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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 2022**

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 2022 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 together with comparative figures in 2021 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3	2,854,620	3,004,020
Cost of sales/services provided		<u>(2,549,498)</u>	<u>(2,708,831)</u>
Gross profit		305,122	295,189
Other income	3	785	329
Selling and distribution costs		(11,759)	(10,479)
Administrative expenses		(260,415)	(251,884)
Other operating income, net	4	6,328	8,145
Finance costs	5	<u>(7,797)</u>	<u>(7,607)</u>
PROFIT BEFORE TAX	6	32,264	33,693
Income tax expense	7	<u>(17,800)</u>	<u>(16,340)</u>
PROFIT FOR THE PERIOD		<u>14,464</u>	<u>17,353</u>
Attributable to:			
Owners of the Company		5,407	8,529
Non-controlling interests		<u>9,057</u>	<u>8,824</u>
		<u>14,464</u>	<u>17,353</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		<u>HK0.9 cents</u>	<u>HK1.4 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	14,464	17,353
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>(5,112)</u>	<u>2,045</u>
Other comprehensive income 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>1,707</u>	<u>1,030</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(3,405)</u>	<u>3,075</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>11,059</u>	<u>20,428</u>
Attributable to:		
Owners of the Company	2,002	11,604
Non-controlling interests	9,057	8,824
	<u>11,059</u>	<u>20,428</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,230,189	1,261,394
Investment properties		23,118	23,118
Investment in an associate		121	121
Investment in a joint venture		–	–
Equity investment at fair value through other comprehensive income		8,144	6,437
Goodwill		14,369	14,369
Financial assets at fair value through profit or loss		23,891	19,995
Deposits		3,059	7,671
Deferred tax assets		1	3
		1,302,892	1,333,108
TOTAL non-current assets			
CURRENT ASSETS			
Inventories		88,839	96,198
Property held for sale under development		107,992	106,697
Contract assets		1,649,907	1,653,825
Trade receivables	<i>10</i>	648,756	834,974
Amount due from a related company	<i>11</i>	–	18,112
Amount due from a joint venture		967	967
Prepayments, deposits and other receivables		288,427	232,339
Tax recoverable		2,062	10,439
Cash and cash equivalents		596,578	648,837
		3,383,528	3,602,388
TOTAL current assets			
CURRENT LIABILITIES			
Trade, bills and retention monies payables	<i>12</i>	725,456	1,085,827
Trust receipt loans		124,833	119,978
Other payables and accruals		966,459	878,944
Tax payable		35,114	15,903
Interest-bearing bank borrowings		403,784	368,759
Lease liabilities		6,114	4,934
		2,261,760	2,474,345
TOTAL current liabilities			
NET CURRENT ASSETS		1,121,768	1,128,043
TOTAL ASSETS LESS CURRENT LIABILITIES		2,424,660	2,461,151

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Other payable	20,817	41,325
Lease liabilities	57,768	58,072
Deferred tax liabilities	89,528	94,169
	<hr/>	<hr/>
Total non-current liabilities	168,113	193,566
	<hr/>	<hr/>
Net assets	2,256,547	2,267,585
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	59,490	59,490
Reserves	2,046,837	2,061,195
	<hr/>	<hr/>
	2,106,327	2,120,685
Non-controlling interests	150,220	146,900
	<hr/>	<hr/>
Total equity	2,256,547	2,267,585
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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 2021.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for leasehold land and buildings included in property, plant and equipment, investment properties, equity investment 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 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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

Six months ended 30 June 2022 (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	261,572	1,160,702	410,010	851,928	170,408	-	2,854,620
Intersegment sales	-	2,904	1,954	-	-	-	4,858
Other revenue	236	8	60	19	1	-	324
	<u>261,808</u>	<u>1,163,614</u>	<u>412,024</u>	<u>851,947</u>	<u>170,409</u>	<u>-</u>	<u>2,859,802</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales							<u>(4,858)</u>
Revenue							<u><u>2,854,944</u></u>
Segment results	10,401	12,943	(12,945)	43,969	821	(1,982)	53,207
<i>Reconciliation:</i>							
Fair value changes in financial assets at fair value through profit or loss							3,194
Interest income and unallocated gains							461
Unallocated expenses							<u>(24,598)</u>
Profit before tax							<u><u>32,264</u></u>

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2022 (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	348,867	1,624,502	683,636	1,252,223	376,394	344,663	4,630,285
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(16,666)
Equity investment at fair value through other comprehensive income							8,144
Financial assets at fair value through profit or loss							18,735
Corporate and other unallocated assets							<u>45,922</u>
Total assets							<u><u>4,686,420</u></u>
Segment liabilities	39,414	1,016,687	293,316	614,826	247,952	71,415	2,283,610
<i>Reconciliation:</i>							
Elimination of intersegment payables							(16,666)
Corporate and other unallocated liabilities							<u>162,929</u>
Total liabilities							<u><u>2,429,873</u></u>

2. OPERATING SEGMENT INFORMATION *(continued)*

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 31 December 2021 (Audited)

	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	385,265	1,780,299	783,313	1,216,057	373,881	348,668	4,887,483
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(17,253)
Equity investment at fair value through other comprehensive income							6,437
Financial assets at fair value through profit or loss							14,839
Corporate and other unallocated assets							<u>43,990</u>
Total assets							<u><u>4,935,496</u></u>
Segment liabilities	85,435	1,159,355	386,403	600,273	236,165	68,489	2,536,120
<i>Reconciliation:</i>							
Elimination of intersegment payables							(17,253)
Corporate and other unallocated liabilities							<u>149,044</u>
Total liabilities							<u><u>2,667,911</u></u>

3. REVENUE AND OTHER INCOME

REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Type of goods and services		
Sales of goods	318,796	380,292
Construction services	<u>2,535,824</u>	<u>2,623,728</u>
Total revenue from contracts with customers	<u><u>2,854,620</u></u>	<u><u>3,004,020</u></u>
Timing of revenue recognition		
Goods transferred at a point in time	318,796	380,292
Services transferred over time	<u>2,535,824</u>	<u>2,623,728</u>
Total revenue from contracts with customers	<u><u>2,854,620</u></u>	<u><u>3,004,020</u></u>

OTHER INCOME

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	82	51
Others	<u>703</u>	<u>278</u>
	<u><u>785</u></u>	<u><u>329</u></u>

4. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fair value changes in financial assets at fair value through profit or loss	3,194	2,303
Fair value gain on derivative financial instruments		
– transactions not qualifying as hedges	–	3,055
Foreign exchange differences, net	(5,518)	1,983
Government subsidies (note)	18,060	2,154
Gain/(loss) on disposal of items of property, plant and equipment, net	50	(1,350)
Impairment of trade receivables	(5,533)	–
Impairment of contract assets	(3,925)	–
	<u>6,328</u>	<u>8,145</u>

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	5,238	3,912
Interest on lease liabilities	2,024	2,122
Implicit interest on other payable	1,097	1,685
Less: Interest capitalised under a property held for sale under development	(562)	(112)
	<u>7,797</u>	<u>7,607</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment (excluding right-of-use assets)	42,537	39,601
Depreciation of right-of-use assets	18,641	18,191
Employee benefit expenses (including directors' remuneration)	452,120	507,106
Loss/(gain) on disposal of items of property, plant and equipment, net*	(50)	1,350
Government subsidies*	(18,060)	(2,154)
Impairment of trade receivables*	5,533	–
Impairment of contract assets*	3,925	–
Fair value changes in financial assets at fair value through profit or loss*	(3,194)	(2,303)
Fair value gain on derivative financial instruments – transaction not qualifying as hedge*	–	(3,055)
Foreign exchange differences, net*	5,518	(1,983)
	<u>5,518</u>	<u>(1,983)</u>

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

7. INCOME TAX

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	22,160	21,010
Overprovision in prior years	(10)	(382)
Current – Elsewhere		
Charge for the period	234	925
Underprovision/(overprovision) in prior years	55	(3)
Deferred	<u>(4,639)</u>	<u>(5,210)</u>
Total tax charge for the period	<u>17,800</u>	<u>16,340</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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.

8. 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\$5,407,000 (2021: HK\$8,529,000) 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 2022 and 2021.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

The final dividend of HK2.75 cents per ordinary share for the year ended 31 December 2021 was approved by the Company's shareholders at the annual general meeting of the Company held on 2 June 2022 and paid on 6 July 2022.

10. TRADE RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade receivables	655,340	836,025
Impairment	(6,584)	(1,051)
	648,756	834,974

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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Current to 30 days	376,778	519,137
31 to 60 days	137,895	213,096
61 to 90 days	46,460	45,642
Over 90 days	87,623	57,099
	648,756	834,974

11. 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 was 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, was also a director of and had a beneficial interest in. Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam were common directors of the Company and Hon Kwok.

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

12. TRADE, BILLS AND RETENTION MONIES PAYABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade payables	377,307	743,465
Bills payable	25,505	29,497
Retention monies payable	<u>322,644</u>	<u>312,865</u>
	<u>725,456</u>	<u>1,085,827</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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Current to 30 days	250,953	580,629
31 to 60 days	69,950	109,080
61 to 90 days	13,750	20,430
Over 90 days	<u>42,654</u>	<u>33,326</u>
	<u>377,307</u>	<u>743,465</u>

The trade payables are non-interest bearing and are normally settled within the terms of 60 to 120 days.

RESULTS

The Group recorded a revenue of HK\$2,855 million (2021: HK\$3,004 million), with a net profit of HK\$14.5 million (2021: HK\$17.4 million) for the six months ended 30 June 2022. The results included government subsidies of HK\$18.1 million (2021: HK\$2.2 million) for pandemic relief. The profit attributable to the equity holders of the Company was HK\$5.4 million (2021: HK\$8.5 million).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

BUSINESS REVIEW AND PROSPECTS

The performance of our business segments is set out below:

Trading of plastics and chemical products

Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries reported revenue of HK\$262 million (2021: HK\$285 million) from sales to external customers and an operating profit of HK\$10.4 million (2021: HK\$12.9 million). The slow economic recovery in the region, especially in Greater China, affected our export-oriented customers and we recorded a drop in sales volume and value in the plastic trading business. Fortunately, the increasing plastic raw material and logistic costs can be partly compensated after an adjustment to increase our sales prices. On the other hand, the fifth wave of COVID-19 during the first quarter have soared the demand on JcoNAT disinfectant as well as leasing of intelligent disinfection stations. To enhance JcoNAT's product variety, the management is undergoing a review of product development on new wellness products to expand their product range.

Building related contracting services and engineering

Shun Cheong Engineering Group Limited and its subsidiaries ("Shun Cheong", formerly known as Shun Cheong Investments Limited) contributed revenue of HK\$1,161 million (2021: HK\$1,134 million) and an operating profit of HK\$12.9 million (2021: HK\$35.4 million) from its core businesses in HVAC installation and maintenance, water, electrical, photovoltaic and fire protection systems. Although revenue slightly increased in the period under review, the profit margin was considerably reduced. Such variance was mainly attributable to the completion of certain maintenance contracts from last year which had higher profit margin, the rising material and logistic costs, additional site overheads and site staff costs for site works postponement caused by the fifth wave of COVID-19. The postponement in projects resulted in additional costs for acceleration of works, additional labour costs and site overheads for prolonged site works. Consequently, the management is cautiously reviewing its projects and costs to maintain profitability. At the end of June 2022, Shun Cheong had an outstanding contract sum of approximately HK\$4,292 million. Subsequent to the end of the interim period, there were HK\$400 million worth of additional contracts awarded to Shun Cheong.

Building construction

Chinney Construction Company, Limited (“Chinney Construction”) and Chinney Builders Company Limited, which operate in Hong Kong, and Chinney Timwill Construction (Macau) Company Limited earned revenues of HK\$410 million (2021: HK\$420 million) recorded an operating loss of HK\$12.9 million (2021: loss of HK\$42.0 million). While the segment’s Hong Kong operation recorded slight profit during the period, its Macau operation recorded a loss which reduced the segment to an overall decrease in revenue. As the segment’s major customers in Macau are in the leisure and hospitality sector, which was hit hard by the stringent travel and border control measures for preventing COVID-19 in Macau and the Mainland, the Macau operation was not awarded any major contracts during the interim period and is forecasting difficult trading conditions in the short-term until pandemic measures are relaxed. As at 30 June 2022, the segment had outstanding contract sums of approximately HK\$822 million with an additional HK\$111 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\$852 million (2021: HK\$998 million) and operating profit of HK\$44.0 million (2021: HK\$42.6 million) to the Group. Both the revenue and gross profit of the current interim period decreased over same period last year, which was mainly due to a number of sizeable foundation contracts nearing completion during the current interim period. On the other hand, the gross profit margin improved which was mainly due to more reasonable tender prices under the growing tender opportunities environment, and cost savings achieved through the effective rectification of anticipated technical difficulties and stringent control on project costs. In view of the long overdue trade receivables and related contract assets, there were impairment losses recorded on trade receivables and contract assets of HK\$9.5 million. Such losses were offset by the subsidies received from the Government’s Employment Support Scheme of HK\$9.7 million. As a result, the net profit of Chinney Kin Wing Group was slightly improved.

As at 30 June 2022, Chinney Kin Wing Group had 9 and 51 contracts with a contract sum of approximately HK\$3,256 million and HK\$756 million in the foundation and drilling divisions of the segment, respectively.

The construction industry is struggling with labour shortage as a result of an aging workforce while young adults in Hong Kong perceived this as an unattractive industry for them. Along with construction materials inflation, rising production costs are taking a heavy toll on profit margins. Foreseeing the growing demand for competent and skilled personnel, the management of Chinney Kin Wing Group determines to further their effort by allocating adequate resources to staff competence development, with a view to creating greater success not only for Chinney Kin Wing Group but also for the workforce. Meanwhile, Chinney Kin Wing Group is reviewing the fleet of machineries to reinforce capital investment in modernising and optimising its cost structure and in turn protecting profit margins. The new depot with optimised machinery and equipment storage system is operating in full capacity and is helping to enhance the efficiency in productivity and project management. Chinney Kin Wing, as one of the key players in the foundation industry, remains prudent and vigilant at all times with a finger on the market's pulse. This allows us to adjust its business strategies with great flexibility.

DrilTech, as the segment's drilling and site investigation division, is running in full swing as well. Its subsidiary LabTech Testing Limited is accredited with the Koden Test under The Hong Kong Laboratory Accreditation Scheme ("HOKLAS"). DrilTech will further enhance its field testing services in the drilling industry by applying different categories of testing licenses under HOKLAS. In addition, DrilTech has applied for enrollment on the list of piling contractors under the Hong Kong Housing Authority. When approved, the listing will enhance its tender opportunities within the public sector. DrilTech will continue the diversification of its business by allocating more resources to expand the service scope in marine ground investigation, geotechnical instrumentation and monitoring as well as field testing and expects to increase its overall contribution to the Group.

The local Government is dedicated to investing in construction and infrastructure works across the territory. This includes the development strategy of the Northern Metropolis and Lantau Tomorrow Vision, these projects will not only benefit the construction industry but also Hong Kong as a whole. As stated in the 2022-23 Hong Kong Budget, a total of HK\$100 billion were earmarked for accelerating the implementation of infrastructure works relating to lands, housing and transportation within the Northern Metropolis. Such mega public infrastructure projects require a great deal of foundation works, which will translate into ample tender opportunities for the foundations industry. With Chinney Kin Wing's strong reputation in the foundation market, alongside its continuous investment in machineries and facilities as well as talent development, the segment will continue to sharpen its competitive edge and look for appropriate opportunities to further extend its presence in both the private and public foundation sectors for long-term sustainable growth.

Aviation business

Chinney Alliance Engineering Limited, our subsidiary engaged in aviation business, recorded revenues of HK\$170 million (2021: HK\$168 million) and an operating profit of HK\$0.8 million (2021: HK\$5.9 million). While revenue maintained at similar level with same period of last year, the profit margin was reduced by additional costs for acceleration of works for the timely completion of milestones of the airport projects. With increases in tender opportunities for the airport and related projects, the segment will likely further enhance its long-term profitability.

Other businesses

The segment includes property held for sale under development which is located in Fanling near the railway station, certain properties held for the Group's own use and certain investment properties. The original building stood at the Fanling site was demolished and the development is pending for the land premium for lease modification. 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\$592.5 million (31 December 2021: HK\$551.7 million). These include trust receipt loans, bank loans and lease liabilities. Current liabilities made up 90.3% (31 December 2021: 89.5%) of all these interest-bearing debts. The current ratio stood at 1.5 (31 December 2021: 1.5). Total cash and cash equivalents were HK\$596.6 million as at 30 June 2022 (31 December 2021: HK\$648.8 million). The Group had a total of HK\$3,118 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\$592.5 million over the equity attributable to the owners of the Company of HK\$2,106.3 million, was 28.1% as at 30 June 2022 (31 December 2021: 26.0%). 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 2022, certain properties having an aggregate book value of HK\$142.4 million and property held for sale under development of HK\$108.0 million were pledged to banks to secure bank loans and general banking facilities extended to the Group.

Contingent liability

As of 30 June 2022, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure performance/surety bonds in the aggregate amount of HK\$796.5 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\$231.6 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 2022.

Employees and remuneration policies

The Group employed approximately 1,600 staff in Hong Kong and other parts of the People's Republic of China as of 30 June 2022. 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 TRANSACTION

On 12 July 2018, Chinney Construction, an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with 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 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 K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong 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\$1,347,000 during the six months ended 30 June 2022.

OUTLOOK

While most of the social distancing and travel restrictions against the pandemic are abandoned by the western countries, their economies are slowly recovering. Yet, the war in Ukraine, the hiking of prices in energy and food, and the effect of the extreme weather bring new challenge to the economic recovery. To combat inflation, major central banks raise interest rates and tighten monetary policies, which would nevertheless slow down the growth of the global economy. The economic growth of Mainland China reduced sharply in the second quarter of the year, mainly caused by the pandemic in some major cities. The recent tension between China and the United States and the Western on Taiwan brings another uncertainty to the already tensed international relationship. Under this political situation and continuing tightening of monetary policies, the recovery of the global economy would be in a slower pace in the second half of the year.

Hong Kong recorded a moderate decrease in GDP of 1.3% in the second quarter of the year. Unemployment rate fell slightly to 4.3% for May to July 2022. While this reflected improvement over the first quarter when there was fifth wave of the pandemic, the growth was weaker than expected. Although the Hong Kong Government relaxes the travel control recently, it is still more stringent than other major economies around the world and less attractive to the business and leisure travellers. In addition to the higher costs from inflation, Hong Kong's businesses are experiencing higher funding costs with the rising interest rates. Taking into account the worse-than-expected economic performance in the first half and the sharp deterioration of global economic prospects, the Government revised down the real GDP growth forecast for 2022 to -0.5% to 0.5%. With the continuing aging labour force and recorded decline in population resulted from expatriates and citizens left Hong Kong this year, there should be medium to long-term planning to resolve the labour shortage and attract talents to support Hong Kong's future growth.

Nevertheless, the local construction industry will be benefited from the persistent housing demand and supporting community facilities, and the long-term development of the Metropolis and Lantau Tomorrow Vision. Our foundation segment is well-planned to enhance its capacity and talents to the expected increase in tender opportunities. The aviation segment is delivering its works on time and concentrates on tender opportunities of the airport and related facilities to build up its business. Our plastic segment is enhancing its product variety while maintaining its core business of plastic and chemical trading. The building construction and building services segments are currently facing escalation of costs and lower tender prices, but are keen on cost control and maintaining their profitability. With satisfactory level of contracts on hand, our Group is cautiously positioned itself to preserve long-term return.

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 this unusual year.

I would also thank you for the support and loyalty of our shareholders, business partners and other stakeholders who are important to 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 2022.

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 2022, except B.2.2, which is explained below.

1. Code provision B.2.2 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.

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.

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 2022 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 2022.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 30 August 2022

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 four are independent non-executive directors, namely Mr. Chi-Chiu Wu, Mr. Ronald James Blake, Mr. Anthony King-Yan Tong and Ms. Dee-Dee Chan.

* *For identification purpose only*