



建聯集團有限公司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385



INTERIM REPORT
2022

* For identification purpose only



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

James Sai-Wing WONG (*Chairman*)
Yuen-Keung CHAN (*Vice Chairman and Managing Director*)
James Sing-Wai WONG
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
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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REGISTERED OFFICE

Clarendon House
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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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STOCK CODE

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

INTERIM DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

The performance of our business segments is set out below:

Trading of plastics and chemical products

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

Building related contracting services and engineering

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

BUSINESS REVIEW AND PROSPECTS *(continued)*

Building construction

Chinney Construction Company, Limited (“Chinney Construction”) and Chinney Builders Company Limited, which operate in Hong Kong, and Chinney Timwill Construction (Macau) Company Limited earned revenues of HK\$410 million (2021: HK\$420 million) recorded an operating loss of HK\$12.9 million (2021: loss of HK\$42.0 million). While the segment’s Hong Kong operation recorded slight profit during the period, its Macau operation recorded a loss which reduced the segment to an overall decrease in revenue. As the segment’s major customers in Macau are in the leisure and hospitality sector, which was hit hard by the stringent travel and border control measures for preventing COVID-19 in Macau and the Mainland, the Macau operation was not awarded any major contracts during the interim period and is forecasting difficult trading conditions in the short-term until pandemic measures are relaxed. As at 30 June 2022, the segment had outstanding contract sums of approximately HK\$822 million with an additional HK\$111 million projects awarded subsequently.

Foundation piling and ground investigation

Chinney Kin Wing Holdings Limited (“Chinney Kin Wing”, with its subsidiaries, the “Chinney Kin Wing Group”) contributed revenues of HK\$852 million (2021: HK\$998 million) and operating profit of HK\$44.0 million (2021: HK\$42.6 million) to the Group. Both the revenue and gross profit of the current interim period decreased over same period last year, which was mainly due to a number of sizeable foundation contracts nearing completion during the current interim period. On the other hand, the gross profit margin improved which was mainly due to more reasonable tender prices under the growing tender opportunities environment, and cost savings achieved through the effective rectification of anticipated technical difficulties and stringent control on project costs. In view of the long overdue trade receivables and related contract assets, there were impairment losses recorded on trade receivables and contract assets of HK\$9.5 million. Such losses were offset by the subsidies received from the Government’s Employment Support Scheme of HK\$9.7 million. As a result, the net profit of Chinney Kin Wing Group was slightly improved.

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

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

REVIEW OF OPERATIONS

BUSINESS REVIEW AND PROSPECTS *(continued)*

Foundation piling and ground investigation *(continued)*

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

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

Aviation business

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

Other businesses

The segment includes property held for sale under development which is located in Fanling near the railway station, certain properties held for the Group's own use and certain investment properties. The original building stood at the Fanling site was demolished and the development is pending for the land premium for lease modification. The loss for the period represented mainly depreciation and other overheads of the Group's properties held for own use.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts for the Group at the end of the reporting period amounted to HK\$592.5 million (31 December 2021: HK\$551.7 million). These include trust receipt loans, bank loans and lease liabilities. Current liabilities made up 90.3% (31 December 2021: 89.5%) of all these interest-bearing debts. The current ratio stood at 1.5 (31 December 2021: 1.5). Total cash and cash equivalents were HK\$596.6 million as at 30 June 2022 (31 December 2021: HK\$648.8 million). The Group had a total of HK\$3,118 million undrawn facilities extended from banks and financial institutions at period-end available for its working capital, trade finance and issue of performance/surety bonds. The gearing ratio of the Group, measured by total interest-bearing borrowings of HK\$592.5 million over the equity attributable to the owners of the Company of HK\$2,106.3 million, was 28.1% as at 30 June 2022 (31 December 2021: 26.0%). The Group prudently manages its financial positions and has sufficient liquidity to sustain projects and operations for the foreseeable future.

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. Forward contracts of a non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group when desirable.

Pledge of assets

As of 30 June 2022, certain properties having an aggregate book value of HK\$142.4 million and property held for sale under development of HK\$108.0 million were pledged to banks to secure bank loans and general banking facilities extended to the Group.

Contingent liability

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 1,600 staff in Hong Kong and other parts of the People's Republic of China as of 30 June 2022. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

REVIEW OF OPERATIONS

CONNECTED TRANSACTION

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 and Hon Kwok at their respective extraordinary general meetings and by the independent shareholders of the Company at a special general meeting held on 24 August 2018.

Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok and the Company dated 12 July 2018 and a circular of the Company dated 8 August 2018. The revenue recognised by Chinney Construction in respect of the transaction amounted to HK\$1,347,000 during the six months ended 30 June 2022.

OUTLOOK

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

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

REVIEW OF OPERATIONS

OUTLOOK *(continued)*

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

APPRECIATION

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

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

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 30 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| PROFIT FOR THE PERIOD | 14,464 | 17,353 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations and net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods | (5,112) | 2,045 |
| 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 | 1,707 | 1,030 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | (3,405) | 3,075 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 11,059 | 20,428 |
| Attributable to: | | |
| Owners of the Company | 2,002 | 11,604 |
| Non-controlling interests | 9,057 | 8,824 |
| | 11,059 | 20,428 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | <i>Notes</i> | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|---|--------------|--|--|
| NON-CURRENT LIABILITIES | | | |
| Other payable | | 20,817 | 41,325 |
| Lease liabilities | | 57,768 | 58,072 |
| Deferred tax liabilities | | 89,528 | 94,169 |
| Total non-current liabilities | | 168,113 | 193,566 |
| Net assets | | 2,256,547 | 2,267,585 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 13 | 59,490 | 59,490 |
| Reserves | | 2,046,837 | 2,061,195 |
| Non-controlling interests | | 2,106,327 | 2,120,685 |
| | | 150,220 | 146,900 |
| Total equity | | 2,256,547 | 2,267,585 |

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 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 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 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 |
| At 1 January 2021 | 59,490 | 60,978 | 120,946 | 295,989 | (278) | 1,505 | 6,952 | 1,456,534 | 2,002,116 | 130,217 | 2,132,333 |
| Profit for the period | - | - | - | - | - | - | - | 8,529 | 8,529 | 8,824 | 17,353 |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Exchange differences related to foreign operations | - | - | - | - | - | - | 2,045 | - | 2,045 | - | 2,045 |
| Change in fair value of equity investment at fair value through other comprehensive income | - | - | - | - | 1,030 | - | - | - | 1,030 | - | 1,030 |
| Total comprehensive income for the period | - | - | - | - | 1,030 | - | 2,045 | 8,529 | 11,604 | 8,824 | 20,428 |
| Release of revaluation reserve on leasehold land and owned buildings to retained profits | - | - | - | (5,473) | - | - | - | 5,473 | - | - | - |
| Dividends paid to non-controlling shareholders | - | - | - | - | - | - | - | - | - | (5,738) | (5,738) |
| Final 2020 dividend declared | - | - | - | - | - | - | - | (23,796) | (23,796) | - | (23,796) |
| At 30 June 2021 | 59,490 | 60,978 | 120,946 | 290,516 | 752 | 1,505 | 8,997 | 1,446,740 | 1,989,924 | 133,303 | 2,123,227 |

* These reserve accounts comprise the consolidated reserves of HK\$2,046,837,000 in the unaudited condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|
| | | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 32,264 | 33,693 |
| Adjustments for: | | | |
| Finance costs | 5 | 7,797 | 7,607 |
| Depreciation of property, plant and equipment | 6 | 42,537 | 39,601 |
| Depreciation of right-of-use assets | 6 | 18,641 | 18,191 |
| Impairment of trade receivables | 6 | 5,533 | – |
| Impairment of contract assets | 6 | 3,925 | – |
| Provision/(write-back of provision) for inventories included in cost of inventories sold | | 557 | (1,171) |
| Loss/(gain) on disposal of items of property, plant and equipment, net | 6 | (50) | 1,350 |
| Fair value gain on derivative financial instruments | 6 | – | (3,055) |
| Fair value changes in financial assets at fair value through profit or loss | 6 | (3,194) | (2,303) |
| Interest income | 3 | (82) | (51) |
| | | 107,928 | 93,862 |
| Decrease in inventories | | 6,802 | 30,805 |
| Increase in a property held for sale under development | | (619) | (2,907) |
| Increase in contract assets | | (7) | (202,314) |
| Decrease in trade receivables | | 180,685 | 213,146 |
| Decrease in amount due from a related company | | 18,112 | 7,411 |
| Increase in prepayments, deposits and other receivables | | (51,476) | (50,513) |
| Decrease in derivative financial instruments | | – | 9,850 |
| Increase/(decrease) in trade, bills and retention monies payables | | (360,371) | 3,673 |
| Increase in other payables and accruals | | 44,910 | 29,724 |
| Cash generated from/(used in) operations | | (54,036) | 132,737 |
| Interest received | | 82 | 51 |
| Interest paid | | (8,359) | (7,719) |
| Hong Kong profits tax refunded/(paid), net | | 6,367 | (5,967) |
| Overseas tax paid, net | | (1,204) | (316) |
| Net cash flows from/(used in) operating activities | | (57,150) | 118,786 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Notes | | |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Purchase of items of property, plant and equipment | (33,134) | (51,238) |
| Purchase of financial assets at fair value through profit or loss | (702) | (3,199) |
| Proceeds from disposals of items of property, plant and equipment | 140 | 248 |
| Net cash flows used in investing activities | <u>(33,696)</u> | <u>(54,189)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase/(decrease) in trust receipt loans | 4,855 | (115,288) |
| New bank loans | 181,795 | 271,653 |
| Repayment of bank loans | (146,637) | (85,908) |
| Decrease in pledged time deposits | – | 529 |
| Principal portion of lease payments | (2,984) | (3,682) |
| Net cash flows from financing activities | <u>37,029</u> | <u>67,304</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| | (53,817) | 131,901 |
| Cash and cash equivalents at beginning of period | 648,837 | 417,874 |
| Effect of foreign exchange rate changes, net | 1,558 | (172) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>596,578</u> | <u>549,603</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 500,288 | 449,524 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 96,290 | 115,010 |
| Cash and cash equivalents as stated in the condensed consolidated statement of financial position | 596,578 | 564,534 |
| Bank overdrafts | – | (14,931) |
| Cash and cash equivalents as stated in the condensed consolidated statement of cash flows | <u>596,578</u> | <u>549,603</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 2021.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for leasehold land and buildings included in property, plant and equipment, investment properties, equity investment at fair value through other comprehensive income as well as financial assets at fair value through profit or loss, which have been measured at fair value. The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the first time for the current period’s financial information.

| | |
|--|--|
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to HKAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to HKAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> |
| <i>Annual Improvements to HKFRSs 2018-2020</i> | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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 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 30 June 2022 (Unaudited)

| | Plastic and chemical products <i>HK\$'000</i> | Building related contracting services <i>HK\$'000</i> | Building construction <i>HK\$'000</i> | Foundation piling and ground investigation <i>HK\$'000</i> | Aviation <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|---|--|-----------------------------|---------------------------|--------------------------|
| Segment assets | 348,867 | 1,624,502 | 683,636 | 1,252,223 | 376,394 | 344,663 | 4,630,285 |
| <i>Reconciliation:</i> | | | | | | | |
| Elimination of intersegment receivables | | | | | | | (16,666) |
| Equity investment at fair value through other comprehensive income | | | | | | | 8,144 |
| Financial assets at fair value through profit or loss | | | | | | | 18,735 |
| Corporate and other unallocated assets | | | | | | | 45,922 |
| Total assets | | | | | | | 4,686,420 |
| Segment liabilities | 39,414 | 1,016,687 | 293,316 | 614,826 | 247,952 | 71,415 | 2,283,610 |
| <i>Reconciliation:</i> | | | | | | | |
| Elimination of intersegment payables | | | | | | | (16,666) |
| Corporate and other unallocated liabilities | | | | | | | 162,929 |
| Total liabilities | | | | | | | 2,429,873 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2021 (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 | 284,630 | 1,133,730 | 419,574 | 998,278 | 167,808 | - | 3,004,020 |
| Intersegment sales | - | 1,383 | 33,332 | - | - | - | 34,715 |
| Other revenue | 88 | 16 | 9 | 6 | - | - | 119 |
| | <u>284,718</u> | <u>1,135,129</u> | <u>452,915</u> | <u>998,284</u> | <u>167,808</u> | <u>-</u> | <u>3,038,854</u> |
| <i>Reconciliation:</i> | | | | | | | |
| Elimination of intersegment sales | | | | | | | <u>(34,715)</u> |
| Revenue | | | | | | | <u>3,004,139</u> |
| Segment results | 12,851 | 35,406 | (42,014) | 42,602 | 5,920 | (1,736) | 53,029 |
| <i>Reconciliation:</i> | | | | | | | |
| Fair value changes in financial assets at fair value through profit or loss | | | | | | | 1,453 |
| Interest income and unallocated gains | | | | | | | 210 |
| Unallocated expenses | | | | | | | <u>(20,999)</u> |
| Profit before tax | | | | | | | <u>33,693</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2021 (Audited)

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

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

For the six months ended 30 June 2021 (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 | 284,630 | 95,662 | – | – | – | 380,292 |
| Construction services | – | 1,038,068 | 419,574 | 998,278 | 167,808 | 2,623,728 |
| Total revenue from contracts with customers | 284,630 | 1,133,730 | 419,574 | 998,278 | 167,808 | 3,004,020 |
| Geographical markets | | | | | | |
| Hong Kong | 244,765 | 1,031,370 | 192,692 | 998,278 | 165,190 | 2,632,295 |
| Mainland China, Macau and others | 39,865 | 102,360 | 226,882 | – | 2,618 | 371,725 |
| Total revenue from contracts with customers | 284,630 | 1,133,730 | 419,574 | 998,278 | 167,808 | 3,004,020 |
| Timing of revenue recognition | | | | | | |
| Goods transferred at a point in time | 284,630 | 95,662 | – | – | – | 380,292 |
| Services transferred over time | – | 1,038,068 | 419,574 | 998,278 | 167,808 | 2,623,728 |
| Total revenue from contracts with customers | 284,630 | 1,133,730 | 419,574 | 998,278 | 167,808 | 3,004,020 |

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 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> |

For the six months ended 30 June 2021 (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 | 284,630 | 1,133,730 | 419,574 | 998,278 | 167,808 | 3,004,020 |
| Intersegment sales | - | 1,383 | 33,332 | - | - | 34,715 |
| Other revenue | 88 | 16 | 9 | 6 | - | 119 |
| | <u>284,718</u> | <u>1,135,129</u> | <u>452,915</u> | <u>998,284</u> | <u>167,808</u> | <u>3,038,854</u> |
| Intersegment adjustments and eliminations | - | (1,383) | (33,332) | - | - | (34,715) |
| Other revenue classified as other income | (88) | (16) | (9) | (6) | - | (119) |
| | <u>284,630</u> | <u>1,133,730</u> | <u>419,574</u> | <u>998,278</u> | <u>167,808</u> | <u>3,004,020</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 | |
|--|---------------------------------|-------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| <hr/> | | |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Construction services | 479,884 | 386,691 |

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2022 | 2021 |
| | (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 | 51,476 | 13,535 |

(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 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|--|--|--|
| Amounts expected to be recognised as revenue: | | |
| Within one year | 5,793,825 | 5,805,604 |
| After one year | 3,041,159 | 2,812,863 |
| | 8,834,984 | 8,618,467 |

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 | |
|-----------------|--|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Interest income | 82 | 51 |
| Others | 703 | 278 |
| | 785 | 329 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. OTHER OPERATING INCOME, NET

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

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. PROFIT BEFORE TAX

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

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

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

7. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$5,407,000 (2021: HK\$8,529,000) and the number of 594,899,245 ordinary shares in issue during both periods.

The Group had no potential dilutive ordinary shares in issue during the periods ended 30 June 2022 and 2021.

9. DIVIDEND

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

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

10. TRADE RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. The credit periods range from cash on delivery to 60 days. A longer credit period may be allowed 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 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|--------------------|--|--|
| Current to 30 days | 376,778 | 519,137 |
| 31 to 60 days | 137,895 | 213,096 |
| 61 to 90 days | 46,460 | 45,642 |
| Over 90 days | 87,623 | 57,099 |
| | 648,756 | 834,974 |

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

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|-------------------------------------|--|--|
| At the beginning of the period/year | 1,051 | 1,051 |
| Impairment | 5,533 | – |
| At the end of the period/year | 6,584 | 1,051 |

11. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contracting income certified from Gold Famous. Gold Famous was an indirect wholly-owned subsidiary of Hon Kwok of which Dr. James Sai-Wing Wong, a director and a controlling shareholder of the Company, was also a director of and had a beneficial interest in. Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam were common directors of the Company and Hon Kwok.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. TRADE, BILLS AND RETENTION MONIES PAYABLES

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|--------------------------|--|--|
| Trade payables | 377,307 | 743,465 |
| Bills payable | 25,505 | 29,497 |
| Retention monies payable | 322,644 | 312,865 |
| | 725,456 | 1,085,827 |

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

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|--------------------|--|--|
| Current to 30 days | 250,953 | 580,629 |
| 31 to 60 days | 69,950 | 109,080 |
| 61 to 90 days | 13,750 | 20,430 |
| Over 90 days | 42,654 | 33,326 |
| | 377,307 | 743,465 |

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

13. SHARE CAPITAL

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|---|--|--|
| Authorised: | | |
| 2,500,000,000 (31 December 2021: 2,500,000,000) ordinary shares of HK\$0.10 (31 December 2021: HK\$0.10) each | 250,000 | 250,000 |
| Issued and fully paid: | | |
| 594,899,245 (31 December 2021: 594,899,245) ordinary shares of HK\$0.10 (31 December 2021: 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:

| | Notes | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|
| | | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Share of rental and office expenses with related companies | (i) | 851 | 437 |
| Construction contracting income on construction works from a related company | (ii) | (1,347) | (5,161) |
| Income on maintenance works from related companies | (iii) | (51) | (37) |
| Income on renovation works from a related company | (iv) | – | (898) |
| Licence fee paid to a related company | (v) | 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 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 received from a related company was negotiated between the concerned parties by reference to prevailing market rates. The transaction constituted a connected transaction of the Group and was approved by the independent shareholders of the Company at a special general meeting held on 24 August 2018.
- (iii) The income on maintenance works received from Hon Kwok and its subsidiaries was negotiated between the concerned parties by reference to prevailing market rates.
- (iv) In the prior period, the income on renovation works received from a related company, which was beneficially wholly-owned by Dr. James Sai-Wing Wong, was negotiated between the concerned parties by reference to prevailing market rates. Dr. James Sai-Wing Wong and Mr. James Sing-Wai Wong were common directors of the Company and this related company.
- (v) The licence fee charged by Hon Kwok 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 | |
|---|---------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Short-term employee benefits | 70,749 | 66,737 |
| Post-employment benefits | 1,720 | 1,769 |
| Total compensation paid to key management personnel | 72,469 | 68,506 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. CONTINGENT LIABILITY

As at 30 June 2022, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure the performance/surety bonds in the aggregate amount of HK\$796.5 million issued in favour of the Group's clients in its ordinary course of business. This amount included performance/surety bonds issued in favour of the clients of Chinney Kin Wing Group of HK\$231.6 million to which corporate guarantees and indemnities were provided by Chinney Kin Wing Group.

Except as disclosed above, the Group had no other material contingent liabilities as of 30 June 2022.

16. COMMITMENTS

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

| | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
|--|--|--|
| Contracted, but not provided for: | | |
| Property, plant and equipment | 4,029 | 17,000 |
| Capital contribution to financial assets at fair value | 6,630 | 7,332 |
| | 10,659 | 24,332 |

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 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 | 30 June 2022 (Unaudited) HK\$'000 | 31 December 2021 (Audited) HK\$'000 |
| Financial assets | | | | |
| Equity investment at fair value through other comprehensive income | 8,144 | 6,437 | 8,144 | 6,437 |
| Financial assets at fair value through profit or loss | 23,891 | 19,995 | 23,891 | 19,995 |
| | 32,035 | 26,432 | 32,035 | 26,432 |

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.

Fair value hierarchy

Assets measured at fair value:

| | Fair value measurement as at 30 June 2022 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 | |
| Equity investment at fair value through other comprehensive income | – | – | 8,144 | 8,144 |
| Financial assets at fair value through profit or loss | – | 5,439 | 18,452 | 23,891 |
| | – | 5,439 | 26,596 | 32,035 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Fair value hierarchy (continued)

Assets measured at fair value:

| | Fair value measurement as at 31 December 2021 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 | |
| Equity investment at fair value through other comprehensive income | – | – | 6,437 | 6,437 |
| Financial assets at fair value through profit or loss | – | 5,439 | 14,556 | 19,995 |
| | – | 5,439 | 20,993 | 26,432 |

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

During the six months ended 30 June 2022, 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 (2021: Nil).

OTHER INFORMATION

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

Compliance with the Corporate Governance Code

In the opinion of the directors, the Company has complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2022, except B.2.2, which is explained below.

1. Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation save that the Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

Dr. James Sai-Wing Wong, the beneficial owner of Chinney Investments, Enhancement Investments Limited and Chinney Capital Limited, which collectively hold approximately 73.68% interest in the Company, is the Chairman of the Board to safeguard their investments in the Company. In addition, the Board considers that the continuity of the office of the Chairman and Managing Director provide the Group with a strong and consistent leadership for the smooth operation of the businesses of the Group. As a result, the Board concurred that the Chairman and the Managing Director need not be subject to retirement by rotation.

Audit Committee

Regular meetings have been held by the audit committee of the Company (the "Audit Committee") since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 June 2022 has not been audited, but has been reviewed by the Audit Committee.

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

As at 30 June 2022, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company 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 in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

| Name of Director | Number of shares held, capacity and nature of interest | | | | Percentage of the Company's issued share capital |
|---------------------|--|------------------|-----------------------|-------------|--|
| | Personal interests | Family interests | Corporate interests | Total | |
| James Sai-Wing Wong | – | – | 438,334,216 (Note) | 438,334,216 | 73.68% |

Note: Amongst these shares, 21,996,000 shares are held by Chinney Capital Limited, 173,093,695 shares are held by Multi-Investment Group Limited and 243,244,521 shares are held by Enhancement Investments Limited, all of which Dr. James Sai-Wing Wong is a director and a controlling shareholder and has beneficial interests.

Save as disclosed above, as at 30 June 2022, 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 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 2022 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 2022, 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 2022, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, 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 2022.