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## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “Board”) of Chinney Alliance Group Limited (the “Company”) announces 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 2023 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 together with comparative figures in 2022 are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(48,604)</b>	14,464
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
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	<u>(5,716)</u>	<u>(5,112)</u>
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	<u>191</u>	<u>1,707</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<u><b>(5,525)</b></u>	<u>(3,405)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b><u>(54,129)</u></b>	<b><u>11,059</u></b>
Attributable to:		
Owners of the Company	<u>(65,276)</u>	2,002
Non-controlling interests	<u>11,147</u>	<u>9,057</u>
	<b><u>(54,129)</u></b>	<b><u>11,059</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

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

## 1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for leasehold land and buildings included in property, plant and equipment, investment properties, equity investment at fair value through other comprehensive income, financial assets at fair value through profit or loss as well as derivative financial instruments, which have been measured at fair value. The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the first time for the current period’s financial information.

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

The adoption of these new and 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 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>
<b>Segment revenue:</b>							
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>
<b>Segment results</b>	<b>(5,789)</b>	<b>(41,040)</b>	<b>(21,052)</b>	<b>52,074</b>	<b>(184)</b>	<b>(1,711)</b>	<b>(17,702)</b>
<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 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>
<b>Segment assets</b>	325,316	1,784,108	711,150	1,579,896	284,278	324,463	5,009,211
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(10,617)
Equity investment at fair value through other comprehensive income							7,408
Financial assets at fair value through profit or loss							21,328
Corporate and other unallocated assets							<u>56,992</u>
Total assets							<u><u>5,084,322</u></u>
<b>Segment liabilities</b>	32,368	1,271,652	367,204	835,004	208,820	46,343	2,761,391
<i>Reconciliation:</i>							
Elimination of intersegment payables							(10,617)
Corporate and other unallocated liabilities							<u>162,595</u>
Total liabilities							<u><u>2,913,369</u></u>

## 2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2022 (Unaudited)

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Aviation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>							
Sales to external customers	261,572	1,160,702	410,010	851,928	170,408	-	2,854,620
Intersegment sales	-	2,904	1,954	-	-	-	4,858
Other revenue	236	8	60	19	1	-	324
	<u>261,808</u>	<u>1,163,614</u>	<u>412,024</u>	<u>851,947</u>	<u>170,409</u>	<u>-</u>	<u>2,859,802</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales							<u>(4,858)</u>
Revenue							<u><u>2,854,944</u></u>
<b>Segment results</b>	10,401	12,943	(12,945)	43,969	821	(1,982)	53,207
<i>Reconciliation:</i>							
Fair value changes in financial assets at fair value through profit or loss							3,194
Interest income and unallocated gains							461
Unallocated expenses							<u>(24,598)</u>
Profit before tax							<u><u>32,264</u></u>

## 2. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2022 (Audited)

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Aviation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	342,539	1,643,949	651,455	1,529,160	317,027	285,737	4,769,867
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(10,932)
Equity investment at fair value through other comprehensive income							7,217
Financial assets at fair value through profit or loss							20,178
Corporate and other unallocated assets							<u>49,566</u>
Total assets							<u><u>4,835,896</u></u>
<b>Segment liabilities</b>	42,826	1,083,402	268,966	823,923	192,991	45,914	2,458,022
<i>Reconciliation:</i>							
Elimination of intersegment payables							(10,932)
Corporate and other unallocated liabilities							<u>136,229</u>
Total liabilities							<u><u>2,583,319</u></u>

### 3. REVENUE AND OTHER INCOME

#### REVENUE FROM CONTRACTS WITH CUSTOMERS

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

#### OTHER INCOME

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

#### 4. OTHER OPERATING INCOME/(EXPENSES), NET

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

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

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	13,478	5,238
Interest on lease liabilities	2,048	2,024
Implicit interest on other payable	492	1,097
Less: Interest capitalised under a property held for sale under development	(1,268)	(562)
	<u>14,750</u>	<u>7,797</u>

## 6. PROFIT/(LOSS) BEFORE TAX

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

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

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

## 7. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

The calculation of basic earnings/(loss) per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$59,751,000 (2022: profit of HK\$5,407,000) and the number of 594,899,245 ordinary shares in issue during both periods.

The Group had no potential dilutive ordinary shares in issue during the periods ended 30 June 2023 and 2022.

## 9. DIVIDEND

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

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

## 10. TRADE RECEIVABLES

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

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:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Current to 30 days	<b>341,936</b>	514,758
31 to 60 days	<b>152,452</b>	167,503
61 to 90 days	<b>29,761</b>	50,664
Over 90 days	<b>78,078</b>	81,946
	<b><u>602,227</u></b>	<u>814,871</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 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 and a director of the Company who retired on 2 June 2023, is also a director of and has a beneficial interest in. Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam are common directors of the Company and Hon Kwok.

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

## 12. TRADE, BILLS AND RETENTION MONIES PAYABLES

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

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

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

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

## **RESULTS**

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

## **INTERIM DIVIDEND**

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

## **BUSINESS REVIEW AND PROSPECTS**

The performance of our business segments is set out below:

### **Foundation piling and ground investigation**

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

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

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

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

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

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

### **Trading of plastics and chemical products**

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

### **Building related contracting services and engineering**

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

## **Building construction**

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

## **Aviation**

Chinney Alliance Engineering Limited, our subsidiary engaged in aviation business, recorded revenue of HK\$105 million (2022: HK\$170 million) and a slight operating loss of HK\$0.2 million (2022: profit of HK\$0.8 million). The segment continues the works for the airport related projects smoothly and the decrease in revenue was in line with the current work programmes. With the increase in tender opportunities for the airport and related projects in the region, the segment will likely further enhance its long-term profitability.

## **Other businesses**

The segment includes property held for sale under development which is located in Fanling near the railway station, certain properties held for the Group’s own use and certain investment properties. During the current interim period, the Group paid land premium for lease modification of the Fanling property and the development is still pending with the approval of the building plan. The loss for the period was mainly depreciation and other overheads of the Group’s properties held for own use.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

Total interest-bearing debts for the Group at the end of the reporting period amounted to HK\$641.7 million (31 December 2022: HK\$539.5 million). These include trust receipt loans, bank loans and lease liabilities. Under the effect of the rising interest rates environment, the Group faced greater interest expenses. The portion classified as current liabilities made up 91.8% (31 December 2022: 90.3%) of all these interest-bearing debts. The current ratio stood at 1.4 (31 December 2022: 1.5). Total cash and cash equivalents, represented by unpledged cash and bank balances were HK\$860.8 million as at 30 June 2023 (31 December 2022: HK\$760.7 million).

The Group had a total of HK\$2,644 million undrawn facilities extended from banks and financial institutions at period end available for its working capital, trade finance and issue of performance/surety bonds. The gearing ratio of the Group, measured by total interest-bearing borrowings of HK\$641.7 million over the equity attributable to the owners of the Company of HK\$2,005.0 million, was 32.0% as at 30 June 2023 (31 December 2022: 25.9%).

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

### **Funding and treasury policy**

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

### **Pledge of assets**

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

### **Contingent liability**

As of 30 June 2023, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure performance/surety bonds in the aggregate amount of HK\$869.0 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\$267.8 million for which corporate guarantees and indemnities were provided by Chinney Kin Wing Group.

Except as disclosed above, the Group had no other material contingent liabilities as of 30 June 2023.

### **Employees and remuneration policies**

The Group employed approximately 1,740 staff in Hong Kong and other parts of the People's Republic of China as of 30 June 2023. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

## CONNECTED TRANSACTIONS

- (a) On 12 July 2018, Chinney Construction, an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Gold Famous Development Limited (“Gold Famous”), an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, Limited (“Chinney Investments”), as the employer for the construction works to be carried out by Chinney Construction as the main contractor for the construction and development of a data centre at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong at a total contract sum of HK\$757,838,691.70 (the “Construction Framework Agreement”). The entering into the Construction Framework Agreement constituted a connected transaction of each of Chinney Investments, Hon Kwok and the Company under the Listing Rules. The transaction was approved by independent shareholders of Chinney Investments, Hon Kwok and the Company at their respective general meetings held on 24 August 2018.

Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok and the Company dated 12 July 2018 and a circular of the Company dated 8 August 2018. Revenues of HK\$618,000 were recognised by Chinney Construction during the six months ended 30 June 2023.

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

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

## **OUTLOOK**

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

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

## **APPRECIATION**

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

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

## **CORPORATE GOVERNANCE**

### **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2023.

### **Compliance with the Corporate Governance Code**

In the opinion of the directors, the Company has complied with all relevant code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2023, except B.2.2, which is explained below.

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

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

The Board considers that the continuity of the office of the Chairman and Managing Director provide the Group with a strong and consistent leadership for the smooth operation of the businesses of the Group. As a result, the Board concurred that the Chairman and the Managing Director need not be subject to retirement by rotation.

### **Audit Committee**

Regular meetings have been held by the audit committee of the Company (the “Audit Committee”) since establishment and it meets at least twice each year to review and supervise the Group’s financial reporting process and internal control. The Company’s interim results for the six months ended 30 June 2023 has not been audited, but has been reviewed by the Audit Committee.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2023.

By Order of the Board  
**James Sing-Wai Wong**  
*Chairman*

Hong Kong, 28 August 2023

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

\* *For identification purpose only*