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**59,490**	59,490
Reserves		**1,823,012**	1,773,775
		1,882,502	1,833,265
Non-controlling interests		**117,411**	118,113
Total equity		**1,999,913**	1,951,378

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. 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 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 financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for investment properties, land and buildings classified as property, plant and equipment, equity investment designated at fair value through other comprehensive income as well as financial assets at fair value through profit or loss, 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 2018, except as described below. In the current period, the Group has applied, for the first time, the following new and 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 year beginning on or after 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

1. **BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** *(continued)*

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's unaudited condensed consolidated interim financial information.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *HK$'000* (Unaudited)
Assets	
Increase in right-of-use assets and total assets	80,328
Liabilities	
Increase in lease liabilities and total liabilities	80,328

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.

Six months ended 30 June 2019

	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	234,947	1,159,620	521,664	518,096	19,099	2,453,426
Intersegment sales	101	11,004	–	–	–	11,105
Other revenue	497	63	23	1,879	2	2,464
	235,545	1,170,687	521,687	519,975	19,101	2,466,995
Reconciliation:						
Elimination of intersegment sales						(11,105)
Revenue						2,455,890
Segment results	(2,043)	52,510	46,192	34,763	(2,266)	129,156
Reconciliation:						
Interest income and unallocated gains						812
Unallocated expenses						(13,730)
Profit before tax						116,238

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2019

	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	**340,061**	**1,319,359**	**719,889**	**852,707**	**226,203**	**3,458,219**
Reconciliation:						
Elimination of intersegment receivables						**(15,740)**
Investment in an associate						**208**
Equity investment designated at fair value through other comprehensive income						**3,072**
Corporate and other unallocated assets						**234,085**
Total assets						**3,679,844**
Segment liabilities	**85,050**	**789,195**	**239,113**	**378,282**	**30,588**	**1,522,228**
Reconciliation:						
Elimination of intersegment payables						**(15,740)**
Corporate and other unallocated liabilities						**173,443**
Total liabilities						**1,679,931**

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2018

	Plastic and chemical products (Unaudited) *HK$'000*	Building related contracting services (Unaudited) *HK$'000* *(Restated)*	Building construction (Unaudited) *HK$'000*	Foundation piling and ground investigation (Unaudited) *HK$'000* *(Restated)*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000* *(Restated)*
Segment revenue:						
Sales to external customers	287,577	1,092,968	851,599	528,969	7,106	2,768,219
Intersegment sales	–	19,891	–	–	–	19,891
Other revenue	1,385	538	284	1,363	89	3,659
	288,962	1,113,397	851,883	530,332	7,195	2,791,769
Reconciliation:						
Elimination of intersegment sales						(19,891)
Revenue						2,771,878
Segment results	3,143	42,240	41,507	38,062	(1,777)	123,175
Reconciliation:						
Interest income and unallocated gains						1,912
Unallocated expenses						(13,659)
Share of profits and losses of an associate						(351)
Profit before tax						111,077

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2018

	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	388,451	1,227,491	654,133	934,708	198,531	3,403,314
Reconciliation:						
Elimination of intersegment receivables						(13,107)
Investment in an associate						208
Equity investment designated at fair value through other comprehensive income						2,919
Corporate and other unallocated assets						265,034
Total assets						3,658,368
Segment liabilities	125,828	771,712	212,800	467,209	14,274	1,591,823
Reconciliation:						
Elimination of intersegment payables						(13,107)
Corporate and other unallocated liabilities						128,274
Total liabilities						1,706,990

3. REVENUE AND OTHER INCOME

REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Type of goods and services		
Sales of goods	**346,760**	345,485
Construction services	**2,106,666**	2,422,734
Total revenue from contracts with customers	**2,453,426**	2,768,219
Timing of revenue recognition		
Goods transferred at a point in time	**346,760**	345,485
Services transferred over time	**2,106,666**	2,422,734
Total revenue from contracts with customers	**2,453,426**	2,768,219

OTHER INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**1,525**	1,931
Commission income	**–**	1,120
Gross rental income	**1,500**	802
Others	**251**	1,718
	3,276	5,571

4. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**3,587**	2,100
Interest on convertible bond	**–**	2,932
Interest on lease liabilities	**2,366**	–
	5,953	5,032

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**43,783**	42,458
Less: Amount included in contract costs	**(4,576)**	(4,241)
	39,207	38,217
Depreciation of right-of-use assets	**6,993**	–
Employee benefit expense (including directors' remuneration)	**405,306**	376,442
Less: Amount included in contract costs	**(275,636)**	(253,049)
	129,670	123,393
Loss on disposal of items of property, plant and equipment, net*	**263**	824
Impairment of goodwill*	**–**	398
Fair value loss on derivative financial instruments – transaction not qualifying as hedge*	**3**	–
Foreign exchange differences, net*	**(8)**	1,114

* *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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Current – Hong Kong	**24,172**	18,036
Current – Elsewhere	**2,543**	5,133
Deferred	**(2,191)**	(468)
Total tax charge for the period	**24,524**	22,701

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of HK$84,766,000 (2018: HK$79,947,000) and the number of 594,899,245 ordinary shares in issue during both periods.

In 2018, the calculation of diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bond of a subsidiary and the dilution effect on earning assuming there is a full conversion of the convertible bond of a subsidiary, where applicable. The number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period as used in the basic earnings per share calculation.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

The calculation of diluted earnings per share is based on:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**84,766**	79,947
Interest on convertible bond of a subsidiary, net of tax	**–**	2,932
Dilution of earnings arising from the full conversion of the convertible bond of a subsidiary	**–**	35
	84,766	82,914*

* *No adjustment had been made to the basic earnings per share amount represented for the period ended 30 June 2018 in respect of a dilution as the impact of the convertible bond of a subsidiary outstanding had an anti-dilutive effect on the basic earnings per share amount presented.*

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

The final dividend of HK6.0 cents per ordinary share for the year ended 31 December 2018 was approved by the Company's shareholders at the annual general meeting of the Company held on 4 June 2019 and paid on 2 July 2019.

9. TRADE RECEIVABLES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade receivables	**642,098**	670,167

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 for customers with good business relationship 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 receivables balances. Trade receivables are non-interest-bearing.

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Current to 30 days	**429,135**	415,306
31 to 60 days	**92,313**	163,937
61 to 90 days	**56,792**	33,605
Over 90 days	**63,858**	57,319
	642,098	670,167

10. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contracting income certified from Gold Famous Development Limited ("Gold Famous"). Gold Famous is an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") of which Dr. James Sai-Wing Wong, a director and a controlling shareholder of the Company, is also a director of and has a beneficial interest in. Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam are common directors of the Company and Hon Kwok.

11. TRADE, BILLS AND RETENTION MONIES PAYABLES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade payables	**371,621**	414,504
Bills payable	**11,146**	25,727
Retention monies payable	**247,600**	266,981
	630,367	707,212

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Current to 30 days	**270,755**	315,929
31 to 60 days	**60,222**	61,247
61 to 90 days	**30,051**	27,019
Over 90 days	**10,593**	10,309
	371,621	414,504

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with current period's presentation, which would better reflect the financial performance and position of the Group.

RESULTS

The Group recorded a revenue of HK$2,453 million for the six months ended 30 June 2019 (2018: HK$2,768 million). The net profit for the period amounted to HK$91.7 million (2018: HK$88.4 million). The profit attributable to the ordinary equity holders of the Company was HK$84.8 million (2018: HK$80.0 million), which was arrived after the deduction of the profit attributable to non-controlling interests held by the public shareholders in the Company's listed subsidiary Chinney Kin Wing Holdings Limited ("Chinney Kin Wing", collectively with its subsidiaries, the "Chinney Kin Wing Group") of HK$6.9 million (2018: HK$8.4 million).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemical products

Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries recorded a revenue of HK$235 million (2018: HK$288 million) and an operating loss of HK$2.0 million (2018: profit of HK$3.1 million). The trade tension between the United States of America and China, the world's two largest economies, is escalating. The devaluation of Renminbi further erodes the profit margin of manufacturers and exporters in China, which are the segment's major customers. As a result, both the sales and profit margin of the segment dropped for the period under review. The segment is exploring more opportunities in other countries to meet its customers' demand in different production bases. The sales of the "JcoNAT" brand disinfectant products was improved with more vending machines in various locations.

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") contributed a revenue of HK$1,160 million (2018: HK$1,093 million) and an operating profit of HK$52.5 million for 2019 (2018: HK$42.2 million). The revenue of the segment increased slightly with the progress of the projects on hand. The improvement in operating profit was mainly attributed to higher profit margin of certain large projects with short contract period for completion. As reported in the last annual report, the construction/alternation of the factory premises by IDC Realty Holdings Limited and its subsidiary into internet data centre was completed and is currently under final testing stage. As at end of the reporting period, the division had outstanding contract sum of approximately HK$4.8 billion.

Building construction

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, contributed a revenue of HK$522 million (2018: HK$852 million) and an operating profit of HK$46.2 million (2018: HK$41.5 million). While revenue of the division decreased as the current large projects are still in early stage, the increase in profit was mainly due to better margin for projects in Macau and variation orders agreed during the period. The outstanding contract sum as at end of the reporting period was approximately HK$1.2 billion.

Foundation piling and ground investigation

Chinney Kin Wing Group contributed revenue of HK$518 million (2018: HK$529 million) and operating profit of HK$34.8 million (2018: HK$38.1 million) to the Group. The decrease in revenue was due to the reduced amount of HK$28 million of the Foundation Division of the segment, while the Drilling Division (under "DrilTech" branding) recorded an increase in revenue of HK$18 million. With the successful ongoing implementations of stringent project costs control policies and close monitoring of the progress of the projects, gross profit margin was maintained at similar level of last period of approximately 24%. Yet, the gross profit decreased with the decrease in revenue. There was also increase in repair and maintenance costs to up-keeping the working efficiency of its fleet of machineries. Overall profit thus decreased. Chinney Kin Wing Group's cash and bank balances decreased from HK$193.7 million as at 31 December 2018 to HK$77.6 million as at 30 June 2019, which was mainly due to capital expenditure for the acquisition of plant and machineries, and certain sizeable projects with net cash paid before the end of the reporting period were still pending for certification of progress payment from customers.

There was a slight upturn in the foundation market in earlier 2019 and the management of Chinney Kin Wing Group grasped the opportunity and was awarded three sizeable private foundation contracts during and after the reporting period, with aggregate contract sum of approximately HK$1,500 million. To cope with the increasing complexities and demanding contractual requirements for foundation projects, Chinney Kin Wing Group recruited different levels of competent staff to further sharpen their competitive edge in providing the best technical and cost effective solutions to customers. On the other hand, DrilTech recorded increase in both revenue and profit contribution to the segment. DrilTech had developed new customer base from private sector and applied for other categories of specialist contractors under the Development Bureau to expand the tender opportunities for public works. DrilTech will explore its scope of services in marine ground investigation, instrumentation and field testing to diversify its business and maintain stable and sustainable development of the Drilling Division.

With the reputation in the market and talented and highly motivated staff led by a committed Execution Panel, the management of Chinney Kin Wing Group trusts that its business will remain stable and its client base will continue to expand. The management is prudently optimistic as to the long-term demands for reliable and reputable contractors in the construction industry and is looking forward to the Government fulfilling its commitment to long-term public housing development and land supply for the next decade.

Other businesses

Other businesses recorded revenue of HK$19 million (2018: HK$7 million) and operating loss of HK$2.3 million (2018: loss of HK$1.8 million). The loss of the segment represented the operating loss in the aviation division and the depreciation charges for the Group's properties for own use.

The Group's associate, Fineshade Investments Limited, remained inactive after the disposal of all its interests in real estate property in Hangzhou, China in the second half of 2017.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group, which included trust receipt loans, bank loans (excluding bank overdrafts of HK$5.6 million (31 December 2018: Nil)) and lease liabilities, amounted to HK$239.1 million as at 30 June 2019 (31 December 2018: HK$167.4 million). As a result of the adoption of HKFRS 16 *Leases*, the discounted value of future lease payments of lease contracts are recognised as lease liabilities. The Group's lease liabilities amounted to HK$77.6 million as at 30 June 2019. No adjustment for lease liabilities as at 31 December 2018 was required under the transition arrangement of HKFRS 16. Should the lease liabilities be excluded, the total interest-bearing debts of the Group would be HK$161.6 million as at 30 June 2019. There were HK$173.3 million or 72% (31 December 2018: HK$167.4 million or 100%) of the interest-bearing debts classified as current liabilities. Included in the current portion of interest-bearing debts were trust receipt loans of HK$131.1 million (31 December 2018: HK$166.5 million) for financing the purchases of goods by the Plastic Trading segment and the purchases of materials and equipment for installation in the projects of the Building Services segment. Current ratio of the Group as at 30 June 2019, measured by total current assets over total current liabilities, was 1.8 (31 December 2018: 1.7). Total unpledged cash and bank balances as at 30 June 2019 were HK$587.5 million (31 December 2018: HK$778.9 million). The decrease in unpledged bank balances was mainly due to net cash outflow from operations of HK$138.7 million, purchases of properties, plant and equipment of HK$49.6 million, decrease in trust receipt loans of HK$35.4 million, and net cash inflow from bank loans drawn less repayments of HK$29.5 million.

The Group had a total of HK$1,798 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 debts of HK$239.1 million over the equity attributable to the owners of the Company of HK$1,883 million, was 12.7% as at 30 June 2019 (31 December 2018: 9.1%).

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 2019, certain properties having an aggregate book value of HK$169.8 million were pledged to banks to secure certain bank loans and general banking facilities extended to the Group. In addition, time deposits of HK$0.5 million were pledged to banks to secure the performance/surety bonds issued in favour of the Group's clients on contracting works.

Contingent liability

As at 30 June 2019, the Group provided corporate guarantees and indemnities to certain banks and financial institutions of an aggregate amount of HK$584 million to secure the performance/surety bonds issued in favour of the Group's clients on contracting works. Such amount included performance/surety bonds issued in favour of the clients of the Chinney Kin Wing Group of which corporate guarantees and indemnities of HK$205 million were provided by Chinney Kin Wing Group.

Save as disclosed above, the Group has no other material contingent liabilities as at 30 June 2019.

Employees and remuneration policies

The Group employed approximately 1,810 staff in Hong Kong and other parts of the China as at 30 June 2019. 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.

CONNECTED TRANSACTIONS

(a) On 20 September 2016, Gold Famous, an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, Limited ("Chinney Investments"), as the employer entered into a framework agreement (the "Foundation Framework Agreement") with Kin Wing Foundations Limited ("KWF"), an indirect wholly-owned subsidiary of Chinney Kin Wing and an indirect non wholly-owned subsidiary of the Company, as a contractor for the construction of piling foundation, pipe piling, bored pile wall works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong (the "Land") at a contract sum of HK$210 million (the "Foundation Construction Works"). The entering into the Foundation Framework Agreement constituted a connected transaction of each of Hon Kwok, Chinney Investments, Chinney Kin Wing and the Company under the Listing Rules. On 7 November 2016, at the respective extraordinary general meetings held by each of Hon Kwok and Chinney Investments and at the respective special general meetings held by each of Chinney Kin Wing and the Company, the transaction was approved by the independent shareholders of each of Hon Kwok, Chinney Investments, Chinney Kin Wing and the Company.

    Details of the transaction were set out in the joint announcement of Hon Kwok, Chinney Investments, Chinney Kin Wing and the Company dated 20 September 2016 and the Company's circular dated 21 October 2016. During the six months ended 30 June 2019, revenue of HK$6,708,000 was recognised by KWF under the Foundation Construction Works.

(b) On 12 June 2018, Shun Cheong Data Centre Solutions Company Limited ("Shun Cheong Data Centre Solutions"), an indirect wholly-owned subsidiary of the Company, as a consultant entered into a consultancy agreement with Gold Famous (as the employer) for the provision of consultancy services by Shun Cheong Data Centre Solutions to Gold Famous in relation to the construction and development of a data centre in the Land (the "Data Centre Project") at a consultancy fee of HK$16,200,000 (the "Consultancy Agreement"). The entering into the Consultancy Agreement constituted a connected transaction for each of, Chinney Investments, Hon Kwok and the Company. As the applicable percentage ratios for each of the Companies were more than 0.1% but less than 5%, the transactions contemplated under the Consultancy Agreement were subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirement for each of the companies under Chapter 14A of the Listing Rules.

    Details of the Consultancy Agreement and transactions contemplated thereunder were set out in a joint announcement of the Chinney Investments, Hon Kwok and the Company dated 12 June 2018. The revenue recognised by Shun Cheong Data Centre Solutions in respect of the transaction amounted to HK$2,430,000 during the six months ended 30 June 2019.

(c) On 12 July 2018, Chinney Construction Company, Limited ("Chinney Construction"), an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Gold Famous (as the employer) for the construction works to be carried out by Chinney Construction as the main contractor for the Data Centre Project at a total contract sum of HK$757,838,691.70 (the "Framework Agreement"). The entering into of the Framework Agreement constituted a connected transaction of each of Chinney Investments, Hon Kwok and the Company. Since the entering into of the Consultancy Agreement on 12 June 2018 also constituted a connected transaction for each of the Companies under the Listing Rules, pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Consultancy Agreement and the Framework Agreement should be aggregated as a series of transactions as they were entered into within a 12-month period and involved parties which were connected with one another among the Chinney Investments, Hon Kwok and the Company. On 24 August 2018, at the respective extraordinary general meetings held by each of Chinney Investments and Hon Kwok and on the special general meeting held by the Company, the transaction was approved by the independent shareholders of each of Chinney Investments, Hon Kwok and the Company.

    Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok and the Company dated 12 July 2018 and the Company's circular dated 8 August 2018. During the six months ended 30 June 2019, revenue of HK$195,579,000 was recognised by Chinney Construction in respect of the transaction.

OUTLOOK

With trade tension between the United States of America and China intensifying, and the possibility of no-deal Brexit, the global economic growth remains sluggish. While negotiation between the US and China continues, both parties announced the raise of tariffs to each other. It seems less likely to have meaningful progress towards a final agreement in short-term. This is shaking the confidence of global investors and the expectation for global demand is revised downward. The US Federal Reserve is expected to cut interest rates further to abate the downside risks from the sluggish global growth and the trade policy uncertainty. In Europe, Germany as the largest economy in the European Union recorded decline of 5.2% in industrial production in June this year, steepest decline since the recession in 2009. Analysts are worried that there would be a drop in real GDP of Germany in the second quarter. While the European Union seems to have no interests to re-open the negotiation for withdrawal agreement with the United Kingdom, the risk for no-deal Brexit becomes higher. These would bring more disturbances to the worsening international trade and the already weak global economy. As the epicenter of the trade tension, China's economy will no doubt be affected. Although a 6.2% growth in GDP was recorded in the second quarter of 2019, the lowest since 1992, it was still within the 6.0% to 6.5% forecast by the China Government. While the strong domestic demand and fiscal policy helped ease the negative impact of the trade tension, the prolonged uncertainty will exert further pressure on the China economy.

The Hong Kong economy continued to face downward pressure where the GDP in the second quarter of 2019 recorded an expansion of 0.5% over a year earlier. The seasonal adjusted unemployment rate increased slightly to 2.9% in May to July 2019 from 2.8% in April to June 2019. The local economic conditions in the first half of 2019 were the weakest since the recession in 2009. The Government revised the GDP growth forecast for the year as a whole from previous 2 to 3% to 0 to 1%. Interim relief measures of HK$19.1 billion were announced by the Government to help Hong Kong facing the headwinds and to build confidence in the economy. Although the Group's Plastic Trading segment recorded loss in the period under review in such adverse business environment, management is very cautious on maintaining its liquidity and are well-prepared for exploring the development in other countries to serve its customers. The competition amongst the companies engaged in the foundation piling, building construction and building services business is still very intensive, which makes tender price very competitive, resulting in a lower profit margin in order to secure projects. The management is cautious in cost control and project management to maintain the profitability, quality and delivery of works. Based on the present financial position and contracts awarded, the Board is cautiously optimistic on the Group's business prospects in the second half of 2019.

APPRECIATION

I would like to thank my fellow directors for their advice and continued support and staff of all levels for their hard working 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 2019.

Compliance with the Corporate Governance Code

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 2019, 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, Enhancement Investments Limited and Chinney Capital Limited, which collectively hold approximately 73.68% 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. Chi-Chiu Wu and Mr. Ronald James Blake, being independent non-executive directors, did not attend the annual general meeting of the Company held on 4 June 2019 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 2019 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, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2019.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 28 August 2019

At the date of this announcement, the Board comprises of eight 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 one is non-executive director, namely 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*