



建聯集團有限公司^{*}
Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

INTERIM REPORT
2023

* For identification purpose only

CONTENTS

Corporate Information	2
Review of Operations	4
Condensed Consolidated Statement of Profit or Loss	10
Condensed Consolidated Statement of Comprehensive Income	11
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Statement of Cash Flows	15
Notes to the Condensed Consolidated Interim Financial Statements	17
Other Information	39

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

James Sing-Wai WONG (*Chairman*)

Yuen-Keung CHAN (*Vice Chairman and
Managing Director*)

Philip Bing-Lun LAM

Independent Non-Executive Directors

Chi-Chiu WU

Ronald James BLAKE

Anthony King-Yan TONG

Dee-Dee CHAN

AUDIT COMMITTEE

Anthony King-Yan TONG (*Chairman*)

Chi-Chiu WU

Ronald James BLAKE

REMUNERATION COMMITTEE

Chi-Chiu WU (*Chairman*)

Anthony King-Yan TONG

Yuen-Keung CHAN

NOMINATION COMMITTEE

Dee-Dee CHAN (*Chairman*)

Ronald James BLAKE

Anthony King-Yan TONG

James Sing-Wai WONG

Philip Bing-Lun LAM

COMPANY SECRETARY

Yun-Sang LO

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

The Bank of East Asia, Limited

Hang Seng Bank Limited

Bank of China (Hong Kong) Limited

Shanghai Commercial Bank Limited

AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

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Hamilton HM 10

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

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REVIEW OF OPERATIONS

RESULTS

The board of directors (the “Board”) of Chinney Alliance Group Limited (the “Company”, collectively with its subsidiaries, the “Group”) announces that the Group recorded a revenue of HK\$2,539 million (2022: HK\$2,855 million) and a net loss of HK\$48.6 million (2022: net profit of HK\$14.5 million) for the six months ended 30 June 2023. It was the first time the Group reported a loss for an interim period since 2006 and this is the consequence of several factors. Other than the Foundation segment, the Group recorded a decline in revenues and gross profit from all segments in this interim period. Such decline in revenue was mainly caused by slow progress of the certain major projects of the Building Services segment in Hong Kong, and the decrease in demand and prices of the products of the Plastic and Chemical Products segment under the economic downcycle. The gross margins of the Building Construction segment were reduced due to additional costs incurred for certain projects in Hong Kong and Macau. The delay in certain major projects of the Building Services segment incurred additional site staff costs and overhead and reduced the projects’ margins. Lastly, the Group received the last trench of anti-pandemic subsidies from the Hong Kong Government of HK\$0.9 million only in the current interim period, compared to the HK\$18.1 million of last interim period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

BUSINESS REVIEW AND PROSPECTS

The performance of our business segments is set out below:

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\$1,021 million (2022: HK\$852 million) and operating profit of HK\$52.1 million (2022: HK\$44.0 million) to the Group. The increase in revenue was mainly attributable to the progress of certain sizeable public works projects of the Foundation division during the reporting period. The segment managed to maintain the profit margins with last interim period under the adequate tender opportunities environment and stringent cost control. With the increase in revenue, the gross profit was increased by HK\$20.9 million. There were increase in staff costs by HK\$15.9 million during the reporting period for recruiting and retaining competitive personnel as well as remuneration to its directors for their contribution to the segment, which partly offset the increase in gross profit of the segment.

As at 30 June 2023, Chinney Kin Wing Group had 10 and 52 projects in progress with contract sums of approximately HK\$3,440 million and HK\$834 million in the Foundation division and Drilling division, respectively.

The Hong Kong Government’s commitment to long-term investment in the construction industry is evident in the 2023-24 budget policy announcements. These plans encompass the expansion of housing and infrastructure, major infrastructure projects and financial support for the construction sector. As a result, construction activity is on the rise. On the other hand, the rising inflation and interest rates, geopolitical tensions, environmental concerns and labour shortages in Hong Kong are ongoing challenges that could impact the industry’s growth. Under the current economic environment, the private sector’s tender flow for foundation piling businesses is sluggish in 2023, while government tenders have witnessed an increase, leading to a balancing effect. Nevertheless, intense competition within the industry persists.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Foundation piling and ground investigation *(continued)*

Leveraging the diverse expertise and strengths of its subsidiary companies, Chinney Kin Wing Group harnesses their capabilities to enhance overall competency and secure tenders across various fields. For instance, DrilTech, accredited with the Kodan Test under The Hong Kong Laboratory Accreditation Scheme, has successfully expanded its laboratory testing business, gaining a competitive advantage. Despite a slowdown in the site investigation market earlier this year, DrilTech managed to secure several tenders, including the ground investigation tender for Route 11 (Section between Yuen Long and North Lantau) and other major roads. Chinney Kin Wing Group actively explores new growth opportunities through its subsidiary, Everest Engineering Company Limited, in areas such as site formation, civil works, and roads and drainage works, with the aim of diversifying its revenue streams.

To address the challenges posed by an aging workforce and the waning interest of the younger generation in our industry, Chinney Kin Wing Academy (the “Academy”) has been established. The Academy focuses on enhancing staff competence through comprehensive training, knowledge sharing and skill development. By fostering a sense of belonging among colleagues, the Academy inspires them to contribute to the construction industry and make a positive impact on the community. Furthermore, Chinney Kin Wing not only provides department heads with specialised training to cultivate their leadership acumen and optimise operational efficiencies across all departments through the Academy, but also invests in advanced technologies and the professional development of its IT workforce. These strategic initiatives aim to boost productivity, streamline operations and enhance project efficiency. With a firm dedication to social responsibility, Chinney Kin Wing Group actively strives to optimise its Environmental, Social and Governance policy. The management’s endeavours are primarily directed towards implementing initiatives that not only benefit our staff but also address relevant social issues. In line with this commitment, there are plans to establish scholarships for educational institutions and extend support to Non-Governmental Organisations, further reinforcing ongoing dedication to social responsibility.

As a leading player in the foundation industry, Chinney Kin Wing maintains a watchful and prudent approach and consistently monitors market dynamics. With a strong reputation in the industry, Chinney Kin Wing bolsters its competitive advantage through continuous investments in cutting-edge equipment, state-of-the-art facilities and talent development initiatives. By staying attuned to market trends and maintaining a proactive stance, Chinney Kin Wing ensures its position at the forefront of the industry and is committed to expanding its presence in both the private and public foundation sectors, and actively seeking growth opportunities. Moreover, the management continues to explore avenues for long-term sustainable growth and diversify income streams.

Trading of plastics and chemical products

Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries (“Jacobson”) reported revenue of HK\$175 million (2022: HK\$262 million) from sales to external customers and an operating loss of HK\$5.8 million (2022: profit of HK\$10.4 million). The amid softening external demand for goods continued to be the key factor affecting the export performance of Mainland China and Hong Kong. As the segment’s major customers are manufacturers and exporters from Mainland China, the weakened global demand in export factored in a reasonable drop in revenue and product prices. The second half year was usually a high season of the segment benefited from an expected sales improvement for the holiday season sales orders in the last quarter of the year. The sales of JcoNat disinfectant and hygiene products were slow after the pandemic. Nevertheless, the segment continues to develop green plastic products and new wellness products to enhance its product variety.

REVIEW OF OPERATIONS

BUSINESS REVIEW AND PROSPECTS *(continued)*

Building related contracting services and engineering

Shun Cheong Engineering Group Limited and its subsidiaries (“Shun Cheong”) contributed revenue of HK\$861 million (2022: HK\$1,161 million) and an operating loss of HK\$41.0 million (2022: profit of HK\$12.9 million) from its core businesses in HVAC installation and maintenance, water, electrical, photovoltaic and fire protection systems. In addition to the decline in revenue and gross margins caused by the slow progress of certain major projects, the segment’s finance costs increased by HK\$5.8 million which were largely due to with the hike in interest rates. However, additional site staff costs and sub-contracting charges will also be incurred to accelerate the site progress. Such additional costs would reduce the profit margins and the management will seek recovery of the costs from the projects. Nevertheless, the management is cautiously reviewing and monitoring its projects to ensure their progress is on track. At the end of June 2023, Shun Cheong had an outstanding contract sum of approximately HK\$4,904 million. There were HK\$204 million worth contracts awarded to Shun Cheong after the end of the interim period.

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, which operates in Macau, earned revenues of HK\$376 million (2022: HK\$410 million) recorded an operating loss of HK\$21.1 million (2022: loss of HK\$12.9 million). While major projects were substantially completed in last year and the airport police operational base project awarded during this interim period is still at early stage, the revenue contributed from the segment decreased. There were additional costs incurred for certain projects in Hong Kong and Macau in the current interim period. The management will submit claims for these projects but is currently not able to assess the amounts recoverable and all costs were thus charged to costs of services provided, which contributed to the poor performance of the segment during the period. The recovery of the Macau hospitality industry was not as substantial as previously expected. Nevertheless, the development of non-gaming facilities and attractions as required by Macau’s gaming licenses will provide more business opportunities for the construction industry. As at 30 June 2023, the segment had outstanding contract sums of approximately HK\$1,619 million.

Aviation

Chinney Alliance Engineering Limited, our subsidiary engaged in aviation business, recorded revenue of HK\$105 million (2022: HK\$170 million) and a slight operating loss of HK\$0.2 million (2022: profit of HK\$0.8 million). The segment continues the works for the airport related projects smoothly and the decrease in revenue was in line with the current work programmes. With the increase in tender opportunities for the airport and related projects in the region, 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. During the current interim period, the Group paid land premium for lease modification of the Fanling property and the development is still pending with the approval of the building plan. The loss for the period was 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\$641.7 million (31 December 2022: HK\$539.5 million). These include trust receipt loans, bank loans and lease liabilities. Under the effect of the rising interest rates environment, the Group faced greater interest expenses. The portion classified as current liabilities made up 91.8% (31 December 2022: 90.3%) of all these interest-bearing debts. The current ratio stood at 1.4 (31 December 2022: 1.5). Total cash and cash equivalents, represented by unpledged cash and bank balances, were HK\$860.8 million as at 30 June 2023 (31 December 2022: HK\$760.7 million).

The Group had a total of HK\$2,644 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\$641.7 million over the equity attributable to the owners of the Company of HK\$2,005.0 million, was 32.0% as at 30 June 2023 (31 December 2022: 25.9%).

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 into to hedge the foreign currency trade purchase commitments of the Group when desirable.

Pledge of assets

As of 30 June 2023, certain properties having an aggregate book value of HK\$139.6 million and property held for sale under development of HK\$116.5 million were pledged to banks to secure bank loans and general banking facilities extended to the Group.

Contingent liability

Details of the contingent liabilities of the Group are set out in note 15 to the unaudited condensed consolidated interim financial statements.

Employees and remuneration policies

The Group employed approximately 1,740 staff in Hong Kong and other parts of the People's Republic of China as of 30 June 2023. 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.

REVIEW OF OPERATIONS

CONNECTED TRANSACTIONS

- (a) On 12 July 2018, Chinney Construction, an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Gold Famous Development Limited (“Gold Famous”), an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited (“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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The transaction was approved by independent shareholders of Chinney Investments, Hon Kwok and the Company at their respective general meetings 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. Revenues of HK\$618,000 were recognised by Chinney Construction during the six months ended 30 June 2023.

- (b) On 26 September 2022, Chinney Construction and Shun Cheong Building Services Limited (“SC Building Services”), both being indirect wholly-owned subsidiaries of the Company, entered into a framework agreement (the “Revamp Framework Agreement”) with Honour Well Development Limited (“Honour Well”), an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, pursuant to which, Chinney Construction was appointed by Honour Well as the contractor for the builder’s works at the contract sum of not exceeding HK\$96,300,000 and SC Building Services was appointed by Honour Well as the contractor for the mechanical and electrical engineering works and façade works at the contract sum of not exceeding HK\$141,000,000 relating to the revamp project of the building located at 119-121 Connaught Road Central, Sheung Wan, Hong Kong. The entering into the Revamp 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, Hon Kwok and the Company at their respective general meetings held on 28 November 2022.

Details of the transactions were set out in the joint announcement of Chinney Investments, Hon Kwok and the Company dated 26 September 2022 and the Company’s circular dated 8 November 2022. Revenues of an aggregate amount of HK\$13,317,000 were recognised by Chinney Construction and SC Building Services during the six months ended 30 June 2023.

OUTLOOK

The recovery in the post-pandemic era was not as quick and substantial as previously expected during the first half of 2023. The inflation in the US and the Western countries are still standing high and, to combat this, the governments maintain high interest rates to suppress demand side. The situation in the US seems to be easing but it is widely expected the current high interest rates will be maintained for the rest of 2023. On the other hand, Mainland China's economy had a solid recovery in the first quarter of 2023 but the momentum slowed down in the second quarter. With the softening global demand, the manufacturing activities in China have weakened. In terms of exports, Hong Kong's performance has been weaker than anticipated under this environment. The local economy continued to recover in the second quarter, with real GDP growth of 1.5% year-on-year. The key drivers of this growth were inbound tourism and private consumption. The unemployment rate declined further to 2.8% in April to June 2023 compared to 2.9% in the second quarter. The Hong Kong Government forecasts a 4.0% to 5.0% economic growth in 2023 as a whole and the inbound tourism and private consumption will still be the major drivers for the rest of the year.

The Hong Kong Government's framework for the expansion of public housing and infrastructure provides more opportunities to the construction industry. On the other hand, construction activity from private sector has reduced as the property developers are skeptical about the future development of the local property market. The rising labour costs and shortage of manpower are eroding the profit of the contractors given the contract sums are usually fixed once awarded. To address manpower shortage, the Government introduces a number of measures which include labour importation scheme for construction sector. These measures would benefit large main contractors with sizeable projects but may in turn reduce the competitive edge and thus profit of those smaller main contractors focusing on medium-size projects and sub-contractors which are not eligible for labour importation. Although there will be increasing tender opportunities for upcoming government construction projects, the Group will face a very intense competition and market players are keen on tender prices. The Group's Plastic and Chemical segment is facing a hard time and this situation may persist until the recovery of major economies gradually in next year. With a satisfactory level of contracts on hand, the Board is cautiously monitoring the operations of the Group for a better performance in the future.

APPRECIATION

I would like to thank my fellow directors for their advice and continued support, and staff of all levels for their hard work and contribution to the success during this unusual period.

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.

By Order of the Board
James Sing-Wai Wong
Chairman

Hong Kong, 28 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	3	2,538,838	2,854,620
Cost of sales/services provided		<u>(2,290,243)</u>	<u>(2,549,498)</u>
Gross profit		248,595	305,122
Other income	3	8,721	785
Selling and distribution costs		(7,343)	(11,759)
Administrative expenses		(274,767)	(260,415)
Other operating income/(expenses), net	4	(1,064)	6,328
Finance costs	5	<u>(14,750)</u>	<u>(7,797)</u>
PROFIT/(LOSS) BEFORE TAX	6	(40,608)	32,264
Income tax expense	7	<u>(7,996)</u>	<u>(17,800)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(48,604)</u>	<u>14,464</u>
Attributable to:			
Owners of the Company		(59,751)	5,407
Non-controlling interests		<u>11,147</u>	<u>9,057</u>
		<u>(48,604)</u>	<u>14,464</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		<u>(HK10.0 cents)</u>	<u>HK0.9 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(48,604)	14,464
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations and net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(5,716)	(5,112)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investment at fair value through other comprehensive income	191	1,707
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(5,525)	(3,405)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(54,129)	11,059
Attributable to:		
Owners of the Company	(65,276)	2,002
Non-controlling interests	11,147	9,057
	(54,129)	11,059

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		1,121,902	1,106,137
Investment properties		114,007	117,439
Investment in an associate		121	121
Investment in a joint venture		–	–
Equity investment at fair value through other comprehensive income		7,408	7,217
Goodwill		14,369	14,369
Financial assets at fair value through profit or loss		27,712	26,578
Deposits		3,697	12,354
Deferred tax assets		4,666	3
Total non-current assets		<u>1,293,882</u>	<u>1,284,218</u>
CURRENT ASSETS			
Inventories		60,452	85,369
Property held for sale under development		116,520	73,485
Contract assets		1,747,852	1,502,671
Trade receivables	10	602,227	814,871
Amount due from a related company	11	6,148	9,651
Amount due from a joint venture		967	967
Prepayments, deposits and other receivables		377,118	284,780
Tax recoverable		18,317	19,222
Cash and cash equivalents		860,839	760,662
Total current assets		<u>3,790,440</u>	<u>3,551,678</u>
CURRENT LIABILITIES			
Trade, bills and retention monies payables	12	714,412	773,023
Trust receipt loans		213,104	132,895
Other payables and accruals		1,440,077	1,166,285
Derivative financial instruments		1,957	–
Tax payable		30,818	17,456
Interest-bearing bank borrowings		368,846	349,755
Lease liabilities		7,075	4,429
Total current liabilities		<u>2,776,289</u>	<u>2,443,843</u>
NET CURRENT ASSETS		<u>1,014,151</u>	<u>1,107,835</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,308,033</u>	<u>2,392,053</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities		52,657	52,432
Deferred tax liabilities		84,423	87,044
Total non-current liabilities		137,080	139,476
Net assets		2,170,953	2,252,577
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	59,490	59,490
Reserves		1,945,557	2,025,706
Non-controlling interests		2,005,047	2,085,196
		165,906	167,381
Total equity		2,170,953	2,252,577

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Fair value reserve (non-recycling) (Unaudited) HK\$'000	Legal reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2023	59,490	60,978	120,946	340,734	4,174	1,505	(10,105)	1,507,474	2,085,196	167,381	2,252,577
Profit/(loss) for the period	-	-	-	-	-	-	-	(59,751)	(59,751)	11,147	(48,604)
Other comprehensive income/(loss) for the period:											
Exchange differences related to foreign operations	-	-	-	-	-	-	(5,716)	-	(5,716)	-	(5,716)
Change in fair value of equity investment at fair value through other comprehensive income	-	-	-	-	191	-	-	-	191	-	191
Total comprehensive income/(loss) for the period	-	-	-	-	191	-	(5,716)	(59,751)	(65,276)	11,147	(54,129)
Release of revaluation reserve on leasehold land and owned buildings to retained profits	-	-	-	(6,763)	-	-	-	6,763	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(12,622)	(12,622)
Final 2022 dividend declared	-	-	-	-	-	-	-	(14,873)	(14,873)	-	(14,873)
At 30 June 2023	59,490	60,978*	120,946*	333,971*	4,365*	1,505*	(15,821)*	1,439,613*	2,005,047	165,906	2,170,953
At 1 January 2022	59,490	60,978	120,946	343,076	3,394	1,505	10,228	1,521,068	2,120,685	146,900	2,267,585
Profit for the period	-	-	-	-	-	-	-	5,407	5,407	9,057	14,464
Other comprehensive income/(loss) for the period:											
Exchange differences related to foreign operations	-	-	-	-	-	-	(5,112)	-	(5,112)	-	(5,112)
Change in fair value of equity investment at fair value through other comprehensive income	-	-	-	-	1,707	-	-	-	1,707	-	1,707
Total comprehensive income/(loss) for the period	-	-	-	-	1,707	-	(5,112)	5,407	2,002	9,057	11,059
Release of revaluation reserve on leasehold land and owned buildings to retained profits	-	-	-	(6,569)	-	-	-	6,569	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(5,737)	(5,737)
Final 2021 dividend declared	-	-	-	-	-	-	-	(16,360)	(16,360)	-	(16,360)
At 30 June 2022	59,490	60,978	120,946	336,507	5,101	1,505	5,116	1,516,684	2,106,327	150,220	2,256,547

* These reserve accounts comprise the consolidated reserves of HK\$1,945,557,000 in the unaudited condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(40,608)	32,264
Adjustments for:			
Finance costs	5	14,750	7,797
Investment income from financial assets at fair value through profit or loss	3	(863)	–
Depreciation of property, plant and equipment	6	43,017	42,537
Depreciation of right-of-use assets	6	18,752	18,641
Impairment of trade receivables	6	12	5,533
Impairment of contract assets	6	–	3,925
Provision for inventories included in cost of inventories sold		1,039	557
Loss/(gain) on disposal of items of property, plant and equipment, net	6	47	(50)
Transfer of items of property, plant and equipment to costs of construction contracts		3,292	–
Fair value changes on derivative financial instruments	6	1,957	–
Fair value changes in financial assets at fair value through profit or loss	6	(344)	(3,194)
Interest income	3	(7,336)	(82)
		33,715	107,928
Decrease in inventories		23,878	6,802
Increase in a property held for sale under development		(41,767)	(619)
Increase in contract assets		(245,181)	(7)
Decrease in trade receivables		212,632	180,685
Decrease in amount due from a related company		3,503	18,112
Increase in prepayments, deposits and other receivables		(83,681)	(51,476)
Decrease in trade, bills and retention monies payables		(58,611)	(360,371)
Increase in other payables and accruals		246,297	44,910
Cash generated from/(used in) operations		90,785	(54,036)
Interest received		7,336	82
Interest paid		(16,018)	(8,359)
Hong Kong profits tax refunded/(paid), net		(978)	6,367
Overseas tax paid, net		(35)	(1,204)
Net cash flows from/(used in) operating activities		81,090	(57,150)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Notes		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(75,861)	(33,134)
Purchase of financial assets at fair value through profit or loss	(820)	(702)
Distribution from financial assets at fair value through profit or loss	877	–
Proceeds from disposals of items of property, plant and equipment	308	140
Net cash flows used in investing activities	<u>(75,496)</u>	<u>(33,696)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in trust receipt loans	80,209	4,855
New bank loans	51,113	181,795
Repayment of bank loans	(33,581)	(146,637)
Principal portion of lease payments	(3,667)	(2,984)
Net cash flows from financing activities	<u>94,074</u>	<u>37,029</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	99,668	(53,817)
Cash and cash equivalents at beginning of period	760,662	648,837
Effect of foreign exchange rate changes, net	(1,050)	1,558
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>859,280</u>	<u>596,578</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	426,749	500,288
Non-pledged time deposits with original maturity of less than three months when acquired	434,090	96,290
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	860,839	596,578
Bank overdrafts	(1,559)	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u>859,280</u>	<u>596,578</u>

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 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 2022.

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, 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 2022, except for the adoption of the following new and 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.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have material impact on the financial position or performance of the Group.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

NOTES TO THE 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 2023 (Unaudited)

	Plastic and chemical products HK\$'000	Building related contracting services HK\$'000	Building construction HK\$'000	Foundation piling and ground investigation HK\$'000	Aviation HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:							
Sales to external customers	175,271	861,092	375,973	1,021,351	105,151	-	2,538,838
Intersegment sales	34	768	489	140	-	-	1,431
Other revenue	654	16	254	5,929	485	-	7,338
	<u>175,959</u>	<u>861,876</u>	<u>376,716</u>	<u>1,027,420</u>	<u>105,636</u>	<u>-</u>	<u>2,547,607</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales							<u>(1,431)</u>
Revenue							<u>2,546,176</u>
Segment results	(5,789)	(41,040)	(21,052)	52,074	(184)	(1,711)	(17,702)
<i>Reconciliation:</i>							
Fair value changes in financial assets at fair value through profit or loss							344
Interest income and unallocated gains							1,383
Unallocated expenses							<u>(24,633)</u>
Loss before tax							<u>(40,608)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2023 (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	325,316	1,784,108	711,150	1,579,896	284,278	324,463	5,009,211
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(10,617)
Equity investment at fair value through other comprehensive income							7,408
Financial assets at fair value through profit or loss							21,328
Corporate and other unallocated assets							<u>56,992</u>
Total assets							<u>5,084,322</u>
Segment liabilities	32,368	1,271,652	367,204	835,004	208,820	46,343	2,761,391
<i>Reconciliation:</i>							
Elimination of intersegment payables							(10,617)
Corporate and other unallocated liabilities							<u>162,595</u>
Total liabilities							<u>2,913,369</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2022 (Unaudited)

	Plastic and chemical products HK\$'000	Building related contracting services HK\$'000	Building construction HK\$'000	Foundation piling and ground investigation HK\$'000	Aviation HK\$'000	Others HK\$'000	Total HK\$'000
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>2,854,944</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>32,264</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2022 (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	342,539	1,643,949	651,455	1,529,160	317,027	285,737	4,769,867
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(10,932)
Equity investment at fair value through other comprehensive income							7,217
Financial assets at fair value through profit or loss							20,178
Corporate and other unallocated assets							49,566
Total assets							4,835,896
Segment liabilities	42,826	1,083,402	268,966	823,923	192,991	45,914	2,458,022
<i>Reconciliation:</i>							
Elimination of intersegment payables							(10,932)
Corporate and other unallocated liabilities							136,229
Total liabilities							2,583,319

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Type of goods and services		
Sales of goods	254,115	318,796
Construction services	<u>2,284,723</u>	<u>2,535,824</u>
Total revenue from contracts with customers	<u>2,538,838</u>	<u>2,854,620</u>
Timing of revenue recognition		
Goods transferred at a point in time	254,115	318,796
Services transferred over time	<u>2,284,723</u>	<u>2,535,824</u>
Total revenue from contracts with customers	<u>2,538,838</u>	<u>2,854,620</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(i) Disaggregated revenue information

For the six months ended 30 June 2023 (Unaudited)

Segments	Plastic and chemical products HK\$'000	Building related contracting services HK\$'000	Building construction HK\$'000	Foundation piling and ground investigation HK\$'000	Aviation HK\$'000	Total HK\$'000
Type of goods or services						
Sales of goods	175,271	78,844	-	-	-	254,115
Construction services	-	782,248	375,973	1,021,351	105,151	2,284,723
Total revenue from contracts with customers	175,271	861,092	375,973	1,021,351	105,151	2,538,838
Geographical markets						
Hong Kong	158,386	800,002	340,737	1,021,351	104,905	2,425,381
Mainland China, Macau and others	16,885	61,090	35,236	-	246	113,457
Total revenue from contracts with customers	175,271	861,092	375,973	1,021,351	105,151	2,538,838
Timing of revenue recognition						
Goods transferred at a point in time	175,271	78,844	-	-	-	254,115
Services transferred over time	-	782,248	375,973	1,021,351	105,151	2,284,723
Total revenue from contracts with customers	175,271	861,092	375,973	1,021,351	105,151	2,538,838

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(i) Disaggregated revenue information (continued)

For the six months ended 30 June 2022 (Unaudited)

Segments	Plastic and chemical products HK\$'000	Building related contracting services HK\$'000	Building construction HK\$'000	Foundation piling and ground investigation HK\$'000	Aviation HK\$'000	Total HK\$'000
Type of goods or services						
Sales of goods	261,572	57,224	–	–	–	318,796
Construction services	–	1,103,478	410,010	851,928	170,408	2,535,824
Total revenue from contracts with customers	261,572	1,160,702	410,010	851,928	170,408	2,854,620
Geographical markets						
Hong Kong	229,400	838,389	276,975	851,928	168,866	2,365,558
Mainland China, Macau and others	32,172	322,313	133,035	–	1,542	489,062
Total revenue from contracts with customers	261,572	1,160,702	410,010	851,928	170,408	2,854,620
Timing of revenue recognition						
Goods transferred at a point in time	261,572	57,224	–	–	–	318,796
Services transferred over time	–	1,103,478	410,010	851,928	170,408	2,535,824
Total revenue from contracts with customers	261,572	1,160,702	410,010	851,928	170,408	2,854,620

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the six months ended 30 June 2023 (Unaudited)

Segments	Plastic and chemical products HK\$'000	Building related contracting services HK\$'000	Building construction HK\$'000	Foundation piling and ground investigation HK\$'000	Aviation HK\$'000	Total HK\$'000
Revenue from contracts with customers						
Sales to external customers	175,271	861,092	375,973	1,021,351	105,151	2,538,838
Intersegment sales	34	768	489	140	-	1,431
Other revenue	654	16	254	5,929	485	7,338
	<u>175,959</u>	<u>861,876</u>	<u>376,716</u>	<u>1,027,420</u>	<u>105,636</u>	<u>2,547,607</u>
Intersegment adjustments and eliminations	(34)	(768)	(489)	(140)	-	(1,431)
Other revenue classified as other income	(654)	(16)	(254)	(5,929)	(485)	(7,338)
	<u>175,271</u>	<u>861,092</u>	<u>375,973</u>	<u>1,021,351</u>	<u>105,151</u>	<u>2,538,838</u>

For the six months ended 30 June 2022 (Unaudited)

Segments	Plastic and chemical products HK\$'000	Building related contracting services HK\$'000	Building construction HK\$'000	Foundation piling and ground investigation HK\$'000	Aviation HK\$'000	Total HK\$'000
Revenue from contracts with customers						
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>2,859,802</u>
Intersegment adjustments and eliminations	-	(2,904)	(1,954)	-	-	(4,858)
Other revenue classified as other income	(236)	(8)	(60)	(19)	(1)	(324)
	<u>261,572</u>	<u>1,160,702</u>	<u>410,010</u>	<u>851,928</u>	<u>170,408</u>	<u>2,854,620</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(i) Disaggregated revenue information (continued)

The following tables show the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous period:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction services	544,338	479,884

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Revenue recognised from performance obligations satisfied in previous periods:		
Construction services not previously recognised due to constraints on variable consideration	6,131	51,476

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 60 days from delivery, except for new customers, where payment in advance is normally required.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due on delivery to 60 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME *(continued)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(continued)*

(ii) Performance obligations (continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at end of the reporting period are as follows:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	5,637,258	5,304,650
After one year	3,460,140	2,831,242
	9,097,398	8,135,892

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within five years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

OTHER INCOME

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest income	7,336	82
Investment income from financial assets at fair value through profit or loss	863	–
Others	522	703
	8,721	785

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. OTHER OPERATING INCOME/(EXPENSES), NET

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Fair value changes in financial assets at fair value through profit or loss	344	3,194
Fair value loss on derivative financial instruments – transactions not qualifying as hedges	(1,957)	–
Foreign exchanges differences, net	(286)	(5,518)
Government subsidies (note)	894	18,060
Gain/(loss) on disposal of items of property, plant and equipment, net	(47)	50
Impairment of trade receivables	(12)	(5,533)
Impairment of contract assets	–	(3,925)
	(1,064)	6,328

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 were 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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on bank loans and overdrafts	13,478	5,238
Interest on lease liabilities	2,048	2,024
Implicit interest on other payable	492	1,097
Less: Interest capitalised under a property held for sale under development	(1,268)	(562)
	14,750	7,797

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Depreciation of property, plant and equipment (excluding right-of-use assets)	43,017	42,537
Depreciation of right-of-use assets	18,752	18,641
Employee benefit expenses (including directors' remuneration)	510,605	452,120
Loss/(gain) on disposal of items of property, plant and equipment, net*	47	(50)
Government subsidies*	(894)	(18,060)
Impairment of trade receivables*	12	5,533
Impairment of contract assets*	–	3,925
Fair value changes in financial assets at fair value through profit or loss*	(344)	(3,194)
Fair value loss on derivative financial instruments – transaction not qualifying as hedge*	1,957	–
Foreign exchange differences, net*	286	5,518

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

7. INCOME TAX

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	15,434	22,160
Overprovision in prior years	–	(10)
Current – Elsewhere		
Charge for the period	–	234
Underprovision/(overprovision) in prior years	(154)	55
Deferred	(7,284)	(4,639)
Total tax charge for the period	7,996	17,800

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$59,751,000 (2022: profit of HK\$5,407,000) 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 2023 and 2022.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

The final dividend of HK2.50 cents per ordinary share for the year ended 31 December 2022 was approved by the Company's shareholders at the annual general meeting of the Company held on 2 June 2023 and paid on 5 July 2023.

10. TRADE RECEIVABLES

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Trade receivables	612,736	825,380
Impairment	(10,509)	(10,509)
	602,227	814,871

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. TRADE RECEIVABLES *(continued)*

An aged 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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Current to 30 days	341,936	514,758
31 to 60 days	152,452	167,503
61 to 90 days	29,761	50,664
Over 90 days	78,078	81,946
	602,227	814,871

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
At the beginning of the period/year	10,509	1,051
Impairment	12	9,458
Amount written off as uncollectible	(12)	–
At the end of the period/year	10,509	10,509

11. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contracting income certified from Honour Well. Honour Well is indirect wholly-owned subsidiary of Hon Kwok of which Dr. James Sai-Wing Wong, a controlling shareholder of the Company and a director of the Company who retired on 2 June 2023, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. TRADE, BILLS AND RETENTION MONIES PAYABLES

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Trade payables	387,772	429,320
Bills payable	14,706	12,981
Retention monies payable	311,934	330,722
	714,412	773,023

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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Current to 30 days	294,028	293,457
31 to 60 days	49,593	81,247
61 to 90 days	7,526	11,690
Over 90 days	36,625	42,926
	387,772	429,320

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

13. SHARE CAPITAL

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Authorised:		
2,500,000,000 (31 December 2022: 2,500,000,000) ordinary shares of HK\$0.10 (31 December 2022: HK\$0.10) each	250,000	250,000
Issued and fully paid:		
594,899,245 (31 December 2022: 594,899,245) ordinary shares of HK\$0.10 (31 December 2022: HK\$0.10) each	59,490	59,490

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Share of rental and office expenses with related companies	<i>(i)</i>	309	851
Rents paid to related companies	<i>(i)</i>	502	–
Construction contracting income on construction works from related companies	<i>(ii)</i>	(13,935)	(1,347)
Income on maintenance works from related companies	<i>(iii)</i>	(37)	(51)
Licence fees paid to related companies	<i>(iv)</i>	204	108

Notes:

- (i) The rental and office expenses were charged by Hon Kwok and its subsidiaries, a subsidiary of Chinney Investments, on an actual basis. Dr. James Sai-Wing Wong, a controlling shareholder of the Company and a director of the Company who retired on 2 June 2023, is a director of and has a beneficial interest in Hon Kwok. Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam are common directors of the Company and Hon Kwok.
- (ii) The construction contracting income on construction works and revamp works from related companies, which are subsidiaries of Hon Kwok, were negotiated between the concerned parties by reference to prevailing market rates. The transactions constituted connected transactions of the Group and were approved by the independent shareholders of the Company at the special general meeting held on 24 August 2018 and 28 November 2022, respectively.
- (iii) The income on maintenance works received from subsidiaries of Hon Kwok was negotiated between the concerned parties by reference to prevailing market rates.
- (iv) The licence fees charged by Hon Kwok and its subsidiary was negotiated between the concerned parties by reference to prevailing market rates.

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	87,945	70,749
Post-employment benefits	1,685	1,720
Total compensation paid to key management personnel	89,630	72,469

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. CONTINGENT LIABILITY

As of 30 June 2023, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure performance/surety bonds in the aggregate amount of HK\$868,958,000 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\$267,746,000 for 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 2023.

16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Contracted, but not provided for:		
Property, plant and equipment	4,882	42,259
Capital contribution to financial assets at fair value	4,510	5,343
	9,392	47,602

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair Values	
	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Financial assets				
Equity investment at fair value through other comprehensive income	7,408	7,217	7,408	7,217
Financial assets at fair value through profit or loss	27,712	26,578	27,712	26,578
	35,120	33,795	35,120	33,795
Financial liabilities				
Derivative financial instruments	1,957	–	1,957	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade, bills and retention monies payables, trust receipt loans, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, an amount due from a related company and an amount due from a joint venture approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of the club membership included in financial assets at fair value through profit or loss was based on quoted prices. The fair values of the unlisted equity investment designated at fair value through other comprehensive income and unlisted other investment included in financial assets at fair value through profit or loss were derived from the latest transaction prices or net asset value of the investee which approximates to its fair value. An increase/decrease in the latest transaction prices would result in an increase/decrease in the fair values of the unlisted equity investment and unlisted other investment. The fair values of the derivative financial instruments were measured using a valuation technique based on assumption that are supported by observable market rates.

Fair value hierarchy

	Fair value measurement as at 30 June 2023 using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Assets measured at fair value:				
Equity investment at fair value through other comprehensive income	–	–	7,408	7,408
Financial assets at fair value through profit or loss	–	5,814	21,898	27,712
	–	5,814	29,306	35,120
Liabilities measured at fair value:				
Derivative financial instruments	–	1,957	–	1,957

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy (continued)

	Fair value measurement as at 31 December 2022 using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Assets measured at fair value:				
Equity investment at fair value through other comprehensive income	–	–	7,217	7,217
Financial assets at fair value through profit or loss	–	5,814	20,764	26,578
	–	5,814	27,981	33,795

The Group did not have any financial liabilities measured at fair value as at 31 December 2022.

During the six months ended 30 June 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

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 2023.

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 2023, 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.

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 2023 has not been audited, but has been reviewed by the Audit Committee.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six-month period ended 30 June 2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the interests and short positions of those persons in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	1, 2, 3	Interest through controlled corporations	438,334,216	73.68%
Lucky Year Finance Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Chinney Holdings Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Chinney Investments	1	Interest through a controlled corporation	173,093,695	29.10%
Newsworthy Resources Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Multi-Investment Group Limited	1	Beneficial owner	173,093,695	29.10%
Enhancement Investments Limited	2	Beneficial owner	243,244,521	40.89%

Notes:

1. Dr. James Sai-Wing Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of 173,093,695 shares by virtue of Section 316 of the SFO;
2. Enhancement Investments Limited is beneficially wholly-owned by Dr. James Sai-Wing Wong; and
3. 21,996,000 shares are held by Chinney Capital Limited, which is beneficially wholly-owned by Dr. James Sai-Wing Wong.

Save as disclosed above, as at 30 June 2023, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 2023.