



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

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Interim Report 2017

^{*} For identification purpose only

CONTENTS

Corporate Information	2
Review of Operations	4
Condensed Consolidated Statement of Profit or Loss	8
Condensed Consolidated Statement of Comprehensive Income	9
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Consolidated Interim Financial Statements	15
Other Information	30

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

Non-Executive Directors

Herman Man-Hei FUNG
Wendy Kim-See GAN

Independent Non-Executive Directors

Yuen-Tin NG
Chi-Chiu WU
Ronald James BLAKE

AUDIT COMMITTEE

Yuen-Tin NG (*Chairman*)
Chi-Chiu WU
Herman Man-Hei FUNG

REMUNERATION COMMITTEE

Chi-Chiu WU (*Chairman*)
Yuen-Tin NG
Herman Man-Hei FUNG

COMPANY SECRETARY

Yun-Sang LO

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
The Bank of East Asia, Limited
Shanghai Commercial Bank Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

STOCK CODE

SEHK 00385

BUSINESS ADDRESSES AND CONTACTS

Chinney Alliance Group Limited

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Tel : (852) 2877-3307
Fax : (852) 2877-2035
Website : <http://chinneyalliancegroup.etnet.com.hk>
E-mail : general@chinneyhonkwok.com

Kin Wing Engineering Company Limited Kin Wing Foundations Limited

Block A&B, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2415-6509
Fax : (852) 2490-0173
Website : <http://www.kinwing.com.hk>
E-mail : kwecoltd@kinwing.com.hk

Shun Cheong Electrical Engineering Company Limited Westco Airconditioning Limited

Block C, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2426-3123
Fax : (852) 2481-3463
E-mail : general@scee.com.hk

Westco Chinney Limited

Block C, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2362-4301
Fax : (852) 2412-1706
Website : <http://www.westcochinney.com>
E-mail : wcl@westcochinney.com

Chinney Construction Company, Limited

Block A&B, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2371-0100
Fax : (852) 2411-1402
E-mail : chinney@chinney.com.hk

DrilTech Ground Engineering Limited DrilTech Geotechnical Engineering Limited

Block A&B, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2371-0008
Fax : (852) 2744-1037
Website : <http://www.driltech.com.hk>
E-mail : driltech@driltech.com.hk

Jacobson van den Berg (Hong Kong) Limited

8th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2828-9328
Fax : (852) 2828-9408
Website : <http://www.jvdb.com>
E-mail : info@jvdb.com

Chinney Alliance Engineering Limited

Block C, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2880-3888
Fax : (852) 2811-0974
Website : <http://www.chinney-eng.com>
E-mail : focal@chinney-eng.com

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\$2,618 million for the six months ended 30 June 2017 (2016: HK\$2,227 million). The net profit for the period amounted to HK\$107.7 million (2016: HK\$89.6 million). In the prior period, the net profit included a gain on dissolution of a former associate of HK\$6.2 million. After deducting the profit attributable to non-controlling interests of HK\$12.5 million (2016: HK\$15.3 million), representing principally the interests attributable to the public shareholders in the Company’s listed subsidiary Chinney Kin Wing Holdings Limited (“Chinney Kin Wing”, collectively with its subsidiaries, the “Chinney Kin Wing Group”), the profit attributable to the owners of the Company was HK\$95.3 million (2016: HK\$74.3 million).

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemical products

Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries contributed a revenue of HK\$258 million (2016: HK\$260 million) and an operating profit of HK\$5.3 million (2016: HK\$2.4 million). The revenue dropped by approximately 1% in the current period under review which was due to tough external market. The increase in profit of the division was mainly attributable to improved margin, increase in rebate from the sales of chemical products and net exchange gains benefited from strengthening Renminbi. The global economic activities continue to expand during the period. While the US economy sustained moderate growth, the Mainland China market showed a more solid expansion. The division continues to diversify its product line to enhance its profitability. The “JcoNAT” brand disinfectant products are distributed via the web and vending machines in various locations.

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries (“Shun Cheong Group”) contributed a revenue of HK\$947 million (2016: HK\$660 million) and an operating profit of HK\$47.5 million for 2017 (2016: HK\$19.4 million). With the increase in projects awarded, both revenue and profit of the division increased. The increase in profit outperformed the increase in revenue, which was mainly attributable to better margin of new contracts, stringent cost control and project management. The division has diversified portfolio in both public and private sectors for residential development, commercial buildings, hotels and resorts, data centres and maintenance contracts in Hong Kong and Macau, and is expanding its business in the People’s Republic of China (“PRC”). As at end of the reporting period, the division had outstanding contract sum of approximately HK\$4,329 million and additional HK\$149 million worth of contracts were awarded after period end.

Building construction

Chinney Construction Company, Limited and its subsidiaries operate in Hong Kong and Macau contributed a revenue of HK\$822 million (2016: HK\$452 million) and an operating profit of HK\$35.7 million (2016: HK\$22.2 million). With the increase in contract sum of projects currently running as comparing to same period of last year, the revenue and gross profit increased. The division’s current projects included universities and educational institutions, hospitality facilities and commercial buildings. The outstanding contract sum as at period end was approximately HK\$2,400 million.

Foundation piling and ground investigation

The Company's separate listed subsidiary Chinney Kin Wing contributed revenue of HK\$591 million (2016: HK\$856 million) and operating profit of HK\$58.8 million (2016: HK\$73.5 million) to the Group. The reduced tender opportunities for sizeable projects in both the public and private sectors of the foundation industry caused the decrease in revenue. While the amount of gross profit recognised decreased corresponding to the decrease in revenue, the gross profit margin improved. This was mainly due to the stringent project cost control policies and additional project income recognised on agreement of final project accounts with customers where the corresponding construction costs were incurred in previous periods. Despite the decrease in profit, Chinney Kin Wing Group maintained a sound financial position with unpledged cash and bank balances of approximately HK\$214.1 million and no bank borrowings. As at 30 June 2017, Chinney Kin Wing Group had 16 and 30 projects undertaken with contract sum in aggregate of approximately HK\$1,519 million in the Foundation division and Drilling division respectively.

The unutilized net proceeds from the public listing of HK\$9.8 million brought forward from last year were properly used in accordance with the proposed application, with HK\$9.0 million used for acquisition of additional machinery and the remaining HK\$0.8 million used for the enhancement its design capability and modifications of plant and machinery.

The foundation industry in Hong Kong continues to be weak and the management do not expect apparent recovery in the second half of 2017. With keen competition among an increasing number of market players and a cyclical reduction of tender opportunities from both the public and private sectors of the Hong Kong foundation market, there is a downward pressure and narrowing of profit margins for new tenders. To cope with this challenging environment, Chinney Kin Wing will continue to implement stringent cost control measures on projects, strengthen the project management team, optimise its design capability and improve the production efficiency to minimise any adverse impact to the Chinney Kin Wing Group. On the other hand, the Drilling division of Chinney Kin Wing Group was awarded a site investigation contract in Singapore which was commenced in early April 2017 and completed in late August 2017, ahead of the original contract period. Chinney Kin Wing will continue to explore other business opportunities in Singapore and Malaysia so as to broaden its potential revenue base. Moreover, the management of Chinney Kin Wing considers site investigation and down-the-hole drilling business to be the first tier to recover from the current depressed business environment and will devote adequate resources to systematically modernising machinery and retaining talented professionals to build up the professional expertise for both disciplines of the Drilling division. Chinney Kin Wing Group also established a new division for site formation, pile cap and basement construction works in line with the overall development in providing professional foundation services to customers. Most recently, Chinney Kin Wing Group was awarded its single largest foundation contract since its establishment. The management of Chinney Kin Wing is confident that it will continue to develop and sharpen under difficult market conditions. Despite the current weak foundation market conditions, the management of Chinney Kin Wing is conservatively optimistic as to the long-term demands in the construction industry. In particular, the Hong Kong Government's commitment to fulfill long-term public housing development, subsidised sale flats and land supply for the next decade.

Other businesses

Other businesses included properties held for investment and Group's own use and other investments. A loss of HK\$0.6 million (2016: HK\$0.8 million) was recorded which was mainly due to depreciation charges of the properties for the Group's own use in excess of rental income.

The Group's share of the profits and losses of an associate reported net profit of HK\$0.2 million (2016: HK\$0.3 million), represented the share of the results of the Group's investment in Fineshade Investments Limited ("Fineshade"), which holds interests in a real estate property in Hangzhou, the PRC as investment properties. Although the occupancy improved during the period, the Group only shared marginal profit from Fineshade before any revaluation of the investment properties in the period under review.

REVIEW OF OPERATIONS

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group, which included trust receipt loans, bank loans and the liability component of the convertible bond, amounted to HK\$214.6 million as at 30 June 2017 (31 December 2016: HK\$141.4 million), of which HK\$178.8 million or 83% (31 December 2016: HK\$139.5 million or 99%) were classified as current liabilities. The current portion of bank and other borrowings included trust receipt loans of HK\$177.9 million (31 December 2016: HK\$138.6 million) for financing the purchases of goods by the Group's Plastic Trading division and the purchases of materials and equipment for installation in the projects of the Group's Building Services division. During the period, the Group issued a convertible bond to raise HK\$40 million for the development of the electrical and mechanical engineering business of the Group engaged by Shun Cheong Group. The current ratio of the Group as at 30 June 2017, measured by total current assets over total current liabilities, was 1.5 (31 December 2016: 1.5). Total unpledged cash and bank balances as at 30 June 2017 was HK\$802.4 million (31 December 2016: HK\$858.8 million). The decrease in unpledged bank balances was mainly due to cash used for operating activities, the payment of dividend to the shareholders of the Company and public shareholders of Chinney Kin Wing totalling HK\$51 million, capital expenditure on purchases of plant and machinery as well as other equipment of HK\$57 million, less the fund raised from the convertible bond of HK\$40 million and increase in bank borrowings (mainly the use of trust receipt loans) of HK\$39 million during the period.

The Group had a total of HK\$1,564 million undrawn credit facilities from banks and financial institutions 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\$214.6 million over the equity attributable to the owners of the Company of HK\$1,481.1 million, was 14.5% as at 30 June 2017 (31 December 2016: 10.0%).

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

As at 30 June 2017, certain properties and a time deposit having aggregate book value of HK\$144.4 million and HK\$1.0 million respectively were pledged to banks to secure certain bank loans and general banking facilities extended to the Group. In addition, time deposits of HK\$11.3 million were pledged to banks to secure the performance/surety bonds issued in favour of the Group's clients on contracting works.

Contingent liability

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

Employees and remuneration policies

The Group employed approximately 1,680 staff in Hong Kong and other parts of the PRC as at 30 June 2017. 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.

ISSUE OF CONVERTIBLE BOND

On 9 February 2017, a subscription agreement was entered between Chinney Shun Cheong Holdings Limited (“Chinney Shun Cheong”), a company incorporated in Bermuda with limited liability and a direct wholly-owned subsidiary of the Company, and FRO Management Holdings Limited (the “Subscriber”), an independent third party, for the issue of convertible bond with a principal amount of HK\$40 million. On 27 April 2017, a supplemental agreement was entered between the above-mentioned parties to extend the final maturity date of the convertible bond to 31 December 2018. On the same date, the Subscriber paid in full the principal sum of HK\$40 million to Chinney Shun Cheong and the issue of the convertible bond was completed. The net proceeds of HK\$39.7 million after deduction of expenses incurred directly for the issue of the convertible bond shall be fully used for the development of the electrical and mechanical engineering business of the Group. The Company is currently considering the feasibility and possibility of the spin-off by way of a separate listing of Chinney Shun Cheong on The Stock Exchange of Hong Kong Limited (the “Spin-off”) and will comply with the relevant disclosure requirements under the Listing Rules on the progress of the Spin-off as and when appropriate.

Details of the above transaction were set out in the Company’s announcements dated 9 February 2017 and 27 April 2017.

OUTLOOK

The global economy maintains its momentum. The US economy sustained moderate growth and the economic recovery in the Euro area became more entrenched. The negotiation between the UK and the Euro on Brexit continues but the impact is limited so far. However, the changes in key personnel and the uncertainty of political and trade policies of the US Administration, together with the recent Section 301 investigation would worsen the trade relationship between the US and the Mainland China, the two biggest economies of the world. The North Korea tensions add another uncertainty to the peace of the region as well as the recovery of the economy. On the other hand, the Mainland China recorded 6.9% economic growth in the second quarter of 2017, comparing to the 6.7% of last year. This solid growth reinforces recoveries for commodity exporters and keeps 2017’s pick-up in global growth on track. Nevertheless, the Mainland needs to enhance its domestic consumption and demand to substantiate further growth. The Hong Kong economy sustained growth of 3.8% in the second quarter of 2017 over a year earlier with the improvement in both external demand and domestic demand. The unemployment rate went down to 3.1% which is a three-year low. While the export to the US and the Euro markets rose at a modest pace, the exports to Asian economies were more solid. The growth in private consumption and investment contributed to the growth in domestic demand. With the favourable labour market conditions and stronger wealth effects, the private consumption expenditures grew by 5.3% over a year earlier. The overall building and construction expenditure maintained its uptrend which was contributed by the growth in private building and construction activity and public building and construction expenditure stayed at a high level. The Group’s Plastic Trading division continues to develop its presence in the PRC to enhance its earnings. While the construction sectors keep its uptrend, the Group’s divisions in foundation piling, building construction and building services faced keen competition as reflected in the very close tender prices amongst tenderers. The management of all the Group’s divisions are cautious in secure business and maintain satisfactory margin. With the satisfactory level of contracts on hand, the Board is cautiously optimistic on the Group’s business development in the future.

APPRECIATION

I would like to thank my fellow directors for their valuable advice and support and all staff for their hard work and contribution for the success during the period under review.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 29 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2017	2016
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	3	2,617,658	2,227,079
Cost of sales/services provided		<u>(2,266,289)</u>	<u>(1,886,445)</u>
Gross profit		351,369	340,634
Other income	3	5,914	4,227
Selling and distribution costs		(7,437)	(6,763)
Administrative expenses		(215,521)	(215,206)
Other operating income/(expenses), net		727	(9,645)
Finance costs	4	(2,348)	(1,617)
Share of profits and losses of an associate		<u>183</u>	<u>271</u>
PROFIT BEFORE TAX	5	132,887	111,901
Income tax expense	6	<u>(25,153)</u>	<u>(22,307)</u>
PROFIT FOR THE PERIOD		<u>107,734</u>	<u>89,594</u>
Attributable to:			
Owners of the Company		95,250	74,260
Non-controlling interests		<u>12,484</u>	<u>15,334</u>
		<u>107,734</u>	<u>89,594</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		<u>HK16.01 cents</u>	<u>HK12.48 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	107,734	89,594
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	1,621	(1,180)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	109,355	88,414
Attributable to:		
Owners of the Company	96,871	73,080
Non-controlling interests	12,484	15,334
	109,355	88,414

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		775,600	769,753
Investment properties		15,678	15,678
Investment in an associate		53,519	50,997
Investment in a joint venture		–	–
Goodwill		12,528	12,528
Deferred tax assets		236	236
Other assets		2,345	2,345
Total non-current assets		859,906	851,537
CURRENT ASSETS			
Inventories		68,509	82,845
Gross amount due from contract customers		309,529	261,303
Trade receivables	9	707,161	612,057
Retention monies receivable		446,862	412,932
Amount due from a related company	10	14,326	–
Amount due from a joint venture		967	967
Prepayments, deposits and other receivables		121,376	108,875
Tax recoverable		12,590	19,678
Pledged time deposits		12,268	14,894
Cash and cash equivalents		802,446	858,797
Total current assets		2,496,034	2,372,348
CURRENT LIABILITIES			
Gross amount due to contract customers		776,786	773,072
Trade and bills payables	11	349,031	372,224
Trust receipt loans		177,874	138,602
Retention monies payable		209,046	178,537
Other payables and accruals		94,401	126,519
Tax payable		37,304	21,782
Interest-bearing bank borrowings		904	890
Total current liabilities		1,645,346	1,611,626
NET CURRENT ASSETS		850,688	760,722
TOTAL ASSETS LESS CURRENT LIABILITIES		1,710,594	1,612,259
NON-CURRENT LIABILITIES			
Convertible bond	12	34,458	–
Interest-bearing bank borrowings		1,410	1,864
Deferred tax liabilities		92,439	92,968
Total non-current liabilities		128,307	94,832
Net assets		1,582,287	1,517,427

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	59,490	59,490
Reserves		1,421,569	1,353,893
		1,481,059	1,413,383
Non-controlling interests		101,228	104,044
Total equity		1,582,287	1,517,427

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	Equity component	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
					of a convertible bond						
					(Unaudited) HK\$'000						
At 1 January 2017	59,490	60,978	120,946	236,470	-	49	(4,524)	939,974	1,413,383	104,044	1,517,427
Profit for the period	-	-	-	-	-	-	-	95,250	95,250	12,484	107,734
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,621	-	1,621	-	1,621
Total comprehensive income for the period	-	-	-	-	-	-	1,621	95,250	96,871	12,484	109,355
Release of revaluation reserve on land and buildings to retained profits	-	-	-	(4,442)	-	-	-	4,442	-	-	-
Issuance of convertible bond	-	-	-	-	6,499	-	-	-	6,499	-	6,499
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(15,300)	(15,300)
Final 2016 dividend declared	-	-	-	-	-	-	-	(35,694)	(35,694)	-	(35,694)
At 30 June 2017	59,490	60,978*	120,946*	232,028*	6,499*	49*	(2,903)*	1,003,972*	1,481,059	101,228	1,582,287
At 1 January 2016	59,490	60,978	120,946	237,484	-	49	(852)	751,250	1,229,345	90,013	1,319,358
Profit for the period	-	-	-	-	-	-	-	74,260	74,260	15,334	89,594
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,180)	-	(1,180)	-	(1,180)
Total comprehensive income for the period	-	-	-	-	-	-	(1,180)	74,260	73,080	15,334	88,414
Release of revaluation reserve on land and buildings to retained profits	-	-	-	(4,271)	-	-	-	4,271	-	-	-
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(11,475)	(11,475)
Final 2015 dividend declared	-	-	-	-	-	-	-	(29,745)	(29,745)	-	(29,745)
At 30 June 2016	59,490	60,978	120,946	233,213	-	49	(2,032)	800,036	1,272,680	93,872	1,366,552

* These reserve accounts comprise the consolidated reserves of HK\$1,421,569,000 in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		132,887	111,901
Adjustments for:			
Finance costs	4	2,348	1,617
Share of profits and losses of an associate		(183)	(271)
Depreciation	5	43,271	46,681
Impairment of trade receivables	5	77	–
Provision for inventories included in cost of inventories sold		67	83
Loss on disposal of items of property, plant and equipment, net	5	911	15,321
Gain on dissolution of a former associate	5	–	(6,243)
Interest income	3	(2,234)	(2,016)
		177,144	167,073
Decrease in inventories		14,269	31,948
Decrease/(increase) in gross amount due from contract customers		(40,972)	75,381
Increase in trade receivables		(95,181)	(67,840)
Increase in retention monies receivable		(33,930)	(42,014)
Increase in amount due from a related company		(14,326)	–
Increase in prepayments, deposits and other receivables		(12,501)	(40,920)
Increase in gross amount due to contract customers		3,714	132,176
Decrease in trade and bills payables		(23,193)	(105,029)
Increase in retention monies payable		30,509	16,104
Decrease in other payables and accruals		(32,118)	(13,360)
Cash generated from/(used in) operations		(26,585)	153,519
Interest received		1,155	934
Interest paid		(1,391)	(1,617)
Dividend paid		(35,694)	(29,745)
Dividend paid to non-controlling shareholders		(15,300)	(11,475)
Hong Kong profits tax paid, net		(2,700)	(1,659)
Overseas tax paid, net		(367)	(428)
Net cash flows from/(used in) operating activities		(80,882)	109,529
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(57,469)	(38,736)
Proceeds from disposal of items of property, plant and equipment		212	1,691
Proceeds from dissolution of a former associate		–	7,351
Net cash flows used in investing activities		(57,257)	(29,694)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Notes		
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in trust receipt loans	39,272	(62,974)
Issuance of convertible bond	40,000	–
Repayment of bank loans	(440)	(428)
Decrease in pledged time deposits	2,626	2,780
	<u>81,458</u>	<u>(60,622)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	(56,681)	19,213
Cash and cash equivalents at beginning of period	859,797	790,527
Effect of foreign exchange rate changes, net	330	(157)
	<u>803,446</u>	<u>809,583</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	572,567	385,925
Non-pledged time deposits with original maturity of less than three months when acquired	229,879	422,658
	<u>802,446</u>	<u>808,583</u>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	802,446	808,583
Time deposit with original maturity of less than three months when acquired, pledged as security for bank overdraft facility	1,000	1,000
	<u>803,446</u>	<u>809,583</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	803,446	809,583

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for investment properties and land and buildings classified as property, plant and equipment, 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 2016, except as described below. In the current period, the Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2017.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual Improvements</i> <i>2012-2014 Cycle</i>	<i>Amendments to HKFRS 12 Disclosure of Interests in Other Entities</i>

The adoption of the above revised HKFRSs has had no significant financial effect on this interim financial information and there have been no significant changes to the accounting policies applied in this interim financial information.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the trading of plastics and chemical products, provision of building related contracting services and the distribution of aviation system and other hi-tech products, provision of foundation piling works and sub-structure works, building construction works for both public and private sectors and others, which consists of property holding. In 2016, the Group reviewed the structure and internal organisation and changed the composition of its reportable segments. Accordingly, certain subsidiaries which were previously included in “Others” segment have been reclassified to the “Building related contracting services” segment. A subsidiary which was previously included in the “Building related contracting services” segment has also been reclassified to the “Building construction” segment. The relevant comparative figures have been restated to conform with the current period’s presentation.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that changes in fair value of investment properties, share of profits or losses of an associate, unallocated interest income and gains and unallocated expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, tax recoverable, investment in an associate and other unallocated head office and corporate assets as these are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable, other unallocated head office and corporate liabilities as these are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Six months ended 30 June 2017

	Plastic and chemical products (Unaudited) HK\$'000	Building related contracting services (Unaudited) HK\$'000	Building construction (Unaudited) HK\$'000	Foundation piling and ground investigation (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	257,652	946,876	822,199	590,931	–	2,617,658
Intersegment sales	235	40,347	–	–	–	40,582
Other revenue	1,832	276	391	1,219	599	4,317
	<u>259,719</u>	<u>987,499</u>	<u>822,590</u>	<u>592,150</u>	<u>599</u>	<u>2,662,557</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(40,582)</u>
Revenue						<u>2,621,975</u>
Segment results	5,292	47,485	35,672	58,767	(595)	146,621
<i>Reconciliation:</i>						
Unallocated interest income and gains						1,597
Unallocated expenses						(15,514)
Share of profits and losses of an associate						<u>183</u>
Profit before tax						<u>132,887</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 30 June 2017

	Plastic and chemical products (Unaudited) HK\$'000	Building related contracting services (Unaudited) HK\$'000	Building construction (Unaudited) HK\$'000	Foundation piling and ground investigation (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	339,425	919,937	668,870	984,861	163,211	3,076,304
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(26,065)
Investment in an associate						53,519
Corporate and other unallocated assets						252,182
Total assets						<u>3,355,940</u>
Segment liabilities	135,510	638,360	342,767	542,007	9,311	1,667,955
<i>Reconciliation:</i>						
Elimination of intersegment payables						(26,065)
Corporate and other unallocated liabilities						131,763
Total liabilities						<u>1,773,653</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2016

	Plastic and chemical products (Unaudited) <i>HK\$'000</i>	Building related contracting services (Unaudited) <i>HK\$'000</i> (Restated)	Building construction (Unaudited) <i>HK\$'000</i> (Restated)	Foundation piling and ground investigation (Unaudited) <i>HK\$'000</i>	Others (Unaudited) <i>HK\$'000</i> (Restated)	Total (Unaudited) <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	259,570	660,041	451,881	855,587	–	2,227,079
Intersegment sales	147	23,879	–	30,434	–	54,460
Other revenue	809	241	1	112	628	1,791
	<u>260,526</u>	<u>684,161</u>	<u>451,882</u>	<u>886,133</u>	<u>628</u>	<u>2,283,330</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(54,460)</u>
Revenue						<u>2,228,870</u>
Segment results	2,435	19,382	22,195	73,492	(827)	116,677
<i>Reconciliation:</i>						
Gain on dissolution of a former associate						6,243
Unallocated interest income and gains						2,436
Unallocated expenses						(13,726)
Share of profits and losses of an associate						<u>271</u>
Profit before tax						<u>111,901</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

As at 31 December 2016

	Plastic and chemical products (Audited) <i>HK\$'000</i>	Building related contracting services (Audited) <i>HK\$'000</i>	Building construction (Audited) <i>HK\$'000</i>	Foundation piling and ground investigation (Audited) <i>HK\$'000</i>	Others (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Segment assets	339,392	748,484	655,039	1,022,521	163,672	2,929,108
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(23,024)
Investment in an associate						50,997
Corporate and other unallocated assets						266,804
Total assets						<u>3,223,885</u>
Segment liabilities	135,792	521,854	362,886	578,432	9,360	1,608,324
<i>Reconciliation:</i>						
Elimination of intersegment payables						(23,024)
Corporate and other unallocated liabilities						121,158
Total liabilities						<u>1,706,458</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue		
Sale of goods	264,631	271,993
Construction contracts	2,353,027	1,955,086
	<u>2,617,658</u>	<u>2,227,079</u>
Other Income		
Interest income	2,234	2,016
Commission income	1,664	727
Gross rental income	1,235	628
Others	781	856
	<u>5,914</u>	<u>4,227</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on bank loans and overdrafts	1,391	1,617
Interest on convertible bond	957	–
	<u>2,348</u>	<u>1,617</u>

No interest was capitalised by the Group in both periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Depreciation	43,271	46,681
Employee benefit expense (including directors' remuneration)	118,808	119,664
Impairment of trade receivables*	77	–
Loss on disposal of items of property, plant and equipment, net*	911	15,321
Gain on dissolution of a former associate*	–	(6,243)
Foreign exchange differences, net*	(1,715)	567

* 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	19,683	10,734
Over provision in prior years	(113)	–
Current – Elsewhere	6,112	1,563
Deferred	(529)	10,010
Total tax charge for the period	25,153	22,307

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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

7. 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\$95,250,000 (2016: HK\$74,260,000) and the number of 594,899,245 ordinary shares in issue during both periods.

The calculation of diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bond of a subsidiary and the dilution effect on earning assuming there is a full conversion of the convertible bond of a subsidiary, where applicable. The number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period as used in the basic earnings per share calculation.

The calculation of diluted earnings per share is based on:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	95,250	74,260
Interest on convertible bond of a subsidiary, net of tax	957	–
Dilution of earnings arising from the full conversion of the convertible bond of a subsidiary	155	–
	<u>96,362*</u>	<u>74,260</u>

* No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2017 in respect of a dilution as the impact of the convertible bond of a subsidiary outstanding has an anti-dilutive effect on the basic earnings per share amount presented.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2016.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

The final dividend of HK6.0 cents per ordinary share for the year ended 31 December 2016 was approved by the Company's shareholders at the annual general meeting of the Company held on 2 June 2017 and paid on 28 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. TRADE RECEIVABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Trade receivables	718,130	623,178
Impairment	(10,969)	(11,121)
	707,161	612,057

The Group's trading terms with its customers are mainly on credit. The credit periods range from cash on delivery to normally 60 to 90 days for different customers of different divisions and 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.

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Current to 30 days	405,221	416,630
31 to 60 days	134,670	129,727
61 to 90 days	137,697	43,029
Over 90 days	29,573	22,671
	707,161	612,057

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contraction income certified and not yet due for payment from Gold Famous Development Limited ("Gold Famous"). Gold Famous is an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") of which Dr. James Sai-Wing Wong, a director of the Company, is also a director of and has a beneficial interest in. Mr. Herman Man-Hei Fung, Mr. James Sing-Wai Wong and Mr. Yuen-Keung Chan are common directors of the Company and Hon Kwok.

11. TRADE AND BILLS PAYABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Trade payables	320,846	357,877
Bills payable	28,185	14,347
	349,031	372,224

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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Current to 30 days	251,600	286,752
31 to 60 days	41,564	44,235
61 to 90 days	16,094	11,134
Over 90 days	11,588	15,756
	320,846	357,877

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. CONVERTIBLE BOND

On 27 April 2017, Chinney Shun Cheong, a wholly-owned subsidiary of the Company, issued 5% convertible bond with a nominal value of HK\$40,000,000 and matures on 31 December 2018 (the "Convertible Bond"). Unless previously redeemed or converted in whole, Chinney Shun Cheong shall redeem the Convertible Bond then outstanding in full plus interest on the maturity date. Chinney Shun Cheong has the right, without necessity of obtaining the consent of the bondholder, to redeem the outstanding principal amount of the Convertible Bond in full at any time before the maturity date when it considers, at its sole discretion, that it is not feasible or practicable to continue or proceed with the proposed Spin-off. The Convertible Bond may be converted into 50,000 new ordinary shares of HK\$0.1 each in the share capital of Chinney Shun Cheong (the "Conversion Shares") based on the initial conversion price of HK\$800 per Conversion Share (subject to adjustment), representing approximately 25% of the issued share capital of Chinney Shun Cheong as enlarged by the Conversion Shares (assuming there is no other change in the issued share capital of Chinney Shun Cheong from the date of issuance of the Convertible Bond and up to the date of conversion) on a fully diluted basis. The Convertible Bond is convertible to the Conversion Shares at:

- (a) mandatorily and automatically on the date when and upon the Spin-off becoming unconditional; or
- (b) upon the exercise of the conversion rights at the option of the bondholder and on the date on which Chinney Shun Cheong receives a conversion notice from the bondholder falling between 1 October 2018 and the maturity date of 31 December 2018 (both dates inclusive),

whichever is earlier.

The fair value of the liability component was estimated by computing the present value of all future cash flows discounted by the prevailing market rate of interests for similar instruments. The default risk of the Convertible Bond is factored into the calculation of discount rate by adding a credit spread to the Hong Kong risk-free rate. The residual amount is assigned as the equity component and is included in shareholders' equity.

The Convertible Bond issued during the period have been split into the liability and equity components as follows:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Nominal value of convertible bond issued during the period	40,000	–
Equity component	(6,499)	–
Liability component at the issuance date	33,501	–
Interest expense	957	–
Liability component at the end of the reporting period	34,458	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. SHARE CAPITAL

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Authorised:		
2,500,000,000 ordinary shares of HK\$0.10 each	<u>250,000</u>	<u>250,000</u>
Issued and fully paid:		
594,899,245 ordinary shares of HK\$0.10 each	<u>59,490</u>	<u>59,490</u>

14. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	Six months ended 30 June 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Management fee to a major shareholder	<i>(i)</i>	–	1,500
Share of rental and office expenses with a related company	<i>(ii)</i>	1,281	1,468
Interest income from an associate	<i>(iii)</i>	1,375	1,378
Construction contract income on foundation piling works from a related company	<i>(iv)</i>	<u>14,326</u>	<u>–</u>

Notes:

- (i) The management fee was charged by Chinney Investments, Limited (“Chinney Investments”) based on the time involvement of the personnel providing services. Dr. James Sai-Wing Wong, a director of the Company, is also a director of and has beneficial interests in Chinney Investments. Mr. Herman Man-Hei Fung and Mr. James Sing-Wai Wong are common directors of the Company and Chinney Investments.
- (ii) The rental and office expenses were charged by Hon Kwok, 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. Herman Man-Hei Fung, Mr. James Sing-Wai Wong and Mr. Yuen-Keung Chan are common directors of the Company and Hon Kwok.
- (iii) The interest income was charged on a loan to an associate, Fineshade Investments Limited, at 9.7% per annum.
- (iv) The contracting income represented value of foundation piling works certified by Gold Famous, an indirect wholly-owned subsidiary of Hon Kwok. The above transaction was negotiated between the concerned parties by reference to prevailing market rate. The transaction constituted a connected transaction of the Company and was approved by the independent shareholders of the Company at a special general meeting held on 7 November 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS *(continued)*

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short-term employee benefits	40,945	36,811
Post-employment benefits	1,033	818
Total compensation paid to key management personnel	41,978	37,629

15. CONTINGENT LIABILITY

As at 30 June 2017, the Group provided corporate guarantees and indemnities to certain banks and financial institutions of an aggregate amount of HK\$606.1 million to secure the surety/performance bonds issued in favour of the Group's clients on contracting works. Such amount included surety/performance bonds issued in favour of the clients of Chinney Kin Wing Group of which corporate guarantees and indemnities of HK\$235.3 million were provided by Chinney Kin Wing Group.

Save as disclosed above, the Group had no other material contingent liabilities as at 30 June 2017.

16. OPERATING LEASE ARRANGEMENTS

(a) *As lessor*

During the period, the Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of three years (31 December 2016: two years). The terms of the leases generally also require the tenants to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants due as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within one year	1,214	1,160
In the second to fifth years, inclusive	1,956	97
	3,170	1,257

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties and equipment under operation lease arrangements. Leases are negotiated for terms ranging from one to five years (31 December 2016: one to five years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within one year	8,739	2,148
In the second to fifth years, inclusive	4,451	2,019
	13,190	4,167

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had capital commitment for the purchase of plant and machinery contracted but not provided for was nil as at 30 June 2017 (31 December 2016: HK\$30,735,000).

18. 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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Financial liabilities				
Convertible bond	34,458	–	34,458	–
Interest-bearing bank borrowings	2,314	2,754	2,314	2,754
	36,772	2,754	36,772	2,754

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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 non-current portion of interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2017 was assessed to be insignificant. The fair value of the liability portion of the convertible bond is estimated by discounting the expected future cash flows using an equivalent market interest rate for similar convertible bonds with consideration of the Group's own non-performance risk.

Fair value hierarchy

As at 30 June 2017 and 31 December 2016, the Group did not have any financial assets measured at fair value.

The Group did not have any financial liabilities measured at fair value as at 30 June 2017 and 31 December 2016. As at 30 June 2017, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included convertible bond of HK\$34,458,000 (31 December 2016: Nil) and interest-bearing bank borrowings of HK\$2,314,000 (31 December 2016: HK\$2,754,000). The fair value of convertible bond disclosed was measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable, either directly or indirectly (Level 3) while the fair value of interest-bearing bank borrowings disclosed was measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (Level 2).

During the period, 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 (2016: 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 2017.

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 2017, 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 hold approximately 73.43% 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.

CORPORATE GOVERNANCE (continued)**Compliance with the Corporate Governance Code** (continued)

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. Ms. Wendy Kim-See Gan and Mr. Herman Man-Hei Fung, being non-executive directors and Mr. Chi-Chiu Wu being independent non-executive director, did not attend the annual general meeting of the Company held on 2 June 2017 due to engagement in their own 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 2017 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 2017, 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	–	–	436,860,216 (Note)	436,860,216	73.43%

Note: Among these shares, 20,522,000 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 has beneficial interests.

Save as disclosed above, as at 30 June 2017, none of the directors had registered an interest or short position in the shares, underlying shares and 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.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six-month period ended 30 June 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse 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.

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

As at 30 June 2017, 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	436,860,216	73.43%
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. 20,522,000 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 2017, 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 2017.