



建聯集團有限公司<sup>\*</sup>  
**Chinney Alliance Group Limited**

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Interim Report

**2019**

<sup>\*</sup> For identification purpose only

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

James Sai-Wing WONG (*Chairman*)  
Yuen-Keung CHAN (*Vice Chairman and Managing Director*)  
James Sing-Wai WONG  
Philip Bing-Lun LAM

#### *Non-Executive Director*

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  
Wendy Kim-See GAN

### REMUNERATION COMMITTEE

Chi-Chiu WU (*Chairman*)  
Yuen-Tin NG  
Wendy Kim-See GAN

### 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

### AUDITOR

Ernst & Young

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

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Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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111 Connaught Road Central  
Hong Kong

### STOCK CODE

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### BUSINESS ADDRESSES AND CONTACTS

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#### **Shun Cheong Electrical Engineering Company Limited Westco Airconditioning Limited**

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#### **Chinney Construction Company, Limited**

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#### **Jacobson van den Berg (Hong Kong) Limited**

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#### **Chinney Alliance Engineering Limited**

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## REVIEW OF OPERATIONS

### RESULTS

The board of directors (the "Board") of Chinney Alliance Group Limited (the "Company", collectively with its subsidiaries, the "Group") is pleased to announce that the Group recorded a revenue of HK\$2,453 million for the six months ended 30 June 2019 (2018: HK\$2,768 million). The net profit for the period amounted to HK\$91.7 million (2018: HK\$88.4 million). The profit attributable to the ordinary equity holders of the Company was HK\$84.8 million (2018: HK\$80.0 million), which was arrived after the deduction of the profit attributable to non-controlling interests held by 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") of HK\$6.9 million (2018: HK\$8.4 million).

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

### BUSINESS REVIEW AND PROSPECTS

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

Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries recorded a revenue of HK\$235 million (2018: HK\$288 million) and an operating loss of HK\$2.0 million (2018: profit of HK\$3.1 million). The trade tension between the United States of America and China, the world's two largest economies, is escalating. The devaluation of Renminbi further erodes the profit margin of manufacturers and exporters in China, which are the segment's major customers. As a result, both the sales and profit margin of the segment dropped for the period under review. The segment is exploring more opportunities in other countries to meet its customers' demand in different production bases. The sales of the "JcoNAT" brand disinfectant products was improved with more vending machines in various locations.

#### *Building related contracting services*

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") contributed a revenue of HK\$1,160 million (2018: HK\$1,093 million) and an operating profit of HK\$52.5 million for 2019 (2018: HK\$42.2 million). The revenue of the segment increased slightly with the progress of the projects on hand. The improvement in operating profit was mainly attributed to higher profit margin of certain large projects with short contract period for completion. As reported in the last annual report, the construction/alternation of the factory premises by IDC Realty Holdings Limited ("IDC Realty") and its subsidiary (the "IDC Group") into internet data centre was completed and is currently under final testing stage. As at end of the reporting period, the division had outstanding contract sum of approximately HK\$4.8 billion.

### **BUSINESS REVIEW AND PROSPECTS** *(continued)*

#### ***Building construction***

Chinney Construction Company, Limited (“Chinney Construction”) and Chinney Builders Company Limited which operate in Hong Kong and Chinney Timwill Construction (Macau) Company Limited which operates in Macau, contributed a revenue of HK\$522 million (2018: HK\$852 million) and an operating profit of HK\$46.2 million (2018: HK\$41.5 million). While revenue of the division decreased as the current large projects are still in early stage, the increase in profit was mainly due to better margin for projects in Macau and variation orders agreed during the period. The outstanding contract sum as at end of the reporting period was approximately HK\$1.2 billion.

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

Chinney Kin Wing Group contributed revenue of HK\$518 million (2018: HK\$529 million) and operating profit of HK\$34.8 million (2018: HK\$38.1 million) to the Group. The decrease in revenue was due to the reduced amount of HK\$28 million of the Foundation Division of the segment, while the Drilling Division (under “DrilTech” branding) recorded an increase in revenue of HK\$18 million. With the successful ongoing implementations of stringent project costs control policies and close monitoring of the progress of the projects, gross profit margin was maintained at similar level of last period of approximately 24%. Yet, the gross profit decreased with the decrease in revenue. There was also increase in repair and maintenance costs to up-keeping the working efficiency of its fleet of machineries. Overall profit thus decreased. Chinney Kin Wing Group’s cash and bank balances decreased from HK\$193.7 million as at 31 December 2018 to HK\$77.6 million as at 30 June 2019, which was mainly due to capital expenditure for the acquisition of plant and machineries, and certain sizeable projects with net cash paid before the end of the reporting period were still pending for certification of progress payment from customers.

There was a slight upturn in the foundation market in earlier 2019 and the management of Chinney Kin Wing Group grasped the opportunity and was awarded three sizeable private foundation contracts during and after the reporting period, with aggregate contract sum of approximately HK\$1,500 million. To cope with the increasing complexities and demanding contractual requirements for foundation projects, Chinney Kin Wing Group recruited different levels of competent staff to further sharpen their competitive edge in providing the best technical and cost effective solutions to customers. On the other hand, DrilTech recorded increase in both revenue and profit contribution to the segment. DrilTech had developed new customer base from private sector and applied for other categories of specialist contractors under the Development Bureau to expand the tender opportunities for public works. DrilTech will explore its scope of services in marine ground investigation, instrumentation and field testing to diversify its business and maintain stable and sustainable development of the Drilling Division.

With the reputation in the market and talented and highly motivated staff led by a committed Execution Panel, the management of Chinney Kin Wing Group trusts that its business will remain stable and its client base will continue to expand. The management is prudently optimistic as to the long-term demands for reliable and reputable contractors in the construction industry and is looking forward to the Government fulfilling its commitment to long-term public housing development and land supply for the next decade.

#### ***Other businesses***

Other businesses recorded revenue of HK\$19 million (2018: HK\$7 million) and operating loss of HK\$2.3 million (2018: loss of HK\$1.8 million). The loss of the segment represented the operating loss in the aviation division and the depreciation charges for the Group’s properties for own use.

The Group’s associate, Fineshade Investments Limited, remained inactive after the disposal of all its interests in real estate property in Hangzhou, China in the second half of 2017.

## REVIEW OF OPERATIONS

### FINANCIAL REVIEW

#### *Liquidity and financial resources*

Total interest-bearing debts of the Group, which included trust receipt loans, bank loans (excluding bank overdrafts of HK\$5.6 million (31 December 2018: Nil)) and lease liabilities, amounted to HK\$239.1 million as at 30 June 2019 (31 December 2018: HK\$167.4 million). As a result of the adoption of HKFRS 16 *Leases*, the discounted value of future lease payments of lease contracts are recognised as lease liabilities. The Group's lease liabilities amounted to HK\$77.6 million as at 30 June 2019. No adjustment for lease liabilities as at 31 December 2018 was required under the transition arrangement of HKFRS 16. Should the lease liabilities be excluded, the total interest-bearing debts of the Group would be HK\$161.6 million as at 30 June 2019. There were HK\$173.3 million or 72% (31 December 2018: HK\$167.4 million or 100%) of the interest-bearing debts classified as current liabilities. Included in the current portion of interest-bearing debts were trust receipt loans of HK\$131.1 million (31 December 2018: HK\$166.5 million) for financing the purchases of goods by the Plastic Trading segment and the purchases of materials and equipment for installation in the projects of the Building Services segment. Current ratio of the Group as at 30 June 2019, measured by total current assets over total current liabilities, was 1.8 (31 December 2018: 1.7). Total unpledged cash and bank balances as at 30 June 2019 were HK\$587.5 million (31 December 2018: HK\$778.9 million). The decrease in unpledged bank balances was mainly due to net cash outflow from operations of HK\$138.7 million, purchases of properties, plant and equipment of HK\$49.6 million, decrease in trust receipt loans of HK\$35.4 million, and net cash inflow from bank loans drawn less repayments of HK\$29.5 million.

The Group had a total of HK\$1,798 million undrawn banking facilities at period-end available for its working capital, trade finance and issue of performance/surety bonds. The gearing ratio of the Group, measured by total interest-bearing debts of HK\$239.1 million over the equity attributable to the owners of the Company of HK\$1,883 million, was 12.7% as at 30 June 2019 (31 December 2018: 9.1%).

#### *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 2019, certain properties having an aggregate book value of HK\$169.8 million were pledged to banks to secure certain bank loans and general banking facilities extended to the Group. In addition, time deposits of HK\$0.5 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 1,810 staff in Hong Kong and other parts of China as at 30 June 2019. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

### CONNECTED TRANSACTIONS

- (a) On 20 September 2016, Gold Famous Development Limited (“Gold Famous”), an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited (“Hon Kwok”) and an indirect non wholly-owned subsidiary of Chinney Investments, Limited (“Chinney Investments”), as the employer entered into a framework agreement (the “Foundation Framework Agreement”) with Kin Wing Foundations Limited (“KWF”), an indirect wholly-owned subsidiary of Chinney Kin Wing and an indirect non wholly-owned subsidiary of the Company, as a contractor for the construction of piling foundation, pipe piling, bored pile wall works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong (the “Land”) at a contract sum of HK\$210 million (the “Foundation Construction Works”). The entering into the Foundation Framework Agreement constituted a connected transaction of each of Hon Kwok, Chinney Investments, Chinney Kin Wing and the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). On 7 November 2016, at the respective extraordinary general meetings held by each of Hon Kwok and Chinney Investments and at the respective special general meetings held by each of Chinney Kin Wing and the Company, the transaction was approved by the independent shareholders of each of Hon Kwok, Chinney Investments, Chinney Kin Wing and the Company.

Details of the transaction were set out in the joint announcement of Hon Kwok, Chinney Investments, Chinney Kin Wing and the Company dated 20 September 2016 and the Company’s circular dated 21 October 2016. During the six months ended 30 June 2019, revenue of HK\$6,708,000 was recognised by KWF under the Foundation Construction Works.

- (b) On 12 June 2018, Shun Cheong Data Centre Solutions Company Limited (“Shun Cheong Data Centre Solutions”), an indirect wholly-owned subsidiary of the Company, as a consultant entered into a consultancy agreement with Gold Famous (as the employer) for the provision of consultancy services by Shun Cheong Data Centre Solutions to Gold Famous in relation to the construction and development of a data centre in the Land (the “Data Centre Project”) at a consultancy fee of HK\$16,200,000 (the “Consultancy Agreement”). The entering into the Consultancy Agreement constituted a connected transaction for each of Chinney Investments, Hon Kwok and the Company. As the applicable percentage ratios for each of the companies were more than 0.1% but less than 5%, the transactions contemplated under the Consultancy Agreement were subject to the reporting and announcement requirements but exempt from the circular and independent shareholders’ approval requirement for each of the companies under Chapter 14A of the Listing Rules.

Details of the Consultancy Agreement and transactions contemplated thereunder were set out in a joint announcement of the Chinney Investments, Hon Kwok and the Company dated 12 June 2018. The revenue recognised by Shun Cheong Data Centre Solutions in respect of the transaction amounted to HK\$2,430,000 during the six months ended 30 June 2019.



## REVIEW OF OPERATIONS

### CONNECTED TRANSACTIONS *(continued)*

- (c) On 12 July 2018, Chinney Construction, an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Gold Famous (as the employer) for the construction works to be carried out by Chinney Construction as the main contractor for the Data Centre Project at a total contract sum of HK\$757,838,691.70 (the "Framework Agreement"). The entering into of the Framework Agreement constituted a connected transaction of each of Chinney Investments, Hon Kwok and the Company. Since the entering into of the Consultancy Agreement on 12 June 2018 also constituted a connected transaction for each of the Companies under the Listing Rules, pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Consultancy Agreement and the Framework Agreement should be aggregated as a series of transactions as they were entered into within a 12-month period and involved parties which were connected with one another among the Chinney Investments, Hon Kwok and the Company. On 24 August 2018, at the respective extraordinary general meetings held by each of Chinney Investments and Hon Kwok and on the special general meeting held by the Company, the transaction was approved by the independent shareholders of each of Chinney Investments, Hon Kwok and the Company.

Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok and the Company dated 12 July 2018 and the Company's circular dated 8 August 2018. During the six months ended 30 June 2019, revenue of HK\$195,579,000 was recognised by Chinney Construction in respect of the transaction.

### OUTLOOK

With trade tension between the United States of America and China intensifying, and the possibility of no-deal Brexit, the global economic growth remains sluggish. While negotiation between the US and China continues, both parties announce the raise of tariffs to each other. It seems less likely to have meaningful progress towards a final agreement in short-term. This is shaking the confidence of global investors and the expectation for global demand is revised downward. The US Federal Reserve is expected to cut interest rates further to abate the downside risks from the sluggish global growth and the trade policy uncertainty. In Europe, Germany as the largest economy in the European Union recorded decline of 5.2% in industrial production in June this year, steepest decline since the recession in 2009. Analysts are worried that there would be a drop in real GDP of Germany in the second quarter. While the European Union seems to have no interests to re-open the negotiation for withdrawal agreement with the United Kingdom, the risk for no-deal Brexit becomes higher. These would bring more disturbances to the worsening international trade and the already weak global economy. As the epicenter of the trade tension, China's economy will no doubt be affected. Although a 6.2% growth in GDP was recorded in the second quarter of 2019, the lowest since 1992, it was still within the 6.0% to 6.5% forecast by the China Government. While the strong domestic demand and fiscal policy helped ease the negative impact of the trade tension, the prolonged uncertainty will exert further pressure on the China economy.

### **OUTLOOK** *(continued)*

The Hong Kong economy continued to face downward pressure where the GDP in the second quarter of 2019 recorded an expansion of 0.5% over a year earlier. The seasonal adjusted unemployment rate increased slightly to 2.9% in May to July 2019 from 2.8% in April to June 2019. The local economic conditions in the first half of 2019 were the weakest since the recession in 2009. The Government revised the GDP growth forecast for the year as a whole from previous 2 to 3% to 0 to 1%. Interim relief measures of HK\$19.1 billion were announced by the Government to help Hong Kong facing the headwinds and to build confidence in the economy. Although the Group's Plastic Trading segment recorded loss in the period under review in such adverse business environment, management is very cautious on maintaining its liquidity and is well-prepared for exploring the development in other countries to serve its customers. The competition amongst the companies engaged in the foundation piling, building construction and building services business is still very intensive, which makes tender price very competitive, resulting in a lower profit margin in order to secure projects. The management is cautious in cost control and project management to maintain the profitability, quality and delivery of works. Based on the present financial position and contracts awarded, the Board is cautiously optimistic on the Group's business prospects in the second half of 2019.

### **APPRECIATION**

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

By Order of the Board  
**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 28 August 2019

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>Six months ended 30 June</b>	
		<b>2019</b>	2018
	<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	<b>HK\$'000</b>
			<i>(Restated)</i>
<b>REVENUE</b>	3	<b>2,453,426</b>	2,768,219
Cost of sales/services provided		<u><b>(2,098,110)</b></u>	<u>(2,437,686)</u>
Gross profit		<b>355,316</b>	330,533
Other income	3	<b>3,276</b>	5,571
Selling and distribution costs		<b>(6,882)</b>	(7,912)
Administrative expenses		<b>(229,261)</b>	(209,396)
Other operating expenses, net		<b>(258)</b>	(2,336)
Finance costs	4	<b>(5,953)</b>	(5,032)
Share of profits and losses of an associate		<u>–</u>	<u>(351)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>116,238</b>	111,077
Income tax expense	6	<u><b>(24,524)</b></u>	<u>(22,701)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>91,714</b></u>	<u>88,376</u>
Attributable to:			
Owners of the Company		<b>84,766</b>	79,947
Non-controlling interests		<u><b>6,948</b></u>	<u>8,429</u>
		<u><b>91,714</b></u>	<u>88,376</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	7		
Basic and diluted		<u><b>HK14.25 cents</b></u>	<u>HK13.44 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
<b>PROFIT FOR THE PERIOD</b>	<b>91,714</b>	88,376
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations and net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	247	(199)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investment designated at fair value through other comprehensive income	(82)	(6)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>165</b>	(205)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>91,879</b>	88,171
Attributable to:		
Owners of the Company	84,931	79,742
Non-controlling interests	6,948	8,429
	<b>91,879</b>	88,171

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		820,834	815,340
Right-of-use assets		75,940	–
Investment properties		20,386	20,386
Investment in an associate		208	208
Investment in a joint venture		–	–
Equity investment designated at fair value through other comprehensive income		3,072	2,919
Goodwill		14,369	14,369
Financial assets at fair value through profit or loss		3,964	3,964
Prepayment, deposits and other receivables		2,618	2,618
Deferred tax assets		144	144
Total non-current assets		<u>941,535</u>	<u>859,948</u>
<b>CURRENT ASSETS</b>			
Inventories		60,595	88,370
Contract assets		1,252,170	1,139,522
Trade receivables	9	642,098	670,167
Amount due from a related company	10	55,085	22,420
Amount due from a joint venture		967	967
Prepayments, deposits and other receivables		129,489	78,760
Derivative financial instruments		331	827
Tax recoverable		9,546	16,349
Pledged time deposits		491	2,102
Cash and cash equivalents		587,537	778,936
Total current assets		<u>2,738,309</u>	<u>2,798,420</u>
<b>CURRENT LIABILITIES</b>			
Trade, bills and retention monies payables	11	630,367	707,212
Trust receipt loans		131,089	166,452
Other payables and accruals		623,188	711,444
Dividend payable		35,694	–
Dividend payable to non-controlling interests		7,650	–
Tax payable		41,807	22,283
Interest-bearing bank borrowings		36,097	947
Lease liabilities		11,773	–
Total current liabilities		<u>1,517,665</u>	<u>1,608,338</u>
<b>NET CURRENT ASSETS</b>		<u>1,220,644</u>	<u>1,190,082</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,162,179</u>	<u>2,050,030</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		65,805	–
Deferred tax liabilities		96,461	98,652
Total non-current liabilities		162,266	98,652
Net assets		1,999,913	1,951,378
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	12	59,490	59,490
Reserves		1,823,012	1,773,775
<b>Non-controlling interests</b>		1,882,502	1,833,265
		117,411	118,113
Total equity		1,999,913	1,951,378

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Fair value reserve (non-recycling) (Unaudited) HK\$'000	Equity component of a convertible bond (Unaudited) HK\$'000	Legal reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2019	59,490	60,978	120,946	314,177	111	-	1,505	(1,026)	1,277,084	1,833,265	118,113	1,951,378
Profit for the period	-	-	-	-	-	-	-	-	84,766	84,766	6,948	91,714
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	247	-	247	-	247
Loss on change in fair value of equity investment designated at fair value through other comprehensive income	-	-	-	-	(82)	-	-	-	-	(82)	-	(82)
Total comprehensive income for the period	-	-	-	-	(82)	-	-	247	84,766	84,931	6,948	91,879
Release of revaluation reserve on land and buildings to retained profits	-	-	-	(6,373)	-	-	-	-	6,373	-	-	-
Dividend declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(7,650)	(7,650)
Final 2018 dividend declared	-	-	-	-	-	-	-	-	(35,694)	(35,694)	-	(35,694)
<b>At 30 June 2019</b>	<b>59,490</b>	<b>60,978*</b>	<b>120,946*</b>	<b>307,804*</b>	<b>29*</b>	<b>-</b>	<b>1,505*</b>	<b>(779)*</b>	<b>1,332,529*</b>	<b>1,882,502</b>	<b>117,411</b>	<b>1,999,913</b>
At 1 January 2018	59,490	60,978	120,946	280,408	-	6,499	49	719	1,089,935	1,619,024	109,227	1,728,251
Impact on initial application of HKFRS 9 and 15 (restated)	-	-	-	-	-	-	-	-	(23,553)	(23,553)	(3,026)	(26,579)
Restated balance at 1 January 2018	59,490	60,978	120,946	280,408	-	6,499	49	719	1,066,382	1,595,471	106,201	1,701,672
Profit for the period	-	-	-	-	-	-	-	-	79,947 <sup>#</sup>	79,947 <sup>#</sup>	8,429 <sup>#</sup>	88,376 <sup>#</sup>
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(199)	-	(199)	-	(199)
Loss on change in fair value of equity investment designated at fair value through other comprehensive income	-	-	-	-	(6)	-	-	-	-	(6)	-	(6)
Total comprehensive income for the period	-	-	-	-	(6)	-	-	(199)	79,947 <sup>#</sup>	79,742 <sup>#</sup>	8,429 <sup>#</sup>	88,171 <sup>#</sup>
Release of revaluation reserve on land and buildings to retained profits	-	-	-	(5,473)	-	-	-	-	5,473	-	-	-
Transfer to legal reserve	-	-	-	-	-	-	1,456	-	(855)	601	(601)	-
Dividend declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(11,475)	(11,475)
Final 2017 dividend declared	-	-	-	-	-	-	-	-	(35,694)	(35,694)	-	(35,694)
At 30 June 2018	59,490	60,978	120,946	274,935	(6)	6,499	1,505	520	1,115,253 <sup>#</sup>	1,640,120 <sup>#</sup>	102,554 <sup>#</sup>	1,742,674 <sup>#</sup>

\* These reserve accounts comprise the consolidated reserves of HK\$1,823,012,000 in the condensed consolidated statement of financial position.

# These amounts have been restated to conform with current period's presentation.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		116,238	111,077
Adjustments for:			
Finance costs	4	5,953	5,032
Share of profits and losses of an associate		–	351
Depreciation of property, plant and equipment	5	43,783	42,458
Depreciation of right-of-use assets	5	6,993	–
Provision/(write-back of provision) for inventories included in cost of inventories sold		266	(189)
Loss on disposals of items of property, plant and equipment, net	5	263	824
Fair value loss on derivative financial instruments	5	3	–
Transfer of property, plant and equipment to contract costs		–	4,673
Impairment of goodwill	5	–	398
Interest income	3	(1,525)	(1,931)
		<b>171,974</b>	162,693
Decrease in inventories		27,509	4,140
Increase in contract assets		(112,648)	(41,657)
Decrease/(increase) in trade receivables		28,069	(20,211)
Decrease/(increase) in amount due from a related company		(32,665)	2,764
Decrease in prepayments, deposits and other receivables		(50,729)	(60,119)
Decrease in trade, bills and retention monies payables		(76,845)	(62,813)
Decrease in other payables and accruals		(88,256)	(152,553)
		<b>(133,591)</b>	(167,756)
Cash generated used in operations		1,525	1,931
Interest received		(5,953)	(2,100)
Interest paid		–	(35,694)
Dividend paid		–	(11,475)
Dividend paid to non-controlling interests		–	(3,487)
Hong Kong profits tax paid, net		(378)	(2,016)
Overseas tax paid, net		<b>(138,397)</b>	(220,597)
Net cash flows used in operating activities		<b>(138,397)</b>	(220,597)



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(49,550)	(14,876)
Dividend income from an associate		–	3,572
Purchase of subsidiaries	13	–	(3,327)
Purchase of equity investment designated at fair value through other comprehensive income		(235)	(936)
Proceeds from return on capital of an associate		–	2,801
Proceeds from disposals of items of property, plant and equipment		18	–
Proceeds from disposal of derivative financial instruments		493	–
Net cash flows used in investing activities		(49,274)	(12,766)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in trust receipt loans		(35,363)	41,537
New bank loans		40,000	20,000
Repayment of bank loans		(10,470)	(455)
Decrease in pledged time deposits		1,611	8,604
Principal portion of lease payments		(5,332)	–
Net cash flows from/(used in) financing activities		(9,554)	69,686
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		778,936	942,074
Effect of foreign exchange rate changes, net		206	(187)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>581,917</b>	<b>778,210</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		486,765	371,064
Non-pledged time deposits with original maturity of less than three months when acquired		100,772	407,146
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		587,537	778,210
Bank overdrafts		(5,620)	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		581,917	778,210

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for investment properties, land and buildings classified as property, plant and equipment, equity investment designated at fair value through other comprehensive income as well as financial assets at fair value through profit or loss, which have been measured at fair value. The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018, except as described below. In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s financial year beginning on or after 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements</i> <i>2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group’s unaudited condensed consolidated interim financial information.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement Contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

#### **New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

#### **As a lessee – Leases previously classified as operating leases**

##### *Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### As a lessee – Leases previously classified as operating leases *(continued)*

##### *Impacts on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	<b>Increase/ (decrease)</b> (Unaudited) <i>HK\$'000</i>
<b>Assets</b>	
Increase in right-of-use assets and total assets	<u>80,328</u>
<b>Liabilities</b>	
Increase in lease liabilities and total liabilities	<u>80,328</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### As a lessee – Leases previously classified as operating leases *(continued)*

##### *Impacts on transition (continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited) HK\$'000
<b>Operating lease commitments as at 31 December 2018</b>	143,137
Add: Payments for optional extension periods not recognised as at 31 December 2018	4,391
Less: Recognition exemption to short-term leases	<u>(15,193)</u>
	132,335
Effect of discounting at incremental borrowing rates	<u>(52,007)</u>
<b>Lease liabilities as at 1 January 2019</b>	<u>80,328</u>
Weighted average incremental borrowing rate as at 1 January 2019	<u>5.89%</u>

#### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

##### *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on the straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### **Summary of new accounting policies** *(continued)*

##### *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

#### **Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under one of its leases, to lease land and buildings for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### Amounts recognised in the unaudited condensed consolidated interim statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	<b>Right-of-use assets</b>	
	<b>Land and buildings</b>	<b>Lease liabilities</b>
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
<b>As at 1 January 2019</b>	80,328	80,328
Additions	3,480	3,480
Depreciation charge	(6,993)	–
Interest expense	–	2,366
Payments	–	(7,698)
Exchange re-alignment	(875)	(898)
<b>As at 30 June 2019</b>	<b>75,940</b>	<b>77,578</b>

The Group recognised rental expenses from short-term leases of HK\$3,651,000 for the six months ended 30 June 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the trading of plastics and chemical products, provision of building related contracting services, provision of foundation piling works and sub-structure works, building construction works for both public and private sectors and others, which include distribution of aviation system and other hi-tech products and property holding.

#### Six months ended 30 June 2019

	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
<b>Segment revenue:</b>						
Sales to external customers	234,947	1,159,620	521,664	518,096	19,099	2,453,426
Intersegment sales	101	11,004	–	–	–	11,105
Other revenue	497	63	23	1,879	2	2,464
	<u>235,545</u>	<u>1,170,687</u>	<u>521,687</u>	<u>519,975</u>	<u>19,101</u>	<u>2,466,995</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(11,105)</u>
Revenue						<u>2,455,890</u>
<b>Segment results</b>	<b>(2,043)</b>	<b>52,510</b>	<b>46,192</b>	<b>34,763</b>	<b>(2,266)</b>	<b>129,156</b>
<i>Reconciliation:</i>						
Interest income and unallocated gains						812
Unallocated expenses						<u>(13,730)</u>
Profit before tax						<u>116,238</u>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

As at 30 June 2019

	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
<b>Segment assets</b>	340,061	1,319,359	719,889	852,707	226,203	3,458,219
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(15,740)
Investment in an associate Equity investment designated at fair value through other comprehensive income						208 3,072
Corporate and other unallocated assets						234,085
Total assets						<u>3,679,844</u>
<b>Segment liabilities</b>	85,050	789,195	239,113	378,282	30,588	1,522,228
<i>Reconciliation:</i>						
Elimination of intersegment payables						(15,740)
Corporate and other unallocated liabilities						173,443
Total liabilities						<u>1,679,931</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Six months ended 30 June 2018

	Plastic and chemical products (Unaudited) <i>HK\$'000</i>	Building related contracting services (Unaudited) <i>HK\$'000</i> <i>(Restated)</i>	Building construction (Unaudited) <i>HK\$'000</i>	Foundation piling and ground investigation (Unaudited) <i>HK\$'000</i> <i>(Restated)</i>	Others (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i> <i>(Restated)</i>
<b>Segment revenue:</b>						
Sales to external customers	287,577	1,092,968	851,599	528,969	7,106	2,768,219
Intersegment sales	–	19,891	–	–	–	19,891
Other revenue	1,385	538	284	1,363	89	3,659
	<u>288,962</u>	<u>1,113,397</u>	<u>851,883</u>	<u>530,332</u>	<u>7,195</u>	<u>2,791,769</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(19,891)</u>
Revenue						<u>2,771,878</u>
<b>Segment results</b>	3,143	42,240	41,507	38,062	(1,777)	123,175
<i>Reconciliation:</i>						
Interest income and unallocated gains						1,912
Unallocated expenses						(13,659)
Share of profits and losses of an associate						<u>(351)</u>
Profit before tax						<u>111,077</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

As at 31 December 2018

	Plastic and chemical products (Audited) HK\$'000	Building related contracting services (Audited) HK\$'000	Building construction (Audited) HK\$'000	Foundation piling and ground investigation (Audited) HK\$'000	Others (Audited) HK\$'000	Total (Audited) HK\$'000
<b>Segment assets</b>	388,451	1,227,491	654,133	934,708	198,531	3,403,314
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(13,107)
Investment in an associate Equity investment designated at fair value through other comprehensive income						208 2,919
Corporate and other unallocated assets						265,034
Total assets						<u>3,658,368</u>
<b>Segment liabilities</b>	125,828	771,712	212,800	467,209	14,274	1,591,823
<i>Reconciliation:</i>						
Elimination of intersegment payables						(13,107)
Corporate and other unallocated liabilities						128,274
Total liabilities						<u>1,706,990</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

#### REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
<b>Type of goods and services</b>		
Sales of goods	346,760	345,485
Construction services	2,106,666	2,422,734
Total revenue from contacts with customers	2,453,426	2,768,219
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	346,760	345,485
Services transferred over time	2,106,666	2,422,734
Total revenue from contracts with customers	2,453,426	2,768,219

#### OTHER INCOME

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest income	1,525	1,931
Commission income	–	1,120
Gross rental income	1,500	802
Others	251	1,718
	3,276	5,571

### 4. FINANCE COSTS

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on bank loans and overdrafts	3,587	2,100
Interest on a convertible bond	–	2,932
Interest on lease liabilities	2,366	–
	5,953	5,032

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 5. PROFIT BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	<b>43,783</b>	42,458
Less: Amount included in contract costs	<b>(4,576)</b>	(4,241)
	<b>39,207</b>	38,217
Depreciation of right-of-use assets	<b>6,993</b>	–
Employee benefit expense (including directors' remuneration)	<b>405,306</b>	376,442
Less: Amount included in contract costs	<b>(275,636)</b>	(253,049)
	<b>129,670</b>	123,393
Loss on disposal of items of property, plant and equipment, net*	<b>263</b>	824
Impairment of goodwill*	–	398
Fair value loss on derivative financial instruments – transaction not qualifying as hedge*	<b>3</b>	–
Foreign exchange differences, net*	<b>(8)</b>	1,114

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

### 6. INCOME TAX

	<b>Six months ended 30 June</b>	
	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Unaudited) HK\$'000 (Restated)
Current – Hong Kong	<b>24,172</b>	18,036
Current – Elsewhere	<b>2,543</b>	5,133
Deferred	<b>(2,191)</b>	(468)
Total tax charge for the period	<b>24,524</b>	22,701

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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\$84,766,000 (2018: HK\$79,947,000) and the number of 594,899,245 ordinary shares in issue during both periods.

In 2018, 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	84,766	79,947
Interest on convertible bond of a subsidiary, net of tax	–	2,932
Dilution of earnings arising from the full conversion of the convertible bond of a subsidiary	–	35
	<u>84,766</u>	<u>82,914*</u>

\* No adjustment had been made to the basic earnings per share amount represented for the period ended 30 June 2018 in respect of a dilution as the impact of the convertible bond of a subsidiary outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

### 8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

The final dividend of HK6.0 cents per ordinary share for the year ended 31 December 2018 was approved by the Company's shareholders at the annual general meeting of the Company held on 4 June 2019 and paid on 2 July 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 9. TRADE RECEIVABLES

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Trade receivables	<b>642,098</b>	670,167

The Group's trading terms with its customers are mainly on credit. The credit periods range from cash on delivery to 60 days. A longer credit period may be allowed to customers with good business relationships with the Group. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Current to 30 days	<b>429,135</b>	415,306
31 to 60 days	<b>92,313</b>	163,937
61 to 90 days	<b>56,792</b>	33,605
Over 90 days	<b>63,858</b>	57,319
	<b>642,098</b>	670,167

### 10. AMOUNT DUE FROM A RELATED COMPANY

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 11. TRADE, BILLS AND RETENTION MONIES PAYABLES

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Trade payables	<b>371,621</b>	414,504
Bills payable	<b>11,146</b>	25,727
Retention monies payable	<b>247,600</b>	266,981
	<b>630,367</b>	707,212

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

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Current to 30 days	<b>270,755</b>	315,929
31 to 60 days	<b>60,222</b>	61,247
61 to 90 days	<b>30,051</b>	27,019
Over 90 days	<b>10,593</b>	10,309
	<b>371,621</b>	414,504

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

### 12. SHARE CAPITAL

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Authorised:		
2,500,000,000 (31 December 2018: 2,500,000,000) ordinary shares of HK\$0.10 (31 December 2018: HK\$0.10) each	<b>250,000</b>	250,000
Issued and fully paid:		
594,899,245 (31 December 2018: 594,899,245) ordinary shares of HK\$0.10 (31 December 2018: HK\$0.10) each	<b>59,490</b>	59,490



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 13. BUSINESS COMBINATIONS

- (a) On 12 January 2018, the Group acquired the entire issued capital of IDC Realty and its wholly-owned subsidiary from a third party. The IDC Group is engaged in the development and technical services of internet information technology, consultancy of network and data centre infrastructure construction, integrated wiring for intelligent building, leasing of network facilities and properties, etc. The acquisition was made to develop internet data centre construction, operating and management businesses. The total consideration for the acquisition of HK\$1,162,000 was paid in January 2018 and the repayment of a loan to the subsidiary of IDC Realty by the vendor of RMB1,675,100 (equivalent to HK\$2,011,000) which was settled in February 2018. Details of the acquisition were set out in an announcement of the Company dated 12 January 2018.

The fair values of the identifiable assets and liabilities of the IDC Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition (Audited) <i>HK\$'000</i>
Deposits	1,006
Prepayments, deposits and other receivables	468
Cash and cash equivalents	235
Other payables and accruals	<u>(377)</u>
Total identifiable net assets at fair value	1,332
Goodwill on acquisition	<u>1,841</u>
	<u>3,173</u>
Satisfied by:	
Cash	<u>3,173</u>

An analysis of the cash flows in respect of the acquisition of the IDC Group was as follow:

	<i>HK\$'000</i>
Cash consideration	(3,173)
Cash and cash equivalents acquired	<u>235</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>(2,938)</u>

None of the goodwill recognised was expected to be deductible for income tax purpose.

Since the acquisition, the IDC Group did not contribute any revenue and incurred a loss of HK\$2,516,000 to the Group's consolidated profit for the period ended 30 June 2018.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 13. BUSINESS COMBINATIONS *(continued)*

- (b) On 5 January 2018, the Group acquired the entire issued capital in Everest Engineering Company Limited ("Everest") from a third party. Everest is engaged in basement construction works. The acquisition was made to expand the foundation services of the Group. The purchase consideration for the acquisition was in the form of cash, with HK\$400,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Everest as at the date of acquisition were as follows:

	Fair value recognised on acquisition (Audited) <i>HK\$'000</i>
Cash and cash equivalents	11
Other payables	(9)
Total identifiable net assets at fair value	2
Goodwill on acquisition	398
	<u>400</u>
Satisfied by:	
Cash	<u>400</u>

An analysis of the cash flows in respect of the acquisition of Everest was as follow:

	<i>HK\$'000</i>
Cash consideration	(400)
Cash and cash equivalents acquired	<u>11</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>(389)</u>

The goodwill was impaired during the period ended 30 June 2018 and the impairment of goodwill was not deductible for income tax purpose.

Since the acquisition, Everest did not contribute any revenue and incurred a loss of HK\$16,000 to the Group's consolidated profit for the period ended 30 June 2018.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Share of rental and office expenses with a related company	(i)	1,379	1,370
Dividend income from an associate		–	3,572
Construction contract income on foundation pilings and construction works from a related company	(ii)	202,287	54,302
Consultancy income from a related company	(iii)	2,430	–
Maintenance service income from a related company	(iv)	2,722	–

Notes:

- (i) 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. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam common directors of the Company and Hon Kwok.
- (ii) The construction contracting income on foundation piling and construction works received from a related company was negotiated between the concerned parties by reference to prevailing market rates. The transactions constituted connected transactions of the Group and were approved by the independent shareholders of the Company at the special general meetings held on 7 November 2016 and 24 August 2018, respectively.
- (iii) The consultancy income received from a related company was negotiated between the concerned parties by reference to prevailing market rates. The transaction constitutes a connected transaction of the Company but exempted for circular and independent shareholders' approval requirements of the Listing Rules.
- (iv) The maintenance service income from a related company represented value of building maintenance works performed during the period and was negotiated between the concerned parties by reference to prevailing market rates.

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Short-term employee benefits	50,582	41,410
Post-employment benefits	1,664	1,208
Total compensation paid to key management personnel	52,246	42,618

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 15. CONTINGENT LIABILITY

As at 30 June 2019, the Group provided corporate guarantees and indemnities to certain banks and financial institutions of an aggregate amount of HK\$584 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\$205 million were provided by Chinney Kin Wing Group.

Save as disclosed above, the Group had no other material contingent liabilities as at 30 June 2019.

### 16. COMMITMENTS

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

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Contracted, but not provided for:		
Purchase of plant and machineries	<b>15,476</b>	–
Capital contribution to equity investment designated at fair value through other comprehensive income	<b>4,758</b>	4,992
Renovation works	–	1,435
	<b>20,234</b>	6,427

### 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	<b>Carrying amounts</b>		<b>Fair Values</b>	
	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
<b>Financial assets</b>				
Equity investment designated at fair value through other comprehensive income	<b>3,072</b>	2,919	<b>3,072</b>	2,919
Financial assets at fair value through profit or loss	<b>3,964</b>	3,964	<b>3,964</b>	3,964
Derivative financial instruments	<b>331</b>	827	<b>331</b>	827
	<b>7,367</b>	7,710	<b>7,367</b>	7,710

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of financial assets at fair value through profit or loss was based on market observable transactions. The fair value of the unlisted equity investment designated at fair value through other comprehensive income was derived from the latest transaction price.

#### ***Fair value hierarchy***

Assets measured at fair value:

	Fair value measurement as at 30 June 2019 using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Equity investment designated at fair value through other comprehensive income	–	–	3,072	3,072
Financial assets at fair value through profit or loss	–	3,964	–	3,964
Derivative financial instruments	–	331	–	331
	–	4,295	3,072	7,367

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### *Fair value hierarchy (continued)*

	Fair value measurement at 31 December 2018 using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Equity investment designated at fair value through other comprehensive income	–	–	2,919	2,919
Financial assets at fair value through profit or loss	–	3,964	–	3,964
Derivative financial instruments	–	827	–	827
	–	4,791	2,919	7,710

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018. As at 30 June 2019, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included lease liabilities of HK\$77,578,000 (31 December 2018: Nil). The fair values of these financial liabilities disclosed were 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 six months ended 30 June 2019, 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 (2018: Nil).

### 18. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with current period's presentation, which would better reflect the financial performance and position of the Group.

## 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 2019.

#### ***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 2019, 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 73.68% interest in the Company, is the Chairman of the Board to safeguard their investments in the Company. In addition, the Board considers that the continuity of the office of the Chairman and Managing Director provide the Group with a strong and consistent leadership for the smooth operation of the businesses of the Group. As a result, the Board concurred that the Chairman and the Managing Director need not be subject to retirement by rotation.

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. Mr. Chi-Chiu Wu and Mr. Ronald James Blake, being independent non-executive directors, did not attend the annual general meeting of the Company held on 4 June 2019 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 2019 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 2019, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code in the Listing Rules, were as follows:

**Long positions in ordinary shares of the Company**

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

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

Save as disclosed above, as at 30 June 2019, 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 2019 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 2019, the interests and short positions of those persons in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

#### *Long positions in ordinary shares of the Company*

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	1, 2, 3	Interest through controlled corporations	438,334,216	73.68%
Lucky Year Finance Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Chinney Holdings Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Chinney Investments	1	Interest through a controlled corporation	173,093,695	29.10%
Newsworthy Resources Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Multi-Investment Group Limited	1	Beneficial owner	173,093,695	29.10%
Enhancement Investments Limited	2	Beneficial owner	243,244,521	40.89%

Notes:

1. Dr. James Sai-Wing Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of 173,093,695 shares by virtue of Section 316 of the SFO;
2. Enhancement Investments Limited is beneficially wholly-owned by Dr. James Sai-Wing Wong; and
3. 21,996,000 shares are held by Chinney Capital Limited, which is beneficially wholly-owned by Dr. James Sai-Wing Wong.

Save as disclosed above, as at 30 June 2019, 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 2019.