建聯集團有限公司*
Chinney Alliance Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 385)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the "Board") of Chinney Alliance Group Limited (the "Company") is pleased to announce that the unaudited condensed consolidated statement of profit or loss and the unaudited condensed consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2014 together with comparative figures in 2013 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**1,759,975**	1,477,316
Cost of sales/services provided		**(1,573,080)**	(1,304,884)
Gross profit		**186,895**	172,432
Other income	*3*	**5,146**	3,452
Selling and distribution costs		**(4,946)**	(4,652)
Administrative expenses		**(143,948)**	(139,312)
Other operating income/(expenses), net		**(1,309)**	1,473
Fair value gains on equity investments at fair value through profit or loss, net		**-**	17,021
Finance costs	*4*	**(3,445)**	(3,061)
Share of profits and losses of associates		**(1,057)**	23
PROFIT BEFORE TAX	*5*	**37,336**	47,376
Income tax expense	*6*	**(6,941)**	(5,972)
PROFIT FOR THE PERIOD		**30,395**	41,404
Attributable to:			
Owners of the Company		**30,395**	41,404
		HK cents	HK cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic and diluted		**5.11**	6.96

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**30,395**	41,404
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations and net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(1,414)**	1,647
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**28,981**	43,051
Attributable to:		
Owners of the Company	**28,981**	43,051

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2014 (Unaudited)** *HK$'000*	31 December 2013 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**620,993**	623,284
Investment properties		**16,791**	25,052
Investments in associates		**48,276**	49,476
Investment in a joint venture		**-**	-
Goodwill		**5,767**	5,767
Deferred tax assets		**3,268**	2,128
Other assets		**2,345**	2,345
Total non-current assets		**697,440**	708,052
CURRENT ASSETS			
Inventories		**63,718**	85,743
Gross amount due from contract customers		**213,098**	235,810
Trade receivables	*8*	**396,858**	439,818
Retention monies receivable		**249,127**	214,526
Amount due from a joint venture		**967**	967
Prepayments, deposits and other receivables		**82,118**	69,874
Tax recoverable		**4,579**	7,048
Pledged time deposits		**18,892**	16,781
Cash and cash equivalents		**394,088**	312,087
Total current assets		**1,423,445**	1,382,654
CURRENT LIABILITIES			
Gross amount due to contract customers		**534,181**	431,855
Trade and bills payables	*9*	**246,548**	297,013
Trust receipt loans		**184,725**	153,690
Retention monies payable		**100,821**	93,070
Other payables and accruals		**65,040**	83,327
Tax payable		**8,424**	6,091
Obligations under finance leases		**165**	160
Interest-bearing bank borrowings		**120,849**	175,857
Total current liabilities		**1,260,753**	1,241,063
NET CURRENT ASSETS		**162,692**	141,591
TOTAL ASSETS LESS CURRENT LIABILITIES		**860,132**	849,643
NON-CURRENT LIABILITIES			
Obligations under finance leases		**145**	229
Interest-bearing bank borrowings		**4,020**	4,453
Deferred tax liabilities		**66,128**	63,282
Total non-current liabilities		**70,293**	67,964
Net assets		**789,839**	781,679

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**30 June 2014 (Unaudited)** ***HK$'000***	31 December 2013 (Audited) *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**59,490**	59,490
Reserves		**730,349**	701,368
Proposed final dividend		**-**	20,821
Total equity		**789,839**	781,679

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 for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 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 annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2013 except that the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time which are pertinent to its operations and relevant to these unaudited condensed consolidated interim financial statements.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities.

HKAS 32 Amendments address inconsistencies in current practice when applying the offsetting criteria and clarifies the meaning of "currently has a legally enforceable right of setoff"; and the application of offsetting criteria to some gross settlement systems (such as central clearing house systems) that may be considered equivalent to net settlement.

HKAS 39 Amendments introduce a relief to allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation.

HK(IFRIC)-Int 21 addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. For a levy that is triggered upon reaching a minimum threshold, no liability should be anticipated before the specified minimum threshold is reached.

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated 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 and others, which include distribution of aviation system and other hi-tech products and property holding. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

Six months ended 30 June 2014

	Plastic and chemical products (Unaudited) *HK$'000*	**Building related contracting services (Unaudited)** *HK$'000*	**Foundation piling and ground investigation (Unaudited)** *HK$'000*	**Building construction (Unaudited)** *HK$'000*	**Others (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Segment revenue:						
Sales to external customers	**263,956**	**375,101**	**678,770**	**438,559**	**3,589**	**1,759,975**
Intersegment sales	**-**	**6,711**	**-**	**-**	**359**	**7,070**
Other revenue	**1,522**	**1**	**89**	**1**	**629**	**2,242**
	265,478	**381,813**	**678,859**	**438,560**	**4,577**	**1,769,287**
Reconciliation:						
Elimination of intersegment sales						**(7,070)**
Revenue						**1,762,217**
Segment results	**2,367**	**2,416**	**38,531**	**7,361**	**(3,338)**	**47,337**
Reconciliation:						
Interest income and unallocated gains						**1,169**
Unallocated expenses						**(10,113)**
Share of profits and losses of associates						**(1,057)**
Profit before tax						**37,336**

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2014

	Plastic and chemical products (Unaudited) *HK$'000*	Building related contractin g services (Unaudited) *HK$'000*	Foundation piling and ground investigation (Unaudited) *HK$'000*	Building construction (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment assets	**326,867**	**395,182**	**822,729**	**372,692**	**164,205**	**2,081,675**
Reconciliation:						
Elimination of intersegment receivables						**(25,200)**
Investments in associates						**48,276**
Corporate and other unallocated assets						**16,134**
Total assets						**2,120,885**
Segment liabilities	**148,438**	**303,840**	**545,427**	**227,685**	**54,315**	**1,279,705**
Reconciliation:						
Elimination of intersegment payables						**(25,200)**
Corporate and other unallocated liabilities						**76,541**
Total liabilities						**1,331,046**

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2013

	Plastic and chemical products (Unaudited) *HK$'000*	Building related contracting services (Unaudited) *HK$'000*	Foundation piling and ground investigation (Unaudited) *HK$'000*	Building construction (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:						
Sales to external customers	224,332	418,521	573,517	249,422	11,524	1,477,316
Intersegment sales	-	4,482	-	-	107	4,589
Other revenue	1,177	273	1	-	621	2,072
	225,509	423,276	573,518	249,422	12,252	1,483,977
Reconciliation:						
Elimination of intersegment sales						(4,589)
Revenue						1,479,388
Segment results	3,579	4,632	33,366	4,515	(4,861)	41,231
Reconciliation:						
Interest income and unallocated gains						1,380
Unallocated expenses						(12,279)
Fair value gains on equity investments at fair value through profit or loss, net						17,021
Share of profits and losses of associates						23
Profit before tax						47,376

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2013

	Plastic and chemical products (Audited) *HK$'000*	Building related contracting services (Audited) *HK$'000*	Foundation piling and ground investigation (Audited) *HK$'000*	Building construction (Audited) *HK$'000*	Others (Audited) *HK$'000*	Total (Audited) *HK$'000*
Segment assets	333,393	454,294	731,950	349,442	173,117	2,042,196
Reconciliation:						
Elimination of intersegment receivables						(29,550)
Investments in associates						49,476
Corporate and other unallocated assets						28,584
Total assets						2,090,706
Segment liabilities	156,141	365,799	472,263	211,846	59,892	1,265,941
Reconciliation:						
Elimination of intersegment payables						(29,550)
Corporate and other unallocated liabilities						72,636
Total liabilities						1,309,027

3. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**2,007**	1,919
Commission income	**628**	611
Gross rental income	**629**	621
Others	**1,882**	301
	5,146	3,452

4. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**3,355**	2,602
Interest on bank loans wholly repayable after five years	**79**	91
Interest on obligations under finance leases	**11**	368
	3,445	3,061

No interest was capitalised by the Group in both periods.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**25,337**	21,194
Employee benefit expense (including directors' remuneration)	**80,728**	83,165
Bad debts written off *	**-**	4
Gain on disposal of items of property, plant and equipment *	**(88)**	(1,015)
Loss on disposal of an investment property *	**548**	467
Foreign exchange differences, net *	**849**	(869)

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

6. INCOME TAX

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**5,175**	3,834
Current – Elsewhere	**60**	109
Deferred	**1,706**	2,029
Total tax charge for the period	**6,941**	5,972

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of HK$30,395,000 (2013: HK$41,404,000) and the weighted average number of 594,899,245 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2014 and 2013 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. TRADE RECEIVABLES

	30 June	31 December
	2014	2013
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**396,858**	439,818

The Group's trading terms with its customers are mainly on credit. The credit period normally ranges from cash on delivery to 60 days. A longer credit period may be allowed to customers with good business relationships. 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. Trade receivables are non-interest bearing.

8. TRADE RECEIVABLES *(continued)*

An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date and net of provisions for impairment, is as follows:

	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Current to 30 days	**320,270**	391,112
31 to 60 days	**40,339**	22,823
61 to 90 days	**8,837**	4,557
Over 90 days	**27,412**	21,326
	396,858	439,818

9. TRADE AND BILLS PAYABLES

	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Trade payables	**235,318**	275,889
Bills payable	**11,230**	21,124
	246,548	297,013

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

	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Current to 30 days	**209,919**	238,787
31 to 60 days	**13,618**	19,601
61 to 90 days	**2,697**	5,399
Over 90 days	**9,084**	12,102
	235,318	275,889

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

RESULTS

The Group recorded a turnover of HK$1,760 million for the six months ended 30 June 2014 (2013: HK$1,477 million). The profit for the period was HK$30.4 million (2013: HK$41.4 million, including a fair value gain on equity investments of HK$17.0 million). Current period's operating profit represents an increase of HK$6.0 million.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemical products

The Plastic Trading division, which consists of Jacobson van den Berg (Hong Kong) Limited ("Jacobson HK") and other companies, contributed a turnover of HK$264 million (2013: HK$224 million) with operating profit of HK$2.4 million (2013: HK$3.6 million). The increased turnover was attributable to products from new distributorship. However, the tough business environment and the tight liquidity of the manufacturing sector had squeezed the division's margin. The drop of Renminbi also affected the half year results of the division as a result of retranslating Renminbi assets into Hong Kong dollars. The division has a good customer base with good potential. The management continues to develop new supply sources and products to suit customers' need thereby improving the quality of earnings of the division.

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") contributed a turnover of HK$375 million (2013: HK$419 million) and an operating profit of HK$2.4 million (2013: HK$4.6 million). While the existing projects were near completion, new projects awarded were still at early stage of construction hence the turnover was decreased, accompanying by the decrease in profit. The projects engaged during the period included public housing, private residential and commercial development and government term maintenance contracts. As at 30 June 2014, the division had outstanding contracts on hand of HK$1,336 million. Subsequent to the reporting date, the division was awarded HK$475 million worth of contracts.

Foundation piling and ground investigation

The principal subsidiaries of the division include Kin Wing Engineering Company Limited, Kin Wing Foundations Limited and DrilTech Ground Engineering Limited (collectively, the "Kin Wing Group"). Turnover for the period was HK$679 million (2013: HK$574 million) and operating profit was HK$38.5 million (2013: HK$33.4 million). The turnover and profit were mainly contributed from foundation piling projects for private developments. The outstanding contracts on hand were HK$1,170 million as at 30 June 2014 with additional HK$375 million worth of projects awarded after period end.

Building construction

The division recorded a turnover of HK$439 million (2013: HK$249 million) with an operating profit of HK$7.4 million (2013: HK$4.5 million). The principal subsidiaries include Chinney Construction Company, Limited and Chinney Builders Company Limited, which operate in Hong Kong, and Chinney Timwill Construction (Macau) Company Limited, which operates in Macau. Turnover increased from contribution of projects commenced in the second half of 2013 and the period under review. The division has a mix of clients including schools, tertiary institutions, property developers, hotels and non-profit organisations. As at 30 June 2014, the division had outstanding contracts on hand of HK$1,312 million. There were additional HK$77 million worth of contracts awarded after 30 June 2014 by the division.

Other businesses

Other businesses include Chinney Alliance Engineering Limited ("CAE"), which is engaged in the distribution of aviation system and other hi-tech products, and the holding of properties for the Group's own use.

CAE recorded a turnover of HK$4 million (2013: HK$12 million) and an operating loss of HK$2.8 million (2013: HK$3.7 million). The decrease in turnover and the loss for the period was attributable to the delay of the Hong Kong Airport related projects.

The property holding companies recorded a loss of HK$0.5 million (2013: HK$1.2 million) which was arrived after deduction of depreciation charges of HK$2.2 million (2013: HK$1.9 million) for properties.

The Group's share of the profits and losses of associates reported losses of HK$1.1 million where it was breakeven in the same period of last year. The two associates are Jiangxi Kaitong New Materials Company Limited which is engaged in the manufacturing of stainless steel and plastic compound pipes in the People's Republic of China (the "PRC") and Fineshade Investments Limited ("Fineshade") which has an investment in a real estate property known as Binjiang Intelligence Port located in Hangzhou, the PRC for rental income. The losses were mainly attributable to decrease in rental income after the moving out of a major tenant upon expiry of lease. The management team of Fineshade is working on leasing strategy to lease up the empty space.

CONNECTED TRANSACTION

On 29 May 2014, a subsidiary of the Company as the vendor (the "Vendor") entered into a sale and purchase agreement for the disposal of a property located in Shenzhen, the PRC to a subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") and Chinney Investments, Limited ("Chinney Investments") as the purchaser (the "Purchaser") for a cash consideration of HK$8,063,000. Since Dr. James Sai-Wing Wong, the Chairman of the Company, has control in Chinney Investments, Hon Kwok and the Company, the transaction constituted a connected transaction of the Company pursuant to the Listing Rules and was subject to the reporting and announcement requirements but was exempt from independent shareholders' approval. On 27 June 2014, the Vendor received the balance of the consideration for the disposal and passed all title documents to the Purchaser for submission to relevant government departments for title transfer. Details of the transaction were set out in an announcement published on 29 May 2014.

Save as disclosed above, there was no transaction or arrangement during the period under review needed to be disclosed as a connected transaction pursuant to the Listing Rules.

OUTLOOK

The recovery of the global economy continues. In the US, there is considerable progress in recovery of the economy from the depression and unemployment rate dropped significantly from the peak in 2009 to the current 6.2%. While the market is speculating the coming of interest rise, the Federal Reserve considers that there is still significant underutilisation of labour resources and the inflation rate is still below the longer term expectation of 2%, although it is moving gradually towards it. As such, the current federal funds rate will be maintained until there is progress in labour market or inflation moves faster towards the expectation. On the other hand, the recovery of the Euro zone is still slow. The tension between Russia and Ukraine is escalating. Sanctions by the Euro countries and counter action by Russia will slow down the economic activities in the region and affect the economy. In China, the central government recently loosens the control over the real estate market with partial relaxation of the purchase restrictions. It is expected that the domestic consumption will improve and the GDP growth target for 2014 will be met. Returning to Hong Kong, the growth of the economy had slowed down during the period under review with the growth rate of 1.8% in the second quarter of 2014, as comparing with 2.6% in the first quarter. The slowdown was mainly caused by decrease in tourist spending as well as domestic demand. In view of the local and external environments, the government tunes down the 2014 GDP growth forecast to 2-3%. Nevertheless, the forthcoming implementation of Shanghai-Hong Kong Connect Scheme brings positive expectation on the growth of local equity market as well as improved liquidity.

With the slow but gradually revival of the advanced economies, the manufacturing sector is expecting a better business environment. But given the uncertainty of the political and economic environment, the manufacturers are keen on bargaining so the Group's Plastic Trading division is facing hard driving on prices. The division continues to develop business presence in the Mainland China and source new products and distributorship to enhance the earnings. On the construction side, all the Foundation Piling division, Building Construction division and Building Services division have sufficient tenders on hand for the second half of this year. In Macau, the hotel and casino expansion projects will continue to grow in the coming years. In Hong Kong, the building of infrastructure and public facilities, as well as government's policy to increase the supply of public housing, will continue to provide business opportunity to the local construction sector. The management is cautious on costs control and tender price when balancing the risk of costs escalation, keen competition and maintaining business growth and profitability.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK$309.9 million as at 30 June 2014 (31 December 2013: HK$334.4 million), of which HK$305.7 million or 99% (31 December 2013: HK$329.7 million or 99%) were classified as current liabilities. The current portion of the interest-bearing debts included HK$26.0 million (31 December 2013: HK$26.9 million) bank and other borrowings repayable after one year according to the lenders' repayment schedules but were classified as current liabilities as the loan agreements contained repayment-on-demand clause. The current portion of the interest-bearing debts would be HK$279.7 million or 90% (31 December 2013: HK$302.8 million or 91%) based on lenders' repayment schedules. Also included in the current portion of bank and other borrowings were trust receipt loans of HK$184.7 million (31 December 2013: HK$153.7 million). The increase in trust receipt loans was mainly due to the increase in purchases of Jacobson HK for stock sales and the purchases of materials and equipment for installation for the Shun Cheong's projects. Current ratio of the Group as at 30 June 2014, measured by total current assets over total current liabilities, was 1.1 (31 December 2013: 1.1). Total unpledged cash and bank balances as at 30 June 2014 was HK$394.1 million (31 December 2013: HK$312.1 million). The increase in unpledged bank balances was mainly due to funds generated from operations. During the period, the Group used approximately HK$23.8 million for purchases of items of property, plant and machinery, mainly for the Kin Wing Group.

The Group had a total of HK$652.6 million undrawn banking facilities at the end of the reporting period available for its working capital, trade finance and/or issue of performance/surety bonds. The gearing ratio of the Group, measured by total interest-bearing borrowings of HK$309.9 million over the equity attributable to the holders of the Company of HK$789.8 million, was 39.2% as at 30 June 2014 (31 December 2013: 42.8%).

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 non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group when desirable.

Pledge of assets

Certain properties, a motor vehicle and a time deposit having aggregate book value of HK$348.0 million and HK$0.5 million and HK$1.0 million respectively as at 30 June 2014 were pledged to banks to secure certain bank loans, obligations under finance leases and general banking facilities extended to the Group. In addition, time deposits of HK$17.9 million were pledged to banks to secure the performance/surety bonds issued in favour of the Group's clients on contracting works.

Contingent liability

As at 30 June 2014, the Group provided corporate guarantees and indemnities to certain banks for an aggregate amount of HK$378.7 million (31 December 2013: HK$352.8 million) for the issue of performance bonds in its ordinary course of business.

Save as disclosed above, the Group had no other material contingent liabilities as at 30 June 2014.

Employees and remuneration policies

The Group employed approximately 1,200 staff in Hong Kong and other parts of the PRC as at 30 June 2014. 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.

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 2014.

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 period from 1 January to 30 June 2014, except A.4.1, A.4.2, A.5.1 to A.5.4 and A.6.7, which are explained below.

1. Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election and that code provision A.4.2 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.

   The existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting under the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

   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 holds approximately 73.28% 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.

2. Code provisions A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Company has not established a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will determine the suitability of the relevant candidates on the basis of their gender, age, professional qualifications and experience as well as educational background.

3. Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Herman Man-Hei Fung, Mr. Chi-Chiu Wu and Mr. Alexander Yan-Zau Fang, being non-executive directors of the Company, did not attend the 2014 annual general meeting of the Company held on 5 June 2014 due to their engagement in their own official business.

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 2014 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, redeemed or sold any of the Company's listed shares during the six months ended 30 June 2014.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 27 August 2014

At the date of this announcement, the Board comprises of nine directors, of which four are executive directors, namely Dr. James Sai-Wing Wong, Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam; and one is a non-executive director, namely Mr. Herman Man-Hei Fung; and four are independent non-executive directors, namely Mr. Yuen-Tin Ng, Mr. Chi-Chiu Wu, Mr. Alexander Yan-Zau Fang and Mr. Ronald James Blake.

* *For identification purpose only*