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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 2024

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 2024 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024 together with comparative figures in 2023 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3	3,446,519	2,538,838
Cost of sales/services provided		(3,074,000)	(2,290,243)
Gross profit		372,519	248,595
Other income	3	12,571	8,721
Selling and distribution costs		(9,349)	(7,343)
Administrative expenses		(301,144)	(274,767)
Other operating expenses, net	4	(177)	(1,064)
Finance costs	5	(27,559)	(14,750)
PROFIT/(LOSS) BEFORE TAX	6	46,861	(40,608)
Income tax expense	7	(11,267)	(7,996)
PROFIT/(LOSS) FOR THE PERIOD		35,594	(48,604)
Attributable to:			
Owners of the Company		21,519	(59,751)
Non-controlling interests		14,075	11,147
		35,594	(48,604)
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		HK3.6 cents	(HK10.0 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	35,594	(48,604)
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	(3,865)	(5,716)
Other comprehensive income/(loss) 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)	191
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(4,056)	(5,525)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	31,538	(54,129)
Attributable to:		
Owners of the Company	17,463	(65,276)
Non-controlling interests	14,075	11,147
	31,538	(54,129)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,088,700	1,111,906
Investment properties		102,807	104,726
Investment in an associate		121	121
Investment in a joint venture		—	—
Equity investment at fair value through other comprehensive income		7,535	7,726
Goodwill		14,369	14,369
Financial assets at fair value through profit or loss		27,985	28,544
Deposits		11,833	2,745
Deferred tax assets		11,122	7,636
		<hr/>	<hr/>
Total non-current assets		1,264,472	1,277,773
CURRENT ASSETS			
Inventories		43,590	49,746
Property held for sale under development		115,392	102,382
Contract assets		2,146,211	1,918,364
Trade receivables	10	718,678	777,088
Amount due from a related company	11	79,206	11,039
Prepayments, deposits and other receivables		487,870	356,861
Tax recoverable		4,484	9,042
Cash and cash equivalents		1,065,265	1,070,999
		<hr/>	<hr/>
Total current assets		4,660,696	4,295,521
CURRENT LIABILITIES			
Trade, bills and retention monies payables	12	906,180	954,560
Trust receipt loans		437,271	324,343
Other payables and accruals		1,692,289	1,453,329
Tax payable		28,210	16,597
Derivative financial instruments		48	99
Interest-bearing bank borrowings		430,434	389,983
Lease liabilities		7,498	7,595
		<hr/>	<hr/>
Total current liabilities		3,501,930	3,146,506
		<hr/>	<hr/>
NET CURRENT ASSETS		1,158,766	1,149,015
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,423,238	2,426,788
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Lease liabilities	48,344	51,705
Deferred tax liabilities	80,677	82,232
	<hr/>	<hr/>
Total non-current liabilities	129,021	133,937
	<hr/>	<hr/>
Net assets	2,294,217	2,292,851
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	59,490	59,490
Reserves	2,048,931	2,046,340
	<hr/>	<hr/>
	2,108,421	2,105,830
	<hr/>	<hr/>
Non-controlling interests	185,796	187,021
	<hr/>	<hr/>
Total equity	2,294,217	2,292,851
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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 the applicable disclosure requirements of Appendix D2 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 2023.

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangement</i>

The adoption of these revised accounting standards does not have material impact of the performance and financial position of the Group.

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 2024 (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	246,198	1,510,148	302,488	1,102,053	285,632	-	3,446,519
Intersegment sales	23	278	41	-	-	-	342
Other revenue	891	143	1,027	9,467	729	-	12,257
	<u>247,112</u>	<u>1,510,569</u>	<u>303,556</u>	<u>1,111,520</u>	<u>286,361</u>	<u>-</u>	<u>3,459,118</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales							<u>(342)</u>
Revenue							<u><u>3,458,776</u></u>
Segment results	4,108	(13,589)	(1,420)	65,312	18,760	(2,726)	70,445
<i>Reconciliation:</i>							
Fair value changes in financial assets at fair value through profit or loss							(516)
Interest income and unallocated gains							314
Unallocated expenses							<u>(23,382)</u>
Profit before tax							<u><u>46,861</u></u>

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2024 (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	349,315	2,255,144	734,089	1,922,640	401,907	317,897	5,980,992
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(121,065)
Equity investment at fair value through other comprehensive income							7,535
Financial assets at fair value through profit or loss							21,602
Corporate and other unallocated assets							36,104
Total assets							<u>5,925,168</u>
Segment liabilities	48,068	1,731,983	360,105	1,100,734	306,302	53,463	3,600,655
<i>Reconciliation:</i>							
Elimination of intersegment payables							(121,065)
Corporate and other unallocated liabilities							151,361
Total liabilities							<u>3,630,951</u>

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 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 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><u>2,546,176</u></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><u>(40,608)</u></u>

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2023 (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	351,058	2,061,467	723,388	1,753,705	322,423	308,184	5,520,225
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(15,409)
Equity investment at fair value through other comprehensive income							7,726
Financial assets at fair value through profit or loss							22,119
Corporate and other unallocated assets							<u>38,633</u>
Total assets							<u><u>5,573,294</u></u>
Segment liabilities	49,189	1,518,658	333,141	982,317	240,272	46,224	3,169,801
<i>Reconciliation:</i>							
Elimination of intersegment payables							(15,409)
Corporate and other unallocated liabilities							<u>126,051</u>
Total liabilities							<u><u>3,280,443</u></u>

3. REVENUE AND OTHER INCOME

REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Type of goods and services		
Sales of goods	321,037	254,115
Construction services	<u>3,125,482</u>	<u>2,284,723</u>
Total revenue from contracts with customers	<u><u>3,446,519</u></u>	<u><u>2,538,838</u></u>
Timing of revenue recognition		
Goods transferred at a point in time	321,037	254,115
Services transferred over time	<u>3,125,482</u>	<u>2,284,723</u>
Total revenue from contracts with customers	<u><u>3,446,519</u></u>	<u><u>2,538,838</u></u>

OTHER INCOME

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	11,711	7,336
Investment income from financial assets at fair value through profit or loss	–	863
Others	<u>860</u>	<u>522</u>
	<u><u>12,571</u></u>	<u><u>8,721</u></u>

4. OTHER OPERATING EXPENSES, NET

	Six months ended 30 June	
	2024	2023
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Fair value changes in financial assets at fair value through profit or loss	(516)	344
Fair value gain/(loss) on derivative financial instruments		
– transactions not qualifying as hedges	42	(1,957)
Foreign exchange differences, net	(1,672)	(286)
Government subsidies (note)	2,061	894
Loss on disposal of items of property, plant and equipment, net	–	(47)
Impairment of trade receivables, net	(42)	(12)
Impairment of contract assets	(50)	–
	<u>(177)</u>	<u>(1,064)</u>

Note: The government subsidies represented mainly grants from the Construction Innovation and Technology Fund of the Hong Kong Government. In 2023, 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	
	2024	2023
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank loans and overdrafts	24,041	13,478
Interest on lease liabilities	1,917	2,048
Interest on other payable	2,806	–
Implicit interest on other payable	–	492
Less: Interest capitalised under a property held for sale under development	(1,205)	(1,268)
	<u>27,559</u>	<u>14,750</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment (excluding right-of-use assets)	41,617	43,017
Depreciation of right-of-use assets	19,481	18,752
Employee benefit expenses (including directors' remuneration)	572,189	510,605
Loss on disposal of items of property, plant and equipment, net*	–	47
Government subsidies*	(2,061)	(894)
Impairment of trade receivables, net*	42	12
Impairment of contract assets*	50	–
Fair value changes in financial assets at fair value through profit or loss*	516	(344)
Fair value loss/(gain) on derivative financial instruments – transaction not qualifying as hedge*	(42)	1,957
Foreign exchange differences, net*	1,672	286
	<u>11,267</u>	<u>7,996</u>

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

7. INCOME TAX

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	17,809	15,434
Overprovision in prior years	(1,508)	–
Current – Elsewhere		
Charge for the period	7	–
Overprovision in prior years	–	(154)
Deferred	(5,041)	(7,284)
Total tax charge for the period	<u>11,267</u>	<u>7,996</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$21,519,000 (2023: loss of HK\$59,751,000) 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 2024 and 2023.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

The final dividend of HK2.50 cents per ordinary share for the year ended 31 December 2023 was approved by the Company's shareholders at the annual general meeting of the Company held on 7 June 2024 and paid on 11 July 2024.

10. TRADE RECEIVABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade receivables	729,251	787,620
Impairment	(10,573)	(10,532)
	<u>718,678</u>	<u>777,088</u>

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.

10. TRADE RECEIVABLES *(continued)*

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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Current to 30 days	414,205	398,535
31 to 60 days	115,532	179,756
61 to 90 days	70,072	57,069
Over 90 days	118,869	141,728
	<u>718,678</u>	<u>777,088</u>

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
At the beginning of the period/year	10,532	10,509
Impairment	48	111
Amounts written off as uncollectible	(1)	(88)
Amounts written back	(6)	—
	<u>10,573</u>	<u>10,532</u>

11. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contracting income certified from Honour Well Development Limited (“Honour Well”). Honour Well is an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited (“Hon Kwok”) of which Dr. James Sai-Wing Wong, a controlling shareholder of the Company, 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. As at 30 June 2024 and 31 December 2023, the loss allowance was assessed to be minimal.

12. TRADE, BILLS AND RETENTION MONIES PAYABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade payables	560,132	624,176
Bills payable	29,297	22,950
Retention monies payable	316,751	307,434
	<u>906,180</u>	<u>954,560</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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Current to 30 days	376,316	407,702
31 to 60 days	114,217	158,804
61 to 90 days	28,012	17,037
Over 90 days	41,587	40,633
	<u>560,132</u>	<u>624,176</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 healthy interim revenue of HK\$3,447 million (2023: HK\$2,539 million), up 35% year-on-year. Together with improved profit margin, the Group registered a net profit of HK\$35.6 million (2023: net loss of HK\$48.6 million) for the six months ended 30 June 2024.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

BUSINESS AND OPERATION REVIEW

Our positive momentum carried over from the second half of last year into the first half of this year, giving us a strong 12-month result. But storm clouds are in the distance and the future is challenging.

Foundation piling and ground investigation

Chinney Kin Wing Holdings Limited (“Chinney Kin Wing”, collectively with its subsidiaries, the “Chinney Kin Wing Group”) contributed revenues of HK\$1,102 million (2023: HK\$1,021 million) and operating profits of HK\$65.3 million (2023: HK\$52.1 million).

While the 2024-2025 Hong Kong Budget underscores a commitment to high-quality development and economic growth, with a particular emphasis on addressing the city’s housing challenges, the construction industry is experiencing a slowdown because of a standstill in private sector development. Tender prices are expected to flatten as the industry continues to face ongoing challenges from workforce shortages and rising costs.

Chinney Kin Wing celebrates its 30th Anniversary this year. Building on three decades of expertise and client trust, the Chinney Kin Wing Group is reinforcing its market position through investments in people, equipment, and facilities.

It is also redoubling its effort in workplace safety, prioritising safety management to minimise work-related incidents. With its strong balance sheet and virtually zero debt, Chinney Kin Wing has sufficient dry power to benefit from the falling real estate prices and secure further properties to service its plant and equipment.

Furthermore, Chinney Kin Wing continues to actively broaden its service portfolio and market presence through the strategic development of its subsidiaries. For example, DrilTech, its HOKLAS-accredited subsidiary, has reached a significant milestone by securing a marine site investigation contract. DrilTech aims to expand its laboratory testing licenses to encompass site investigation, instrumentation, marine ground investigation, directional coring, and field testing. This diversification is expected to enhance the Chinney Kin Wing Group’s ability to secure a wider range of tenders and yield substantial benefits in the coming years.

Another subsidiary, Everest Engineering Company Limited, is venturing into new areas such as site formation and civil engineering projects.

As at 30 June 2024, the order book of Chinney Kin Wing remains stable with had 20 active projects and its DrillTech subsidiaries have 41 projects in progress with contract sums of approximately HK\$4,145 million and HK\$877 million, respectively.

Building related contracting services and engineering

The Shun Cheong Engineering Group (“Shun Cheong”) contributed revenues of HK\$1,510 million (2023: HK\$861 million), despite an operating loss of HK\$13.6 million (2023: loss of HK\$41.0 million) from its electrical, HVAC, fire services and pump and drainage businesses. Revenues collected improved as projects progressed on schedule. However, higher interest rates in Hong Kong especially during second half of 2023 doubled borrowing costs, and limited further gains. Despite these challenges, Shun Cheong’s management is committed to enhancing operational efficiency and project profitability through ongoing refinement of project execution and procurement processes.

As at 30 June 2024, Shun Cheong had outstanding contract sums of approximately HK\$4,408 million, with additional HK\$309 million worth contracts awarded subsequent to the period-end.

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 (“Chinney Timwill”), contributed revenues of HK\$302 million (2023: HK\$376 million) and narrowed to an operating loss of HK\$1.4 million (2023: loss of HK\$21.1 million).

During this interim period, Chinney Construction won another data center alteration project in Hong Kong. However, enthusiasm for forward prospects in this sector remain muted. Private projects have evaporated so competition for public works amongst contractors has intensified. This competition is lowering prices while material and labour costs continue to rise, and during a period of continuing high interest rates.

To get away from the pricing race to the bottom, we are actively seeking growth opportunities in Macau. With rising tourist numbers and further investment in the healthcare, leisure and hospitality sectors, Macau’s economy is expected to expand by 8.8% this year. Given our long history and strong local track record, we believe that our business will gain traction here in the coming months.

As at 30 June 2024, the outstanding contract sum stood at approximately HK\$1,565 million.

Aviation

Chinney Alliance Engineering Limited (“CAE”) more than doubled its revenue to HK\$286 million (2023: HK\$105 million) and reversed into an operating profit of HK\$18.8 million (2023: loss of HK\$0.2 million).

As major projects related to the third runway at the Hong Kong International Airport reach completion in the next 18 months, our company is recognising more revenues. At the same time, CAE continues to win further contracts related to weather and aviation navigation. It is also tendering for projects related to the expansion and facilities upgrade in the region.

As at 30 June 2024, the outstanding contract sum stood at approximately HK\$844 million.

Trading of plastics and chemical products

Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries (“Jacobson”) generated healthy revenues of HK\$246 million (2023: HK\$175 million) and an operating profit of HK\$4.1 million (2023: loss of HK\$5.8 million). The turnaround follows an export surge of 12.5% in the first five months of 2024, leading to an increase in demand from our mainland customers. Additionally, the global disinfectant market is forecast to grow at 7.8% annually over the next decade, propelled by heightened health awareness post-COVID-19 and a shift towards eco-friendly products. JcoNAT’s environmentally friendly disinfectant and hygiene product line has maintained steady sales in this evolving market landscape and the management continues to explore the mainland China market through e-business platforms. Leveraging this trend, Jacobson’s management is strategically expanding its product portfolio, introducing more green plastic products and exploring wellness offerings.

Other businesses

We also hold a property for sale under development which is located in Fanling near the railway station. Foundation works commenced during the last six months. Finally, we showed some minor losses related to depreciation and other overhead from 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\$923.5 million (31 December 2023: HK\$773.6 million). These include trust receipt loans, bank loans and lease liabilities. Current liabilities made up 94.8% (31 December 2023: 93.3%) of these interest-bearing debts. The current ratio was 1.3 (31 December 2023: 1.4). Total cash and cash equivalents, represented by unpledged cash and bank balances were HK\$1,065.3 million as at 30 June 2024 (31 December 2023: HK\$1,071.0 million).

The Group had a total of HK\$2,571 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\$923.5 million over the equity attributable to the owners of the Company of HK\$2,108.5 million, was 43.8% as at 30 June 2024 (31 December 2023: 36.7%). Our trade receivables maintained a healthy level at HK\$718.7 million (31 December 2023: HK\$777.1 million). 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 2024, certain properties having an aggregate book value of HK\$135.9 million and property held for sale under development of HK\$115.4 million were pledged to banks to secure bank loans and general banking facilities extended to the Group.

Contingent liability

As of 30 June 2024, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure performance/surety bonds in the aggregate amount of HK\$683.0 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\$289.9 million to which corporate guarantees and indemnities were provided by Chinney Kin Wing Group.

Except as disclosed above, the Group had no other material contingent liabilities as of 30 June 2024.

Employees and remuneration policies

The Group employed approximately 1,970 staff in Hong Kong and other parts of the People's Republic of China as of 30 June 2024. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

CONNECTED TRANSACTIONS

- (a) On 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, an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, Limited (“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 HK\$89,026,000 were recognised by Chinney Construction and SC Building Services in respect of the transactions during the six months ended 30 June 2024.

- (b) On 25 July 2024, Chinney Kin Wing, an indirect non wholly-owned subsidiary of the Company, as the lender, entered into a loan agreement (the “Loan Agreement”) with Chinney Investments, as the borrower. Pursuant to the Loan Agreement, Chinney Kin Wing agreed to provide a loan in the principal amount of up to HK\$250,000,000 at an interest rate of 6.0% per annum for 12 months from date of drawdown, with an option for extension of a further 12 months which is subject to the approval by Chinney Kin Wing. The entering into the Loan Agreement constituted a major and connected transaction of each of the Company and Chinney Kin Wing under the Listing Rules and is subject to, among other things, the approval by independent shareholders of each of the Company and Chinney Kin Wing at their respective special general meetings to be held.

Details of the transactions were set out in the joint announcement of the Company and Chinney Kin Wing dated 25 July 2024. A circular containing, among other things, (a) further details of the Loan Agreement and the transactions contemplated thereunder; (b) a letter of recommendation from the independent board committee of the Company (the “IBC”) established for the purpose of advising and giving recommendation to the independent shareholders of the Company in respect of the Loan Agreement and the transactions contemplated thereunder; (c) a letter of advice from the independent financial adviser appointed by the Company to advise the IBC and the independent shareholders of the Company in respect of the Loan Agreement and the transactions contemplated thereunder; and (d) a notice of special general meeting of the Company to be convened for the purpose of, among other things, seeking approval from the independent shareholders of the Company in respect of the Loan Agreement and the transactions contemplated thereunder, will be despatched to the shareholders of the Company in due course.

OUTLOOK

The first half of 2024 was surprisingly positive. The global economy remained strong, even though geopolitical risks and conflicts in Ukraine and the Middle East persist. While politically, Europe stabilised following elections in the UK and France. And the US Presidential elections narrowed the field to two viable candidates. China continued to roll out various economic programs to stabilise the economy, including cutting interest rates, and attempting to revive and support the real estate sector.

On the other hand, Hong Kong’s economic environment outlook has some challenges although unemployment rate remained low at 3%. While the tourism sector’s recovery continues to be strong, evident from passenger numbers of the Hong Kong International Airport returning to within 90% of 2019 figures, the other sectors of the economy remained sluggish. In particular, the real estate sector remain subdued as fair valuation decline in reflection of lower rentals, and this resulted in price cuts in sale prices. Given the disparity in prices and “better-value-for money”, Hong Kong consumers increased their visits to Shenzhen especially during weekends, having negative impact on hospitality, food and beverage and retail. The Hong Kong Government also started to show the first signs of spending slowdowns due to the continued lack of fund raising through land sales.

Our local Hong Kong economy has close correlation to the economic and political situation in the United States. This means that in the second half of 2024, we are watching for the same things as the Americans: a possible one or two interest rate cuts from the Federal Reserve, and then the outcome of the tumultuous Presidential elections. The cut in interest rates will provide some relief to all sectors of the Hong Kong economy as borrowing costs will come down. While the US election outcome will at least allow local businesses to plan for the next four years.

Nonetheless, I see a silver lining whereby the Hong Kong Government initiatives aimed at increasing public housing and infrastructure which will create opportunities in the construction sector. This is balanced out by the slowdown in private construction sector, with developers more cautious about future market prospects. Rising labour costs and shortages are squeezing contractors' profits, as contracts are typically locked in at fixed sums. To strategically mitigate the above negatives, the Group is diversifying away from a reliance on old economy businesses by exploring new and related innovations in zero-carbon technologies, robotics, digitisation, and urban air mobility. With a robust backlog of contracts and despite competitive market conditions, the Group's outlook remains cautiously optimistic for the near future.

APPRECIATION

I would like to express my sincere gratitude to my fellow directors for their invaluable advice and unwavering support, and to our colleagues at all levels for their exceptional efforts and contributions.

I also extend my heartfelt thanks to our shareholders, business partners, and other stakeholders for their steadfast support and loyalty, which are critical to our business development and continued 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 C3 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 2024.

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 C1 to the Listing Rules during the six months ended 30 June 2024, 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 2024 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 2024.

By Order of the Board
James Sing-Wai Wong
Chairman

Hong Kong, 26 August 2024

At the date of this announcement, the Board comprises of seven directors, of which three are executive directors, namely Mr. James Sing-Wai Wong, Mr. Yuen-Keung Chan and Mr. Philip Bing-Lun Lam; and one is a non-executive director, namely Mr. Chi-Chiu Wu; and three are independent non-executive directors, namely Mr. Ronald James Blake, Mr. Anthony King-Yan Tong and Ms. Dee-Dee Chan.

* For identification purpose only