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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 2021**

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 2021 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 together with comparative figures in 2020 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3	3,004,020	2,177,135
Cost of sales/services provided		<u>(2,708,831)</u>	<u>(1,871,414)</u>
Gross profit		295,189	305,721
Other income	3	329	3,004
Selling and distribution costs		(10,479)	(6,480)
Administrative expenses		(251,884)	(234,133)
Other operating income, net		8,145	16,988
Finance costs	4	<u>(7,607)</u>	<u>(7,334)</u>
PROFIT BEFORE TAX	5	33,693	77,766
Income tax expense	6	<u>(16,340)</u>	<u>(17,176)</u>
PROFIT FOR THE PERIOD		<u>17,353</u>	<u>60,590</u>
Attributable to:			
Owners of the Company		8,529	52,256
Non-controlling interests		<u>8,824</u>	<u>8,334</u>
		<u>17,353</u>	<u>60,590</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		<u>HK1.4 cents</u>	<u>HK8.8 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	17,353	60,590
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	<u>2,045</u>	<u>(2,221)</u>
Other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investment at fair value through other comprehensive income	<u>1,030</u>	<u>(207)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>3,075</u>	<u>(2,428)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>20,428</u>	<u>58,162</u>
Attributable to:		
Owners of the Company	<u>11,604</u>	49,828
Non-controlling interests	<u>8,824</u>	8,334
	<u>20,428</u>	<u>58,162</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,186,072	1,188,935
Investment properties		22,553	22,553
Investment in an associate		121	121
Investment in a joint venture		–	–
Equity investment at fair value through other comprehensive income		3,795	2,765
Goodwill		14,369	14,369
Financial assets at fair value through profit or loss		13,004	7,502
Prepayments, deposits and other receivables		2,237	2,161
Deferred tax assets		3,001	1
		1,245,152	1,238,407
Total non-current assets			
CURRENT ASSETS			
Inventories		53,613	83,247
Property held for sale under development		105,052	102,033
Contract assets		1,603,413	1,401,099
Trade receivables	9	617,727	830,873
Amount due from a related company	10	18,121	25,532
Amount due from a joint venture		967	967
Prepayments, deposits and other receivables		206,127	155,690
Derivative financial instruments		275	7,070
Tax recoverable		11,376	17,016
Pledged time deposits		–	529
Cash and cash equivalents		564,534	417,874
		3,181,205	3,041,930
Total current assets			
CURRENT LIABILITIES			
Trade, bills and retention monies payables	11	725,889	722,216
Trust receipt loans		87,308	202,596
Other payables and accruals		865,866	786,705
Tax payable		25,197	15,575
Interest-bearing bank borrowings		384,199	183,523
Lease liabilities		5,387	5,423
		2,093,846	1,916,038
Total current liabilities			
NET CURRENT ASSETS		1,087,359	1,125,892
TOTAL ASSETS LESS CURRENT LIABILITIES		2,332,511	2,364,299

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Other payables	61,528	81,431
Lease liabilities	59,148	59,717
Deferred tax liabilities	88,608	90,818
	<hr/>	<hr/>
Total non-current liabilities	209,284	231,966
	<hr/>	<hr/>
Net assets	2,123,227	2,132,333
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	59,490	59,490
Reserves	1,930,434	1,942,626
	<hr/>	<hr/>
Non-controlling interests	1,989,924	2,002,116
	133,303	130,217
	<hr/>	<hr/>
Total equity	2,123,227	2,132,333
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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 2020.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for investment properties, leasehold land and buildings included in property, plant and equipment, equity investment at fair value through other comprehensive income, financial assets at fair value through profit or loss as well as derivative financial instruments, which have been measured at fair value. The accounting policies adopted in the preparation of the unaudited 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 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

The adoption of these revised accounting standards does not have material impact on the Group’s unaudited condensed consolidated interim financial statements.

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, distribution and installation of aviation system and other hi-tech products and others, which include property holding and development. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provided. During the period, the Group reviewed the structure and internal organisation and changed the composition of its reportable segments. Accordingly, certain subsidiaries which were previously included in "Others" segment have been reclassified to the "Aviation" segment. The relevant comparable figures have been restated to conform with current period's presentation. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

Six months ended 30 June 2021 (Unaudited)

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Aviation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Sales to external customers	284,630	1,133,730	419,574	998,278	167,808	-	3,004,020
Intersegment sales	-	1,383	33,332	-	-	-	34,715
Other revenue	88	16	9	6	-	-	119
	<u>284,718</u>	<u>1,135,129</u>	<u>452,915</u>	<u>998,284</u>	<u>167,808</u>	<u>-</u>	<u>3,038,854</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales							<u>(34,715)</u>
Revenue							<u><u>3,004,139</u></u>
Segment results	12,851	35,406	(42,014)	42,602	5,920	(1,736)	53,029
<i>Reconciliation:</i>							
Fair value changes in financial assets at fair value through profit or loss							1,453
Interest income and unallocated gains							210
Unallocated expenses							<u>(20,999)</u>
Profit before tax							<u><u>33,693</u></u>

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2021 (Unaudited)

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Aviation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	333,439	1,555,983	688,088	1,122,519	329,675	346,663	4,376,367
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(52,029)
Equity investment at fair value through other comprehensive income							3,795
Financial assets at fair value through profit or loss							7,873
Corporate and other unallocated assets							<u>90,351</u>
Total assets							<u><u>4,426,357</u></u>
Segment liabilities	59,503	976,347	304,619	558,685	218,508	75,758	2,193,420
<i>Reconciliation:</i>							
Elimination of intersegment payables							(52,029)
Corporate and other unallocated liabilities							<u>161,739</u>
Total liabilities							<u><u>2,303,130</u></u>

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2020 (Unaudited) (Restated)

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Aviation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Sales to external customers	181,547	904,601	305,291	686,820	98,876	–	2,177,135
Intersegment sales	122	33,747	–	–	–	–	33,869
Other revenue	243	322	607	42	30	–	1,244
	<u>181,912</u>	<u>938,670</u>	<u>305,898</u>	<u>686,862</u>	<u>98,906</u>	<u>–</u>	<u>2,212,248</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales							<u>(33,869)</u>
Revenue							<u><u>2,178,379</u></u>
Segment results	(1,421)	41,077	14,949	39,863	3,286	(1,060)	96,694
<i>Reconciliation:</i>							
Fair value changes in financial assets at fair value through profit or loss							(161)
Interest income and unallocated gains							1,760
Unallocated expenses							<u>(20,527)</u>
Profit before tax							<u><u>77,766</u></u>

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2020 (Audited) (Restated)

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Aviation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	356,049	1,577,304	668,008	1,146,730	167,477	380,766	4,296,334
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(71,053)
Equity investment at fair value through other comprehensive income							2,765
Financial assets at fair value through profit or loss							3,221
Corporate and other unallocated assets							<u>49,070</u>
Total assets							<u><u>4,280,337</u></u>
Segment liabilities	94,395	1,007,658	242,583	596,962	133,016	12,313	2,086,927
<i>Reconciliation:</i>							
Elimination of intersegment payables							(71,053)
Corporate and other unallocated liabilities							<u>132,130</u>
Total liabilities							<u><u>2,148,004</u></u>

3. REVENUE AND OTHER INCOME

REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Type of goods and services		
Sales of goods	380,292	233,427
Construction services	2,623,728	1,943,708
	<u>3,004,020</u>	<u>2,177,135</u>
Total revenue from contracts with customers	<u><u>3,004,020</u></u>	<u><u>2,177,135</u></u>
Timing of revenue recognition		
Goods transferred at a point in time	380,292	233,427
Services transferred over time	2,623,728	1,943,708
	<u>3,004,020</u>	<u>2,177,135</u>
Total revenue from contracts with customers	<u><u>3,004,020</u></u>	<u><u>2,177,135</u></u>

OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	51	1,799
Gross rental income	–	258
Others	278	947
	<u>329</u>	<u>3,004</u>
	<u><u>329</u></u>	<u><u>3,004</u></u>

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	3,912	5,221
Interest on lease liabilities	2,122	2,113
Interest on other payables	1,685	–
Less: Interest capitalised under a property held for sale under development	(112)	–
	<u>7,607</u>	<u>7,334</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment (excluding right-of-use assets)	39,601	38,146
Depreciation of right-of-use assets	18,191	16,246
Employee benefit expenses (including directors' remuneration)	507,106	435,472
Loss/(gain) on disposal of items of property, plant and equipment, net*	1,350	(4)
Government subsidies* (note)	(2,154)	(15,136)
Fair value changes in financial assets at fair value through profit or loss*	(2,303)	286
Fair value gain on derivative financial instruments - transaction not qualifying as hedge*	(3,055)	(1,854)
Foreign exchange differences, net*	(1,983)	157
	<u>(1,983)</u>	<u>157</u>

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

Note: The government subsidies represented mainly grants from the Employment Support Scheme of the Hong Kong Government, which aimed to retain employment and combat Covid-19. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. INCOME TAX

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong		
Charge for the period	21,010	16,394
Under provision in prior years	(382)	307
Current – Elsewhere		
Charge for the period	925	690
Under provision in prior years	(3)	252
Deferred	(5,210)	(467)
	<hr/>	<hr/>
Total tax charge for the period	16,340	17,176
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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\$8,529,000 (2020: HK\$52,256,000) and the number of 594,899,245 ordinary shares in issue during both periods.

The Group had no potential dilutive ordinary shares in issue during the periods ended 30 June 2021 and 2020.

8. DIVIDEND

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

The final dividend of HK4.0 cents per ordinary share for the year ended 31 December 2020 was approved by the Company's shareholders at the annual general meeting of the Company held on 4 June 2021 and paid on 7 July 2021.

9. TRADE RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables	617,727	830,873

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 receivable 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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current to 30 days	380,508	565,844
31 to 60 days	77,167	157,467
61 to 90 days	63,989	40,204
Over 90 days	96,063	67,358
	617,727	830,873

10. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company represents 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.

The amount due from a related company was unsecured, interest-free and repayable within 30 days.

11. TRADE, BILLS AND RETENTION MONIES PAYABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade payables	392,247	384,230
Bills payable	15,352	38,807
Retention monies payable	<u>318,290</u>	<u>299,179</u>
	<u>725,889</u>	<u>722,216</u>

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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current to 30 days	297,422	355,120
31 to 60 days	43,146	16,975
61 to 90 days	11,505	1,042
Over 90 days	<u>40,174</u>	<u>11,093</u>
	<u>392,247</u>	<u>384,230</u>

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation which would better reflect the financial performance of the Group. The comparative operating segment information has been represented as if the change of the composition of the Group's reportable segments has been effected at the beginning of the comparative period.

RESULTS

The Group recorded a revenue of HK\$3,004 million (2020: HK\$2,177 million), with net profit of HK\$17.4 million (2020: HK\$60.6 million) for the six months ended 30 June 2021. The profit attributable to the equity holders of the Company stood at HK\$8.5 million (2020: HK\$52.3 million). The difference in results from last year was due to cost overruns incurred for certain recently completed projects of the construction division, increased overheads for the delays caused by and preventive measures adopted against Covid-19, and decrease in anti-pandemic subsidies from the government. These subsidies were HK\$15.1 million last year but only HK\$2.2 million for this interim period. The balance of the difference will be discussed below.

INTERIM DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

The performance of our major business segments is set out below:

Trading of plastics and chemical products

Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries reported revenues of HK\$285 million (2020: HK\$182 million) from sales to external customers and an operating profit of HK\$12.9 million (2020: loss of HK\$1.4 million). A post-Covid worldwide surge in demand and consumption has led to product price increases. Our plastic trading segment enjoyed increases in revenues and profits from logistical stresses and unsteady supply. We anticipate that product price pressures from supply-demand mismatches will be transitory. However, we are well positioned to service our customers in an environment of continuing concentration of segment resources. Together, we give them a stronger competitive edge, which will likely improve more as the world emerges from the pandemic. The “JcoNAT” business is growing satisfactorily, with new products under development to enhance its competitive edge.

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries (“Shun Cheong”) has core businesses in HVAC, water, electrical, and fire services contributing revenues of HK\$1,134 million (2020: HK\$905 million) with operating profits of HK\$35.4 million (2020: HK\$41.1 million). Despite the increase in revenues resulting from the increase in works performed during the period, we saw an erosion in profit margins due to rising material and logistics costs. There were also pandemic related delays reduced project performance. At the end of June 2021, Shun Cheong had outstanding contract sums of approximately HK\$5,934 million.

Building construction

Chinney Construction Company, Limited and Chinney Builders Company Limited, which operate in Hong Kong, and Chinney Timwill Construction (Macau) Company Limited earned revenues of HK\$420 million (2020: HK\$305 million) and recorded an operating loss of HK\$42.0 million (2020: profit of HK\$14.9 million). This loss was partly due to delays in certain recently completed projects which incurred cost overruns not fully claimable from the employers and partly due to social unrest and pandemic related delays over the past couple of years. Concurrently, the timing of recently awarded projects meant that new project profit contributions could not setoff older completed project losses. As a result, the segment recorded loss for the first time since it was acquired by the Group in 2007. We are carefully monitoring ongoing projects to maintain work quality and job safety, while balancing project profitability. As at 30 June 2021, the segment had outstanding contract sums of approximately HK\$1,451 million with an additional HK\$109 million projects awarded subsequently.

Foundation piling and ground investigation

Chinney Kin Wing Holdings Limited (“Chinney Kin Wing”, with its subsidiaries, the “Chinney Kin Wing Group”) contributed revenues of HK\$998 million (2020: HK\$687 million) and operating profit of HK\$42.6 million (2020: HK\$39.9 million) to the Group. The increase in revenues in the current period was primarily attributable to the satisfactory construction progress of certain sizeable foundation contracts, together with an increased contribution from drilling and site investigation contracts. While gross profits rose, profit margins fell due to significant direct material cost inflation as well as higher labour wage index levels in the foundation market. Administrative expenses also increased, mainly in performance related employment benefits to staff as well as for the machinery fleet maintenance.

As at 30 June 2021, Chinney Kin Wing Group had contracts awarded of approximately HK\$4,317 million and HK\$456 million in the foundation and drilling divisions, respectively.

With the gradual recovery of the economic growth in Hong Kong following the easing of Covid-19 restrictions, Chinney Kin Wing Group sees a moderate uptick of the foundation industry and expects a steady increase in tender opportunities for the foundation construction works from both the public and private sectors. Meanwhile, the self-owned depot has enhanced Chinney Kin Wing Group’s plant maintenance and engineering works as well as optimised overall project management and production efficiency. However, sharp elbows persist in the foundation industry. Paired with increasing direct material costs and wages, these factors add uncertainty to the future prospects. More positively, the Chinney Kin Wing Group continues to invest in improving its technical capabilities. As an example, DrilTech Geotechnical Engineering Limited, was admitted as a specialist contractor of Land Piling (Group II) – Rock-socketed Steel H-pile in Pre-bored Hole for the Development Bureau. The Chinney Kin Wing Group will allocate more resources to its drilling division to grow a new line of laboratory and field testing businesses. These will expand the scope of services and client base for the drilling division and in turn increase overall contributions to the Chinney Kin Wing Group.

Aviation business

Our aviation business recorded a revenue of HK\$168 million (2020: HK\$99 million) and an operating profit of HK\$5.9 million (2020: HK\$3.3 million), represented contribution from Chinney Alliance Engineering Limited. The aviation business is running multiple projects for the Hong Kong International Airport and continues to contribute profit to the Group with the progress of these projects in the coming years.

Other businesses

The segment includes property held for sale under development which is located in Fanling near the railway station and still at planning stage, certain properties held for the Group's own use and certain investment properties. The loss for the period represented mainly depreciation and other overheads of the Group's properties held for own use.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts for the Group at the end of the reporting period amounted to HK\$521.1 million (31 December 2020: HK\$451.3 million). These included trust receipt loans, bank loans, and lease liabilities, but excluded bank overdrafts of HK\$14.9 million. Current liabilities made up 88.6% (31 December 2020: 86.8%) of all these interest-bearing debts. The current ratio stood at 1.5 (31 December 2020: 1.6). Total cash and cash equivalents, represented by unpledged cash and bank balances of HK\$564.5 million less bank overdrafts of HK\$14.9 million as at 30 June 2021 were HK\$549.6 million (31 December 2020: HK\$417.9 million).

The Group had a total of HK\$2,859 million undrawn facilities extended from banks and financial institutions 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\$521.1 million over the equity attributable to the owners of the Company of HK\$1,989.9 million, was 26.2% as at 30 June 2021 (31 December 2020: 22.5%).

The Group prudently manages its financial positions and has sufficient liquidity to sustain projects and operations for the foreseeable future.

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 a non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group when desirable.

Pledge of assets

As of 30 June 2021, certain properties having an aggregate book value of HK\$134.6 million were pledged to banks to secure bank loans and general banking facilities extended to the Group.

Contingent liability

As of 30 June 2021, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure performance/surety bonds in the aggregate amount of HK\$1,061.3 million issued in favour of the Group's clients in its ordinary course of business. This amount included performance/surety bonds issued in favour of the clients of the Chinney Kin Wing Group of HK\$286.9 million to which corporate guarantees and indemnities were provided by Chinney Kin Wing Group.

Except as disclosed above, the Group had no other material contingent liabilities as of 30 June 2021.

Employees and remuneration policies

The Group employed approximately 1,716 staff in Hong Kong and other parts of the PRC as of 30 June 2021. 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 Chinney Investments, Hon Kwok, the Company and Chinney Kin Wing under the Listing Rules. On 7 November 2016, at the respective extraordinary general meetings held by each of Chinney Investments and Hon Kwok and at the respective special general meetings held by each of the Company and Chinney Kin Wing, the transaction was approved by the independent shareholders of each of Chinney Investments, Hon Kwok, the Company and Chinney Kin Wing.

Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok, the Company and Chinney Kin Wing dated 20 September 2016 and the Company’s circular dated 21 October 2016. During the six months ended 30 June 2021, no revenue was recognised by KWF as the Foundation Construction Works were substantially completed and pending for agreement of variation orders and final account of the project.

- (b) 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 construction and development of a data centre at the Land at a total contract sum of HK\$757,838,691.70 (the “Construction Framework Agreement”). The entering into the Construction Framework Agreement constituted a connected transaction of each of Chinney Investments, Hon Kwok and the Company under the Listing Rules. The transaction was approved by independent shareholders of Chinney Investments and Hon Kwok at their respective extraordinary general meetings and by the independent shareholders of the Company at a special general meeting held on 24 August 2018.

Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok and the Company dated 12 July 2018 and a circular of the Company dated 8 August 2018. The revenue recognised by Chinney Construction in respect of the transaction amounted to HK\$5,161,000 during the six months ended 30 June 2021.

OUTLOOK

The recovery so far looks like the tale of two economies: Economies with high vaccination rates or taking stringent control measures to battle against the pandemic are looking forward to normalisation of activity. While under-vaccinated economies face resurgent infections and rising Covid-19 death tolls and depleted healthcare resources. The immediate danger to well controlled economies is cross-contamination from mutations and variants from under-vaccinated economies. Which means that a real recovery at the global economic level may lie beyond this year. This means travel, tourism, cross-border investments, and international expansion will remain subdued over the short term.

Nevertheless, with the improved demand from major economies, export-oriented economies like Hong Kong have grown GDP of 7.6% year-on-year during the second quarter of 2021. The unemployment rate has fallen back to 5.0% in May 2021 to July 2021, down from the recorded high of 7.2% in December 2020 to February 2021. The local Government has also aggressively rolled out vaccination drives and launched a consumption voucher scheme to stimulate domestic demand. We anticipate a slow gradual recovery in the local economy.

Under this complicated environment, the future performance of the Group's businesses will be similarly mixed. The plastic trading segment will continue to benefit from rising product prices and tight supply. The aviation business's focus on current awarded projects and forthcoming tenders will grow with the expansion of the airport. The foundation segment sees a steady increase in tender opportunities but with keen competition and tighter margins. The construction and building services segments face the increasing material and labor costs and increasing overheads resulting from the pandemic and slow site progress. Maintaining output quality while preserving cost control will be challenging for the remainder of 2021. At the same time, the local Government's investment in infrastructure, innovation, technology, and public housing supply will bring more business opportunity to the construction industry in the medium to long-term. As a result, the Board is cautiously optimistic to the performance of the Group over the medium to long term.

APPRECIATION

I would like to thank my fellow directors for their advice and support, and to our staff at all levels for their dedication and contribution during this interim period. I would also like to thank our shareholders for your loyalty and support, and to our business partners and other stakeholders with whom we share our business development and success.

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 2021.

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 2021, except A.4.1, A.4.2 and A.5.1 to A.5.4, 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 having due regard to the Nomination Policy and the Board Diversity Policy adopted by the Company and assess the independence of the proposed independent non-executive director(s) as appropriate.

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 2021 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 2021.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 25 August 2021

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. Chi-Chiu Wu, Mr. Ronald James Blake and Mr. Anthony King-Yan Tong.

* *For identification purpose only*