建聯集團有限公司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 385)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of Chinney Alliance Group Limited (the "Company") is pleased to announce that the consolidated income statement and the consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 and the consolidated statement of financial position of the Group as at 31 December 2012 together with comparative figures in 2011 are as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
REVENUE	2	**2,852,015**	2,220,451
Cost of sales/services provided		**(2,530,491)**	(1,974,452)
Gross profit		**321,524**	245,999
Other income	3	**8,481**	4,805
Selling and distribution costs		**(8,907)**	(8,815)
Administrative expenses		**(258,486)**	(219,212)
Other operating income/(expenses), net		**(756)**	8,825
Fair value gains/(losses) on equity investments at fair value through profit or loss, net		**5,559**	(2,395)
Changes in fair value of investment properties		**658**	2,400
Finance costs	4	**(5,295)**	(5,147)
Share of profits and losses of associates		**721**	1,898
PROFIT BEFORE TAX	5	**63,499**	28,358
Income tax expense	6	**(13,681)**	(5,417)
PROFIT FOR THE YEAR		**49,818**	22,941
Attributable to:			
Owners of the Company		**49,818**	22,941
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		**8.4 cents**	3.9 cents

Details of the proposed final dividend for the year are disclosed in note 8 to this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**49,818**	22,941
OTHER COMPREHENSIVE INCOME		
Surplus on revaluation of land and buildings	**92,528**	42,771
Income tax effect	**(10,144)**	(5,611)
	82,384	37,160
Exchange differences on translation of foreign operations	**(126)**	229
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**82,258**	37,389
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**132,076**	60,330
Attributable to:		
Owners of the Company	**132,076**	60,330

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**514,791**	407,376
Investment properties		**32,618**	31,960
Investments in associates		**45,087**	42,189
Investment in a jointly-controlled entity		**-**	-
Goodwill		**5,767**	5,767
Deferred tax assets		**3,607**	317
Other assets		**2,345**	2,345
Total non-current assets		**604,215**	489,954
CURRENT ASSETS			
Inventories		**76,042**	76,826
Gross amount due from contract customers		**204,583**	159,683
Trade receivables	*9*	**357,035**	360,463
Retention monies receivable		**167,391**	128,219
Amount due from a jointly-controlled entity		**967**	967
Prepayments, deposits and other receivables		**51,906**	42,992
Equity investments at fair value through profit or loss		**15,057**	9,411
Tax recoverable		**2,104**	2,908
Pledged time deposits		**15,255**	16,663
Cash and cash equivalents		**165,183**	111,962
Total current assets		**1,055,523**	910,094
CURRENT LIABILITIES			
Gross amount due to contract customers		**287,377**	209,686
Trade and bills payables	*10*	**288,121**	272,903
Trust receipt loans		**130,550**	103,606
Retention monies payable		**74,591**	58,345
Other payables and accruals		**69,757**	56,848
Tax payable		**7,532**	2,886
Obligations under finance leases		**13,410**	15,997
Interest-bearing bank borrowings		**73,945**	91,204
Total current liabilities		**945,283**	811,475
NET CURRENT ASSETS		**110,240**	98,619
TOTAL ASSETS LESS CURRENT LIABILITIES		**714,455**	588,573

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**31 December 2012 *HK$'000***	31 December 2011 *HK$'000*
NON-CURRENT LIABILITIES			
Obligations under finance leases		**7,768**	14,958
Interest-bearing bank borrowings		**5,264**	6,051
Deferred tax liabilities		**56,318**	36,688
Total non-current liabilities		**69,350**	57,697
Net assets		**645,105**	530,876
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**59,490**	59,490
Reserves		**567,768**	453,539
Proposed final dividend	*8*	**17,847**	17,847
Total equity		**645,105**	530,876

NOTES:

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Changes in accounting policy and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of HKAS 12, the adoption of the revised HKFRSs has had no significant effect on these financial statements.

The HKAS 12 Amendments clarify the determination of the deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis its carrying amount will be recovered through sales.

Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. Upon the adoption of the HKAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. The adoption of the amendments did not have any impact on the financial position of performance of the Group.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the trading of plastics and chemicals 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 energy saving products and property holding. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted operating profit/(loss) before tax.

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

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities 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.

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2012

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Foundation piling and ground investigation *HK$'000*	Building construction *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:						
Sales to external customers	461,359	823,906	1,050,775	487,415	28,560	2,852,015
Intersegment sales	-	14,300	-	-	1,255	15,555
Other revenue	1,250	627	16	-	1,205	3,098
	462,609	838,833	1,050,791	487,415	31,020	2,870,668
Reconciliation:						
Elimination of intersegment sales						(15,555)
Revenue						2,855,113
Segment results	9,580	16,577	36,784	10,506	(4,676)	68,771
Reconciliation:						
Interest income and unallocated gains						5,383
Unallocated expenses						(17,593)
Fair value gains on equity investments at fair value through profit or loss, net						5,559
Changes in fair value of investment properties						658
Share of profits and losses of associates						721
Profit before tax						63,499

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2012

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Foundation piling and ground investigation *HK$'000*	Building construction *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	**307,443**	**379,416**	**542,624**	**274,226**	**151,745**	**1,655,454**
Reconciliation:						
Elimination of intersegment receivables						**(64,005)**
Investments in associates						**45,087**
Corporate and other unallocated assets						**23,202**
Total assets						**1,659,738**
Segment liabilities	**145,266**	**301,895**	**295,223**	**202,531**	**68,021**	**1,012,936**
Reconciliation:						
Elimination of intersegment payables						**(64,005)**
Corporate and other unallocated liabilities						**65,702**
Total liabilities						**1,014,633**
Other segment information:						
Impairment of trade receivables	**278**	**-**	**-**	**-**	**-**	**278**
Bad debts written off	**-**	**4**	**-**	**-**	**-**	**4**
Write-down/(write-back) of impairment of inventories included in cost of inventories sold	**992**	**-**	**-**	**-**	**(124)**	**868**
Depreciation	**2,460**	**734**	**27,173**	**3,045**	**2,993**	**36,405**
Capital expenditure*	**401**	**708**	**50,965**	**230**	**1,831**	**54,135**

* Capital expenditure represents additions to property, plant and equipment.

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2011

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Foundation piling and ground investigation *HK$'000*	Building construction *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:						
Sales to external customers	466,366	498,935	705,258	537,485	12,407	2,220,451
Intersegment sales	-	30,286	-	6,514	360	37,160
Other revenue	2,154	13	5	7	1,162	3,341
	468,520	529,234	705,263	544,006	13,929	2,260,952
Reconciliation:						
Elimination of intersegment sales						(37,160)
Revenue						2,223,792
Segment results	12,422	7,700	16,189	8,516	(4,733)	40,094
Reconciliation:						
Interest income and unallocated gains						1,464
Unallocated expenses						(15,103)
Fair value losses on equity investments at fair value through profit or loss, net						(2,395)
Changes in fair value of investment properties						2,400
Share of profits and losses of associates						1,898
Profit before tax						28,358

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2011

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Foundation piling and ground investigation *HK$'000*	Building construction *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	253,020	317,842	441,955	277,053	119,599	1,409,469
Reconciliation:						
Elimination of intersegment receivables						(69,279)
Investments in associates						42,189
Corporate and other unallocated assets						17,669
Total assets						1,400,048
Segment liabilities	125,689	255,416	235,179	220,827	57,075	894,186
Reconciliation:						
Elimination of intersegment payables						(69,279)
Corporate and other unallocated liabilities						44,265
Total liabilities						869,172
Other segment information:						
Write-back of impairment of trade receivables	(60)	(7,650)	-	-	-	(7,710)
Impairment of trade receivables	80	-	-	-	54	134
Bad debts written off	-	2,038	-	-	-	2,038
Write-down/(write-back) of impairment of inventories included in cost of inventories sold	(2,870)	-	-	-	114	(2,756)
Depreciation	2,015	421	23,397	2,513	1,870	30,216
Capital expenditure*	1,223	4,170	36,539	1,370	5,100	48,402

* Capital expenditure represents additions to property, plant and equipment.

2. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2012 *HK$'000*	2011 *HK$'000*
Hong Kong	**2,700,288**	2,049,795
Mainland China and Macau	**151,727**	170,656
	2,852,015	2,220,451

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2012 *HK$'000*	2011 *HK$'000*
Hong Kong	**491,844**	388,922
Mainland China and Macau	**55,565**	50,414
	547,409	439,336

The non-current asset information above is based on the location of assets and excludes investments in associates, investment in a jointly-controlled entity, goodwill, deferred tax assets and other assets.

Information about major customer

During the year, none of the Group's revenue was derived from transactions with individual external customers that amounted to 10 percent or more of the Group's revenue (2011: Nil).

3. OTHER INCOME

	2012 *HK$'000*	2011 *HK$'000*
Interest income	**3,209**	250
Commission income	**859**	1,982
Gross rental income	**1,205**	1,164
Others	**3,208**	1,409
	8,481	4,805

4. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**4,064**	3,558
Interest on bank loans wholly repayable after five years	**200**	223
Interest on obligations under finance leases	**1,031**	1,366
	5,295	5,147

5. PROFIT BEFORE TAX

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

	2012	2011
	HK$'000	*HK$'000*
Auditors' remuneration	**3,356**	3,428
Employee benefit expense (including directors' remuneration)	**144,004**	129,874
Depreciation	**36,405**	30,216
Cost of inventories sold	**484,402**	414,926
Cost of services provided	**2,046,089**	1,559,526
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**227**	225
Minimum lease payments under operating leases in respect of land and buildings	**4,455**	5,097
Impairment of trade receivables*	**278**	134
Write-back of impairment of trade receivables*	**-**	(7,710)
Bad debts written off*	**4**	2,038
Write-down/(write-back) of impairment of inventories included in cost of inventories sold	**868**	(2,756)
Loss/(gain) on disposal of items of property, plant and equipment*	**1,419**	(1,739)
Loss on disposal of a subsidiary*	**44**	-
Rental income on investment properties less direct operating expenses	**(978)**	(939)
Foreign exchange differences, net*	**(1,866)**	(1,425)
Gain on bargain purchase arising from acquisition of an investment in an associate#	**-**	(1,874)

* These expenses/(income) are included in "Other operating income/(expenses), net" in the consolidated income statement.

This is included in "Share of profits and losses of associates" in the consolidated income statement.

6. INCOME TAX

	2012	2011
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**6,880**	3,212
Overprovision in prior years	**(77)**	(1)
Current – Elsewhere		
Charge for the year	**682**	1,355
Deferred	**6,196**	851
Total tax charge for the year	**13,681**	5,417

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$49,818,000 (2011: HK$22,941,000), and the weighted average number of 594,899,245 ordinary shares in issue during both years.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the Group has no dilutive ordinary shares in issue during those years.

8. DIVIDEND

	2012	2011
	HK$'000	*HK$'000*
Proposed final – HK3.0 cents (2011: HK3.0 cents) per ordinary share	**17,847**	17,847

9. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**357,035**	360,463

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with good business relationships. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

9. **TRADE RECEIVABLES** *(continued)*

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

	2012	2011
	HK$'000	*HK$'000*
Current to 30 days	**316,497**	334,414
31 to 60 days	**18,015**	9,330
61 to 90 days	**3,131**	5,683
Over 90 days	**19,392**	11,036
	357,035	360,463

10. **TRADE AND BILLS PAYABLES**

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**274,577**	251,825
Bills payable	**13,544**	21,078
	288,121	272,903

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

	2012	2011
	HK$'000	*HK$'000*
Current to 30 days	**239,933**	201,829
31 to 60 days	**15,580**	28,653
61 to 90 days	**7,164**	9,515
Over 90 days	**11,900**	11,828
	274,577	251,825

RESULTS

The Group recorded a turnover of HK$2,852 million for the year ended 31 December 2012 (2011: HK$2,220 million). The profit for the year was HK$49.8 million (2011: HK$22.9 million), which included fair value gains on equity investments of HK$5.6 million (2011: losses of HK$2.4 million), surplus arising on changes in fair value of investment properties of HK$0.6 million (net of deferred tax) (2011: HK$1.7 million). Last year, there was a gain on bargin purchase arising from acquisition of an associate of HK$1.9 million. The surplus arising from change in value of the Group's land and buildings for the current year amounted to HK$82.4 million (net of deferred tax) was credited to reserve as other comprehensive income (2011: HK$37.2 million). The profit contributed from the Group's business operation, which was arrived by excluding the effect of fair value changes of the equity investments and property interests, and the gain on bargin purchase arising from acquisition of an associate from the profit for the year, was HK$43.6 million (2011: HK$21.7 million).

PROPOSED FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2012 (2011: HK3.0 cents) to the shareholders whose names appear on the Company's register of members on 11 June 2013. It is expected that the final dividend cheques will be despatched to the shareholders on or before 28 June 2013.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 4 June 2013. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 31 May 2013 to 4 June 2013 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 30 May 2013.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2012 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 11 June 2013 to 14 June 2013 (both days inclusive), during which period no share transfers will be registered. The last day for dealing in the Company's share cum entitlements to the proposed final dividend will be 6 June 2013. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 10 June 2013.

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemical products

The Plastic Trading division, which consists of Jacobson van den Berg (Hong Kong) Limited and other companies, contributed a turnover of HK$461 million (2011: HK$466 million) with operating profit of HK$9.6 million (2011: HK$12.4 million). The year under review was a tough year for manufacturers which were major customers of the division. While the turnover maintained at last year's level, the profit margin decreased which was mainly due to the competitive environment. The Mainland China remains the growth engine in the world's economy and the management continues to develop the business in China, with focus on growth areas and to develop new supplies from existing and potential principals to suit our customers' demand.

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") contributed turnover of HK$824 million (2011: HK$499 million) and an operating profit of HK$16.6 million (2011: HK$7.7 million). The turnover increased and as the major projects were proceeded to the stage to recognise profit in the second half of the year in accordance with the Group's accounting policies, more profits were recognised accordingly. The division's projects included electrical and mechanical works for residential, commercial and industrial development in Hong Kong and Macau, and maintenance contracts for both public and private sectors in Hong Kong. As at 31 December 2012, the division had outstanding contracts on hand of HK$1,429 million.

Building construction

The division recorded a turnover of HK$487 million (2011: HK$537 million) with an operating profit of HK$10.5 million (2011: HK$8.5 million) which was mainly contributed from its principal subsidiary Chinney Construction Company, Limited. While the turnover decreased slightly, the operating profit increased which was mainly due to variation orders agreed during the year. The division has diversified clients including schools, institutions, property developers, hotels and non-profit organizations. As at 31 December 2012, the division had outstanding contracts on hand of HK$378 million. There were additional HK$529 million worth contracts awarded after 31 December 2012 by the division.

Foundation piling and ground investigation

The principal subsidiaries of the division include Kin Wing Engineering Company Limited, Kin Wing Foundations Limited and DrilTech Ground Engineering Limited. Turnover for the year was HK$1,051 million (2011: HK$705 million) and operating profit was HK$36.8 million (2011: HK$16.2 million). The turnover and profit were mainly contributed from foundation piling projects for both private and public residential development projects. The increase in profit was partly due to increase in works completed and certified during the year and improved margin of projects completed during the year. The outstanding contracts on hand were HK$1,408 million as at 31 December 2012 with additional HK$162 million worth projects awarded after year end.

Other businesses

Other businesses include the holding of properties for the Group's own use and Chinney Alliance Engineering Limited which is engaged in the distribution of aviation system and other hi-tech products. These businesses recorded a turnover of HK$29 million (2011: HK$12 million) and an operating loss of HK$4.7 million (2011: HK$4.7 million). While there was more income from the Hong Kong International Airport projects, more expenditures were incurred for development of new products.

The Group's share of the profits and losses of associates were HK$0.7 million (2011: HK$1.9 million). The two associates namely Jiangxi Kaitong New Materials Company Limited which is engaged in the manufacturing of stainless steel and plastic compound pipes in the Mainland China and Fineshade Investments Limited which has an investment in a real estate property consisting of three buildings known as Binjiang Intelligence Port located in Hangzhou, the People's Republic of China (the "PRC").

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK$230.9 million as at 31 December 2012 (2011: HK$231.8 million), of which HK$217.9 million or 94% (2011: HK$210.8 million or 91%) were classified as current liabilities, which included bank and other borrowings with repayment on demand clause amounted to HK$38.3 million (31 December 2011: HK$42.2 million) which will be repaid after one year according to the lenders' repayment schedules. The current portion of the interest-bearing debts would be HK$179.6 million or 78% (2011: HK$168.6 million or 73%) based on lenders' repayment schedules. Also included in the current portion of bank and other borrowings were trust receipt loans of HK$130.6 million (2011: HK$103.6 million). The increase in trust receipt loans was mainly due to the purchase of materials and equipment for installation for the projects of Shun Cheong. Current ratio of the Group as at 31 December 2012, measured by total current assets over total current liabilities, was 1.1 (2011: 1.1). Total unpledged cash and bank balances as at 31 December 2012 was HK$165.2 million (2011: HK$112.0 million). The increase in unpledged bank balances was mainly due to fund generated from operations. During the year, the Group used approximately HK$54 million for purchases of property, plant and machinery which were mainly for the Group's Foundation Piling division.

The Group had a total of HK$588 million undrawn banking facilities at year-end available for its working capital, trade finance and issue of performance/surety bonds. The gearing ratio of the Group, measured by total interest-bearing borrowings of HK$230.9 million over the equity attributable to the holders of the Company of HK$645.1 million, was 35.8% as at 31 December 2012 (2011: 43.7%).

Funding and treasury policy

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

Pledge of assets

Certain properties and plant and machinery having aggregate book value of HK$226.4 million and HK$38.3 million respectively as at 31 December 2012 were pledged to banks to secure certain bank loans, obligations under finance leases and general banking facilities extended to the Group. In addition, time deposits of HK$15.3 million were pledged to banks to secure the performance/surety bonds issued in favour of the Group's clients on contracting works.

Contingent liability

As at 31 December 2012, the Group provides corporate guarantees and indemnities to certain banks for an aggregate amount of HK$186.4 million for the performance bonds issued in favour of the Group's clients on contracting works.

Save as disclosed above, the Group has no other material contingent liabilities as at 31 December 2012.

Employees and remuneration policies

The Group employed approximately 1,300 staff in Hong Kong and other parts of the PRC as at 31 December 2012. 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 TRANSACTION

On 31 December 2012, a subsidiary of the Company (the "Vendor") entered into a sale and purchase agreement for the disposal of a property located in Shenzhen, the PRC to a subsidiary of Hon Kwok Land Investments Company Limited ("Hon Kwok") and Chinney Investments, Limited ("CIL") (the "Purchaser") for a cash consideration of HK$9,383,000. As Dr. James Sai-Wing Wong, the Chairman of the Company, has control in CIL, Hon Kwok and the Company, the transaction constituted a connected transaction of each of CIL, Hon Kwok and the Company and was subject to the reporting and announcement requirements but was exempt from independent shareholders' approval. On 31 January 2013, the Vendor received the balance of the consideration for the disposal and passed all title documents to the Purchaser for submission to relevant government departments for title transfer. Details of the transaction was disclosed in an announcement published on 31 December 2012.

OUTLOOK

The global economic outlook remains challenging. The US economic recovery is still slow. While unemployment rate falls, the sale of existing houses rises. Still, the Federal Reserve continues its pace of asset purchase and maintains near zero interest rate to stimulate economic growth and reduce unemployment. The Euro debt crisis remains a great concern. The concerns of the possible bank collapse in Cyprus and political turmoil in Italy roil the financial markets and threaten to derail confidence. The recovery of the Euro economy might be delayed. On the other hand, the Asian and emerging economies, especially China, are expected to have faster growth in the coming year with better fundamentals and the increased efforts to spur domestic demand to compensate the drop in demand from advanced economies. In Hong Kong, the unemployment rate remains low at 3.4 percent for the 3 months ended January 2013. The GDP in the 4th quarter of 2012 recorded 2.5 percent growth on a year-on-year basis, mainly contributed by external trade and faster growth in the Mainland economy.

While the fundamentals of advanced economies remain weak, the Mainland economy has resumed faster and firmer momentum. The export performance in 2013 would see uneven performance. The Group's plastic trading division is continuing to increase its presence in the Mainland market and develop new products. On the other hand, the local Government continues to implement infrastructure projects in coming year as well as provides stable number of public housing to meet the demand. These together with private housing developments will continue to provide substantial demand for the construction industry. In Macau, the casino expansion projects, residential development projects and infrastructure projects will bring up tender opportunity to the Group's foundation piling and site investigation, building construction and building services divisions. Meanwhile, the Group will continue to monitor the projects closely to deal with the shortage of labour, increase in wages and intensifying competition in the construction industry. The Directors are optimistic with the Group's profitability in the coming years.

APPRECIATION

I would like to thank my fellow directors for their advice and support and all staff for their dedication and contribution for the success during the past year.

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 year ended 31 December 2012.

Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Former CG Code") as set out in Appendix 14 to the Listing Rules during the period from 1 January to 31 March 2012, except A.4.1, A.4.2 and B.1.3, which are explained below.

On April 1, 2012, the Former CG Code was amended and renamed as the Corporate Governance Code (the "New CG Code"). The Company has also complied with all relevant code provisions of the New CG Code during the period from 1 April to 31 December 2012, except A.1.1, A.4.1, A.4.2, A.5.1 to A.5.4 and A.6.7, which are explained below.

1. Board meetings of the Company were held twice during the year on a regular basis, which deviated from code provision A.1.1 which stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In view of the simplicity of the Group's businesses, regular board meetings have not been held quarterly during the year. The interim and annual results together with all corporate transactions happened during the year have been reviewed and discussed amongst the directors at the full board meetings held in the year.

2. Code provision A.4.1 of Former CG Code and New 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 Former CG Code and New 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 Former CG Code and New 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 CIL, Enhancement Investments Limited and Chinney Capital Limited, which collectively holds approximately 72.87% 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.

3. Code provision B.1.3 of Former CG Code stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The terms of reference of the remuneration committee of the Company ("Remuneration Committee") adopted by the Company on 20 September 2005 has certain deviations from the Former CG Code provisions that the Remuneration Committee should "review" as opposed to "determine" the specific remuneration packages of "all executive directors" as opposed to "directors and senior management".

The Chairman of the Board receives no remuneration and determines the remuneration of all other executive directors, taking reference to market pay, individual performance and a bonus scheme, which has been in place prior to the establishment of the Remuneration Committee. A Remuneration Committee meeting is held once each year, during which the remuneration packages of all executive directors for the year are reviewed individually. Since the New CG Code becoming effective on 1 April 2012, the Company has fully complied with the relevant code provisions in relation to the terms of reference of Remuneration Committee.

4. Code provisions A.5.1 to A.5.4 of the New 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 collectively reviews and approves the appointment of any new director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.

5. Code provision A.6.7 of the New CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Herman Man-Hei Fung, Mr. Frank Kwok-Kit Chu and Mr. Anthony Siu-Wing Lau, being non-executive directors of the Company, did not attend the 2012 annual general meeting of the Company held on 1 June 2012 due to their engagement in their own official business.

Details of the Company's corporate governance corporate governance policies and practices (including the above deviations from the code provisions) will be available in the Company's 2012 annual report.

Audit Committee

Regular meetings have been held by 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 Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management and the external auditors the financial reporting matters of the Group for the year ended 31 December 2012.

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

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed shares during the year.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 25 March 2013

At the date of this announcement, the Board comprises of twelve directors, of which six are executive directors, namely Dr. James Sai-Wing Wong, Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong, Mr. Philip Bing-Lun Lam, Mr. Wai-Hong Ling and Mr. Lawrence Koo-Siong Chong; and two are non-executive directors, namely Mr. Herman Man-Hei Fung and Mr. Frank Kwok-Kit Chu; and four are independent non-executive directors, namely Mr. Anthony Siu-Wing Lau, Mr. Yuen-Tin Ng, Mr. Chi-Chiu Wu and Mr. Alexander Yan-Zau Fang.

* *For identification purpose only*