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 2018

The board of directors (the "Board") of Chinney Alliance Group Limited (the "Company") is pleased to announce the consolidated statement of profit or loss and the consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 and the consolidated statement of financial position of the Group as at 31 December 2018 together with comparative figures in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
REVENUE	2	**6,047,951**	5,595,889
Cost of sales/services provided		**(5,341,838)**	(4,928,802)
Gross profit		**706,113**	667,087
Other income	3	**9,337**	11,445
Selling and distribution costs		**(14,910)**	(14,981)
Administrative expenses		**(431,821)**	(420,070)
Other operating income/(expenses), net		**(3,769)**	729
Changes in fair value of investment properties		**3,396**	1,312
Finance costs	4	**(11,710)**	(7,109)
Share of profits and losses of an associate		**(680)**	1,622
PROFIT BEFORE TAX	5	**255,956**	240,035
Income tax expense	6	**(45,522)**	(42,782)
PROFIT FOR THE YEAR		**210,434**	197,253
Attributable to:			
Owners of the Company		**195,867**	176,770
Non-controlling interests		**14,567**	20,483
		210,434	197,253
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		**HK32.9 cents**	HK29.7 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December **2018** *HK$'000*	2017 *HK$'000*
PROFIT FOR THE YEAR	**210,434**	197,253
OTHER COMPREHENSIVE INCOME		
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	**(1,745)**	5,243
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of land and buildings	**50,616**	60,418
Income tax effect	**(5,900)**	(7,595)
	44,716	52,823
Change in fair value of equity investment designated at fair value through other comprehensive income	**111**	-
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**44,827**	52,823
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**43,082**	58,066
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**253,516**	255,319
Attributable to:		
Owners of the Company	**238,949**	234,836
Non-controlling interests	**14,567**	20,483
	253,516	255,319

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2018** ***HK$'000***	31 December 2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**815,340**	797,550
Investment properties		**20,386**	16,990
Investment in an associate		**208**	13,969
Investment in a joint venture		**-**	-
Equity investment designated at fair value through other comprehensive income		**2,919**	-
Available-for-sale investment		**-**	1,287
Goodwill		**14,369**	12,528
Financial assets at fair value through profit or loss		**3,964**	-
Other assets		**-**	2,345
Prepayments, other receivables and other assets		**2,618**	-
Deferred tax assets		**144**	210
Total non-current assets		**859,948**	844,879
CURRENT ASSETS			
Inventories		**88,370**	100,409
Contract assets		**1,139,522**	-
Gross amount due from contract customers		**-**	430,576
Trade receivables	*9*	**670,167**	647,337
Retention monies receivable		**-**	476,014
Amount due from a related company	*10*	**22,420**	37,282
Amount due from a joint venture		**967**	967
Prepayments, other receivables and other assets		**78,760**	85,800
Derivative financial instruments		**827**	-
Tax recoverable		**16,349**	5,083
Pledged time deposits		**2,102**	11,264
Cash and cash equivalents		**778,936**	942,074
Total current assets		**2,798,420**	2,736,806
CURRENT LIABILITIES			
Gross amount due to contract customers		**-**	754,948
Trade, bills and retention monies payables	*11*	**707,212**	476,900
Trust receipt loans		**166,452**	106,934
Retention monies payable		**-**	231,231
Amount due to an associate		**-**	6,708
Other payables and accruals		**711,444**	119,668
Tax payable		**22,283**	21,404
Interest-bearing bank borrowings		**947**	918
Convertible bond	*12*	**-**	37,290
Total current liabilities		**1,608,338**	1,756,001
NET CURRENT ASSETS		**1,190,082**	980,805
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,050,030**	1,825,684

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**31 December 2018** ***HK$'000***	31 December 2017 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**-**	946
Deferred tax liabilities		**98,652**	96,487
Total non-current liabilities		**98,652**	97,433
Net assets		**1,951,378**	1,728,251
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**59,490**	59,490
Reserves		**1,773,775**	1,559,534
		1,833,265	1,619,024
Non-controlling interests		**118,113**	109,227
Total equity		**1,951,378**	1,728,251

NOTES:

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES 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 land and buildings included in property, plant and equipment, investment properties, equity investment designated at fair value through other comprehensive income and financial assets at fair value through profit or loss 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 policies and disclosures

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, the adoption of the above new and revised standards has had no significant financial effect of these financial statements. The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments*: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

    The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
	Notes	Category	Amount *HK$'000*	Re-classification *HK$'000*	Re-measurement *HK$'000*	Amount *HK$'000*	Category
Financial assets							
Available-for-sale investment		AFS[2]	1,287	(1,287)	-	-	N/A
To: Equity investment designated at fair value through other comprehensive income	*(i)*			(1,287)	-		
Equity investment designated at fair value through other comprehensive income		N/A	-	1,287	-	1,287	FVTOCI[1] (equity)
From: Available-for-sale investment	*(i)*			1,287	-		
Other assets		AC	2,345	(2,345)	-	-	N/A
To: Financial assets at fair value through profit or loss	*(ii)*			(2,345)	-		
Financial assets at fair value through profit or loss		FVTPL[5]	-	2,345	1,619	3,964	FVTPL (mandatory)
From: Other assets	*(ii)*			2,345	-		
Trade receivables		L&R[3]	647,337	-	-	647,337	AC[4]
Amount due from a related company		L&R	37,282	-	-	37,282	AC
Amount due from a joint venture		L&R	967	-	-	967	AC
Financial assets included in prepayments, other receivables and other assets		L&R	78,192	-	-	78,192	AC
Pledged time deposits		L&R	11,264	-	-	11,264	AC
Cash and cash equivalents		L&R	942,074	-	-	942,074	AC

(a) (continued)

Classification and measurement (continued)

	Notes	HKAS 39 measurement Category	HKAS 39 measurement Amount *HK$'000*	Re-classification *HK$'000*	Re-measurement *HK$'000*	HKFRS 9 measurement Amount *HK$'000*	HKFRS 9 measurement Category
Financial liabilities							
Trade and bills payables		AC	476,900	-	-	476,900	AC
Trust receipt loans		AC	106,934	-	-	106,934	AC
Retention monies payable		AC	231,231	-	-	231,231	AC
Amount due to an associate		AC	6,708	-	-	6,708	AC
Financial liabilities included in other payables and accruals		AC	69,940	-	-	69,940	AC
Interest-bearing bank borrowings		AC	1,864	-	-	1,864	AC
Convertible bond		AC	37,290	-	-	37,290	AC

1 FVTOCI: Financial assets at fair value through other comprehensive income

2 AFS: Available-for-sale investments

3 L&R: Loans and receivables

4 AC: Financial assets or financial liabilities at amortised cost

5 FVTPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investment as equity investment at fair value through other comprehensive income.

(ii) The Group has classified its unlisted club debentures previously classified as other assets as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits *HK$'000*
Balance as at 31 December 2017 under HKAS 39	1,619,024
Remeasurement of other assets to financial assets at fair value through profit or loss	1,619
Balance as at 1 January 2018 under HKFRS 9	1,620,643

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contacts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Company has changed the accounting policy with the respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Increase/ (decrease) *HK$'000*
Assets	
Contract assets	917,629
Gross amount due from contract customers	(430,576)
Retention monies receivable	(476,014)
Tax recoverable	2,553
Total assets	13,592
Liabilities	
Gross amount due to contract customers	(754,948)
Trade, bills and retention monies payables	231,231
Retention monies payable	(231,231)
Other payables and accruals	799,207
Tax payable	(2,469)
Total liabilities	41,790
Equity	
Retained profits	(25,172)
Non-controlling interests	(3,026)
	(28,198)

(b) *(continued)*

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

	Amounts prepared under		
	HKFRS 15	Previous HKFRS	Increase/ (decrease)
	HK$'000	*HK$'000*	*HK$'000*
Revenue	6,047,951	5,829,562	218,389
Cost of sales/services provided	(5,341,838)	(5,136,396)	205,442
Gross profit	706,113	693,166	12,947
Profit before tax	255,956	243,009	12,947
Income tax expense	(45,522)	(44,196)	1,326
Profit for the year	210,434	198,813	11,621
Attributable to:			
Owners of the Company	195,867	185,375	10,492
Non-controlling interests	14,567	13,438	1,129
	210,434	198,813	11,621
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted			
- For profit for the year	HK32.9 cents	HK31.2 cents	HK1.7 cents

(b) *(continued)*

Consolidated statement of financial position as at 31 December 2018:

	Amounts prepared under		
	HKFRS 15	Previous HKFRS	Increase/ (decrease)
	HK$'000	*HK$'000*	*HK$'000*
Contract assets	1,139,522	-	1,139,522
Gross amount due from contract customers	-	567,798	(567,798)
Retention monies receivable	-	547,923	(547,923)
Tax recoverable	16,349	15,710	639
Total assets	3,658,368	3,633,928	24,440
Gross amount due to contract Customers	-	545,677	(545,677)
Trade, bills and retention monies payables	707,212	440,231	266,981
Retention monies payable	-	266,981	(266,981)
Other payables and accruals	711,444	121,695	589,749
Tax payable	22,283	25,338	(3,055)
Total liabilities	1,706,990	1,665,973	41,017
Net assets	1,951,378	1,967,955	(16,577)
Retained profits	1,277,084	1,291,764	(14,680)
Non-controlling interests	118,113	120,010	(1,897)
Total equity	1,951,378	1,967,955	(16,577)

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the trading of plastic 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 the distribution of aviation system and other hi-tech products and property holding. During the year, the Group reviewed the structure and internal organisation and changed the composition of its reportable segments. Accordingly, certain subsidiaries which were previously included in "Building related contracting services" segment have been reclassified to the "Others" segment.

Year ended 31 December 2018

	Plastic and chemical products *HK$'000*	**Building related contracting services** *HK$'000*	**Building construction** *HK$'000*	**Foundation piling and ground investigation** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue:						
Sales to external customers	**610,115**	**2,668,403**	**1,497,507**	**1,242,956**	**28,970**	**6,047,951**
Intersegment sales	**152**	**30,706**	**-**	**-**	**-**	**30,858**
Other revenue	**1,700**	**73**	**461**	**1,741**	**1**	**3,976**
	611,967	**2,699,182**	**1,497,968**	**1,244,697**	**28,971**	**6,082,785**
Reconciliation:						
Elimination of intersegment sales						**(30,858)**
Revenue						**6,051,927**
Segment results	**5,844**	**122,940**	**79,213**	**68,754**	**3,364**	**280,115**
Reconciliation:						
Interest income and unallocated gains						**5,361**
Unallocated expenses						**(32,236)**
Changes in fair value of investment properties						**3,396**
Share of profits and losses of an associate						**(680)**
Profit before tax						**255,956**

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2018

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Building construction *HK$'000*	Foundation piling and ground investigation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	**388,451**	**1,227,491**	**654,133**	**934,708**	**198,531**	**3,403,314**
Reconciliation:						
Elimination of intersegment receivables						**(13,107)**
Investment in an associate						**208**
Equity investment designated at fair value through other comprehensive income						**2,919**
Corporate and other unallocated assets						**265,034**
Total assets						**3,658,368**
Segment liabilities	**125,828**	**771,712**	**212,800**	**467,209**	**14,274**	**1,591,823**
Reconciliation:						
Elimination of intersegment payables						**(13,107)**
Corporate and other unallocated liabilities						**128,274**
Total liabilities						**1,706,990**
Other segment information:						
Provision/(write-back of provision) for inventories included in cost of inventories sold	**(303)**	**3**	**-**	**-**	**(4)**	**(304)**
Depreciation	**4,753**	**3,273**	**6,411**	**55,385**	**6,711**	**76,533**
Impairment of goodwill	**-**	**-**	**-**	**398**	**-**	**398**
Capital expenditure*	**307**	**31,012**	**1,324**	**30,626**	**477**	**63,746**

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

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2017

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Building construction *HK$'000*	Foundation piling and ground investigation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:						
Sales to external customers	556,515	2,178,883	1,648,543	1,190,441	21,507	5,595,889
Intersegment sales	317	55,329	-	-	-	55,646
Other revenue	5,216	313	585	1,547	771	8,432
	562,048	2,234,525	1,649,128	1,191,988	22,278	5,659,967
Reconciliation:						
Elimination of intersegment sales						(55,646)
Revenue						5,604,321
Segment results	13,609	102,907	51,907	95,537	127	264,087
Reconciliation:						
Interest income and unallocated gains						3,013
Unallocated expenses						(29,999)
Changes in fair value of investment properties						1,312
Share of profits and losses of an associate						1,622
Profit before tax						240,035

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2017

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Building construction *HK$'000*	Foundation piling and ground investigation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	385,700	979,646	739,262	1,016,185	188,741	3,309,534
Reconciliation:						
Elimination of intersegment receivables						(21,862)
Investment in an associate						13,969
Available-for-sale investment						1,287
Corporate and other unallocated assets						278,757
Total assets						3,581,685
Segment liabilities	140,718	654,881	387,290	532,146	29,275	1,744,310
Reconciliation:						
Elimination of intersegment payables						(21,862)
Corporate and other unallocated liabilities						130,986
Total liabilities						1,853,434
Other segment information:						
Impairment of trade receivables	77	-	-	-	-	77
Bad debts write-off	-	-	788	-	-	788
Provision/(write-back of provision) for inventories included in cost of inventories sold	23	34	-	-	(78)	(21)
Depreciation	4,143	2,667	5,545	65,011	5,937	83,303
Capital expenditure*	439	3,231	34	64,653	30	68,387

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

2. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**5,404,584**	4,776,930
Mainland China, Macau and Singapore	**643,367**	818,959
	6,047,951	5,595,889

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

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**734,347**	748,505
Mainland China and Macau	**101,379**	66,035
	835,726	814,540

The non-current asset information above is based on the locations of assets and excludes an investment in an associate, an investment in a joint venture, an available-for-sale investment, other assets, equity investment designated at fair value through other comprehensive income, goodwill, deferred tax assets, financial assets at fair value through profit or loss and non-current portion of prepayments, other receivables and other assets.

Information about major customers

During the years ended 31 December 2018 and 2017, none of the Group's revenue derived from transactions with a single external customer amounted to 10 per cent or more of the Group's revenue.

3. REVENUE AND OTHER INCOME

Disaggregated revenue information

For the year ended 31 December 2018

Segments	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Building construction *HK$'000*	Foundation piling and ground investigation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Type of goods or services						
Sales of goods	**610,115**	**116,016**	**-**	**-**	**-**	**726,131**
Construction services	**-**	**2,552,387**	**1,497,507**	**1,242,956**	**28,970**	**5,321,820**
Total revenue from contract with customers	**610,115**	**2,668,403**	**1,497,507**	**1,242,956**	**28,970**	**6,047,951**
Geographical markets						
Hong Kong	**429,071**	**2,362,516**	**1,354,848**	**1,233,472**	**24,677**	**5,404,584**
Mainland China, Macau and Singapore	**181,044**	**305,887**	**142,659**	**9,484**	**4,293**	**643,367**
Total revenue from contract with customers	**610,115**	**2,668,403**	**1,497,507**	**1,242,956**	**28,970**	**6,047,951**
Timing of revenue recognition						
Goods transferred at a point in time	**610,115**	**116,016**	**-**	**-**	**-**	**726,131**
Services transferred over time	**-**	**2,552,387**	**1,497,507**	**1,242,956**	**28,970**	**5,321,820**
Total revenue from contract with customers	**610,115**	**2,668,403**	**1,497,507**	**1,242,956**	**28,970**	**6,047,951**

Other income

	2018 *HK$'000*	2017 *HK$'000*
Interest income	**4,601**	4,122
Commission income	**280**	4,557
Gross rental income	**-**	1,405
Others	**4,456**	1,361
	9,337	11,445

4. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Interest on bank loans and overdrafts	**5,641**	3,320
Interest on a convertible bond	**6,069**	3,789
	11,710	7,109

5. PROFIT BEFORE TAX

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

	2018 *HK$'000*	2017 *HK$'000*
Cost of inventories sold	**652,914**	504,145
Cost of services provided	**4,688,924**	4,424,657
Auditor's remuneration	**4,339**	3,975
Employee benefit expense (including directors' remuneration)	**758,379**	700,758
Less: Amount included in contract costs	**(518,522)**	(462,699)
	239,857	238,059
Depreciation	**85,122**	86,159
Less: Amount included in contract costs	**(8,589)**	(2,856)
	76,533	83,303
Minimum lease payments under operating leases in respect of land and buildings	**19,528**	13,345
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**404**	201
Impairment of trade receivables*	**-**	77
Bad debt written off*	**-**	788
Write-back of provision for inventories included in cost of inventories sold	**(304)**	(21)
Impairment of goodwill*	**398**	-
Loss on disposal of items of property, plant and equipment, net*	**1,000**	1,229
Fair value gain on derivative financial instruments – transaction not qualifying as hedges*	**(827)**	-
Foreign exchange differences, net*	**3,198**	(2,823)

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

6. INCOME TAX

	2018 *HK$'000*	2017 *HK$'000*
Current – Hong Kong		
Charge for the year	**42,834**	36,767
Over provision in prior years	**(642)**	(390)
Current – Elsewhere		
Charge for the year	**6,999**	10,507
Over provision in prior years	**-**	(52)
Deferred	**(3,669)**	(4,050)
Total tax charge for the year	**45,522**	42,782

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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$195,867,000 (2017: HK$176,770,000), and the number of 594,899,245 ordinary shares in issue during both years.

The calculation of diluted earnings per share amount is based on the profit of the year 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 year as used in the basic earnings per share calculation.

The calculation of diluted earnings per share is based on:

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**195,867**	176,770
Interest on convertible bond of a subsidiary, net of tax	**6,069**	3,789
Dilution of earnings arising from the full conversion of the convertible bond of a subsidiary	**1,099**	85
	203,035 *	180,644 *

* *No adjustment has been made to the basic earnings per share amount represented for the years ended 31 December 2017 and 2018 in respect of a dilution as the impact of the convertible bond of a subsidiary outstanding has an anti-dilutive effect on the basic earnings per share amount presented.*

8. DIVIDEND

	2018	2017
	HK$'000	*HK$'000*
Proposed final – HK6.0 cents (2017: HK6.0 cents) per ordinary share	**35,694**	35,694

9. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**670,167**	647,337

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

9. TRADE RECEIVABLES *(continued)*

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

	2018	2017
	HK$'000	*HK$'000*
Current to 30 days	**415,306**	416,290
31 to 60 days	**163,937**	117,537
61 to 90 days	**33,605**	58,624
Over 90 days	**57,319**	54,886
	670,167	647,337

10. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contracting income certified from Gold Famous Development Limited ("Gold Famous"). Gold Famous is an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") of which Dr. James Sai-Wing Wong, a director and a controlling shareholder of the Company, is also a director of and has a beneficial interest in. Mr. James Sing-Wai Wong is a common director of the Company and Hon Kwok.

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

11. TRADE, BILLS AND RETENTION MONIES PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**414,504**	453,746
Bills payable	**25,727**	23,154
Retention monies payable[#]	**266,981**	-
	707,212	476,900

[#] Retention monies payable had repayment terms ranging from one to two years. At 31 December 2017, retention monies payable included in "Retention monies payable" in the consolidated statement of financial position.

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

	2018	2017
	HK$'000	*HK$'000*
Current to 30 days	**315,929**	338,450
31 to 60 days	**61,247**	69,544
61 to 90 days	**27,019**	31,701
Over 90 days	**10,309**	14,051
	414,504	453,746

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

12. CONVERTIBLE BOND

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

(a) mandatorily and automatically on the date when and upon the Spin-off becoming unconditional; or

(b) upon the exercise of the conversion rights at the option of the bondholder and on the date on which Chinney Shun Cheong receives a conversion notice from the bondholder falling between 1 October 2018 and the maturity date of 31 December 2018 (both dates inclusive), whichever is earlier.

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

The Convertible Bond issued in 2017 has been split into the liability and equity components as follows:

	2018	2017
	HK$'000	*HK$'000*
Nominal value of Convertible Bond issued	**40,000**	40,000
Equity component	**(6,499)**	(6,499)
Liability component at the issuance date	**33,501**	33,501
Interest expense	**9,858**	3,789
Conversion of Convertible Bond	**(43,359)**	-
Liability component at the end of the reporting period	**-**	37,290

As announced by the Company on 28 December 2018, Chinney Shun Cheong received a conversion notice from the then bondholder for the conversion of the Convertible Bond for the entire principal amount of HK$40,000,000. Upon the conversion of Convertible Bond, a total number of 50,000 conversion shares, representing approximately 25% of the then enlarged issued capital of Chinney Shun Cheong, was issued to the bondholder. As the percentage of ownership in Chinney Shun Cheong attributable to the Group was diluted from 100% to 75%, a deemed disposal occurred and Chinney Shun Cheong became a 75% owned subsidiary of the Group.

RESULTS

2018 was a year of steady progress for our Group. Our revenues grew to HK$6,048 million (2017: HK$5,596 million), with net profit of HK$210.4 million (2017: HK$197.3 million). The profit attributable to the owners of the Company was HK$195.9 million (2017: HK$176.8 million), calculated after deducting the profit attributable to non-controlling interests held by the public shareholders in our listed subsidiary Chinney Kin Wing Holdings Limited ("Chinney Kin Wing", together with subsidiaries, the "Chinney Kin Wing Group") of HK$14.6 million (2017: HK$20.5 million). The Group's land and buildings held for our own use showed a surplus arising from revaluation of HK$44.7 million (net of deferred tax) which was credited to reserves as "other comprehensive income" (2017: HK$52.8 million).

In reaching these results, the Group has for the first time applied HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* which are revised or new Hong Kong Financial Report Standards applicable to the current accounting period. Had the Group not applied these new standards, the profit for the year of the Group would be decreased by HK$11.6 million. More details of the effect on adoption of new and revised accounting standards are set out in note 1 to this preliminary results announcement.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK6.0 cents per share for the year ended 31 December 2018 (2017: HK6.0 cents) to the shareholders of the Company whose names appear on the Company's register of members on 14 June 2019. It is expected that the final dividend cheques will be despatched to the shareholders on or before 2 July 2019.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 4 June 2019. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 30 May 2019 to 4 June 2019 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 29 May 2019.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2018 is subject to the approval by the shareholders of the Company 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 12 June 2019 to 14 June 2019 (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 2019. 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 11 June 2019.

BUSINESS REVIEW AND PROSPECTS

Turning to the results and prospects of our major divisions:

Trading of plastic and chemical products

Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries generated revenue of HK$610 million (2017: HK$557 million) and an operating profit of HK$5.8 million (2017: HK$13.6 million). While the division showed a respectable 9.6% increase in revenue, the gross profit margin suffered from stiff competition arising from a decrease in customer sentiment stemming from the ongoing US-China trade disputes. Operating results were further eroded by a large devaluation of Renminbi amounting to some HK$3 million in a net foreign exchange loss compared with a net gain of HK$2.9 million in 2017. The division continues to develop its plastics and chemical distribution business in Mainland China and has developed new products and technologies to satisfy customer demands. For new products, sales of the "JcoNAT" brand disinfectant products is growing satisfactorily. Products can be found via the web and vending machines in railway stations and various other locations.

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") continued to make steady progress in its core HVAC, water, electrical and fire services businesses, contributing increasing revenues of HK$2,668 million (2017: HK$2,179 million) and increasing operating profits of HK$122.9 million (2017: HK$102.9 million). The construction/alternation of the factory premises of IDC Realty Holdings Limited (together with its subsidiary, the "IDC Group") to an internet data centre is practically complete and is currently in the testing stage. As at year end, the division had outstanding contract sums of approximately HK$4.6 billion.

Building construction

Chinney Construction Company, Limited and Chinney Builders Company Limited, which operate in Hong Kong, and Chinney Timwill Construction (Macau) Company Limited earned a combined revenue of HK$1,497 million (2017: HK$1,649 million) and achieved an operating profit of HK$79.2 million (2017: HK$51.9 million). Although revenues decreased as working projects reached their final stages and newly awarded projects entered their preliminary stages, the division increased operating profits through project cost savings and variation order agreements, particularly for Macau-related projects. The outstanding contract sum as at year end was approximately HK$1.4 billion. The division continues to actively seek tender opportunities in Hong Kong and Macau.

Foundation piling and ground investigation

Chinney Kin Wing Group contributed revenue of HK$1,243 million (2017: HK$1,190 million) and operating profits of HK$68.7 million (2017: HK$95.5 million) to the Group. The increase in revenue in the current year was primarily due to active work on certain sizeable projects that spanned the course of 2018. However, intense competition from other foundation contractors in a market with a limited number of foundation contracts meant that the individual contract prices were generally low. At the same time, the corresponding direct material costs and labour costs continued their upward trends which meant further erosion of the already slim contract profit. As a result, the net profit of Chinney Kin Wing fell compared to the year before. Despite the challenges presented in 2018, Chinney Kin Wing Group remained financially sound and debt-free throughout the year.

The local foundation industry was highly competitive in 2018 due to a large number of contractors and relatively few contracts in both the private and public sectors. Chinney Kin Wing had to adjust to this environment by lowering the tender prices to maintain its market position. At the same time, Chinney Kin Wing took advantage of this relative lull to hone its competitive edge through implementing a number of strategic improvements: from improved cost control measures on projects, to strengthening project management teams, to optimizing its design capabilities and flexibility, and to increasing is production efficiency.

Stepping into 2019, the market is showing a slight upturn as the number of tender opportunities continues to increase, followed by an increase in contract award prices. Another signal of the industry's recovery is the full booking of available resources by early 2019 of DrilTech, the drilling arm of Chinney Kin Wing which specialises in ground investigation, instrumentation and down-the-hole and is a key player in the ground investigation market. Ground investigations are seen as a "thermometer" for the overall market as their reports form the basis of subsequent foundation tendering activity. The management of Chinney Kin Wing are closely monitoring these developments and will continuously adjust our marketing strategy to maximize the return to our shareholders.

Other businesses

Other businesses recorded a profit of HK$3.3 million (2017: HK$0.1 million), which included the profit contributed from Chinney Alliance Engineering Limited ("CAE"), our aviation business, and after deduction of depreciation charges of the properties held for the Group's own use. The increase in profit was mainly attributed to the on-track progress of CAE projects.

The Group's share of the profits and losses of an associate reported net loss of HK$0.7 million (2017: profit of HK$1.6 million), and correlated with the Group's investment in Fineshade Investments Limited ("Fineshade"). After the disposal of all its interests in the real estate properties in Hangzhou, the People's Republic of China (the "PRC") in 2017, Fineshade remained inactive in 2018. During the year, the Group received HK$6.4 million from Fineshade as dividend and return of capital.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group, which included trust receipt loans, bank loans and the liability component of the convertible bond (in 2017 only), amounted to HK$167.4 million and were all classified as current liabilities as of 31 December 2018 (2017: HK$146.1 million, HK$145.1 million or 99% of which were classified as current liabilities). Included in the current portion of bank and other borrowings were trust receipt loans of HK$166.4 million (2017: HK$106.9 million) for financing the purchases of goods by the Group's Plastic and Chemical Trading division and the purchases of materials and equipment for installation in the projects of the Group's Building related Contracting Services division. Current ratio of the Group as of 31 December 2018, measured by total current assets over total current liabilities, was 1.7 (2017: 1.6). Total unpledged cash and bank balances as at 31 December 2018 was HK$778.9 million (2017: HK$942.1 million). The decrease in unpledged cash and bank balances was mainly due to cash used in operating activities of HK$120.1 million, payment of final dividends to shareholders of the Company and public shareholders of Chinney Kin Wing of HK$47.1 million, capital expenditure for plant and machinery and equipment as well as the costs for construction/alternation of internet data centre by IDC Group of HK$63.7 million, net of release of pledged time deposits for security of bond of HK$9.2 million, cash received from an associate company of HK$6.4 million and the financing from trust receipt loans of HK$59.5 million during the year.

The Group had a total of HK$1,426 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$167.4 million over the equity attributable to the owners of the Company of HK$1,833.3 million, was 9.1% as at 31 December 2018 (2017: 9.0%).

Funding and treasury policy

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

Pledge of assets

As of 31 December 2018, certain properties having an aggregate book value of HK$172.8 million were pledged to banks to secure bank loans and general banking facilities extended to the Group. In addition, time deposits of HK$2.1 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 of 31 December 2018, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure performance/surety bonds in the aggregate amount of HK$620.7 million issued in favour of the Group's clients on contracting works. This amount included performance/surety bonds issued in favour of the clients of the Chinney Kin Wing Group of HK$167.4 to which corporate guarantees and indemnities were provided by Chinney Kin Wing Group.

Except as disclosed above, the Group has no other material contingent liabilities as of 31 December 2018.

Employees and remuneration policies

The Group employed approximately 1,790 staff in Hong Kong and other parts of the PRC as of 31 December 2018. 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

The Company has the followings connected transactions during the year:

(a) On 20 September 2016, Gold Famous, an indirect wholly-owned subsidiary of Hon Kwok and indirect non wholly-owned subsidiary of Chinney Investments, Limited ("Chinney Investments"), 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 contract sum was arrived at after arm's length negotiations between Gold Famous and KWF by reference to prevailing market rate. KWF offered a quotation to Gold Famous after considering the geological condition of the Land, the complexity and difficulty of the Foundation Construction Works and estimated project costs.

As Dr. James Sai-Wing Wong is the chairman and executive director of and has control in each of Chinney Investments, Hon Kwok, the Company and Chinney Kin Wing, the entering into the Foundation Framework Agreement constituted a connected transaction of each of the Companies under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). As the applicable percentage ratio of the connected transaction for each of Chinney Investments, Hon Kwok, the Company and Chinney Kin Wing was more than 5% and the contract sum was more than HK$10 million, it constituted a non-exempt connected transaction under Chapter 14A of the Listing Rules and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of 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 the Company and Chinney Kin Wing, the transaction was approved by the independent shareholders of each of Chinney Investments, Hon Kwok, the Company and Chinney Kin Wing. 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 year ended 31 December 2018, KWF generated HK$93,987,000 in revenue under the Foundation Construction Works.

(b) On 12 June 2018, Gold Famous and Shun Cheong Data Centre Solutions Company Limited ("Shun Cheong Data Centre Solutions"), an indirect wholly-owned subsidiary of the Company, entered into a data centre consultancy agreement, pursuant to which Shun Cheong Data Centre Solutions was appointed by Gold Famous as the consultant to provide consultancy services in respect of the construction and development of a data centre project located in the Land (the "Project") for a fixed fee of HK$16,200,000 (the "Consultancy Agreement"). The terms of the Consultancy Agreement (including the consultancy fee) was arrived at after arm's length negotiations between Gold Famous and Shun Cheong Data Centre Solutions. Gold Famous obtained quotations from two independent third party data centre solutions consultants. Upon comparing their quotations and scope of works with that of Shun Cheong Data Centre Solutions, Gold Famous determined that the terms and prices provided by Shun Cheong Data Centre Solutions were as favourable and more suitable than those provided by similar data centre solutions consultants.

The entering into the Consultancy Agreement constituted connected transaction of each of Chinney Investments, Hon Kwok and the Company (the "Companies") under the Listing Rules. 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 the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the transaction were set out in the joint announcement of the Companies dated 12 June 2018.

The revenue recognised by Shun Cheong Data Centre Solution in respect of the transaction amounted to HK$9,720,000 in 2018.

(c) On 12 July 2018, Chinney Construction Company, Limited ("Chinney Construction"), and indirect wholly-owned subsidiary of the Company, as the contractor and Gold Famous as the employer entered into a framework agreement in relation to the construction of the data centre and the provision of ancillary building services relating to the Project. Pursuant to this agreement, Gold Famous conditionally agreed to engage Chinney Construction and Chinney Construction conditionally agreed to act as the main contractor to carry out the construction works for the Project at a tender sum of HK$724,838,691.70, subject to a potential provision sum not exceeding HK$33,000,000 (the "Construction Framework Agreement"). The terms of payment of the total contract sum under the Construction Framework Agreement followed common industry practice which was to be effected in stages based on the progress of the construction works properly executed by Chinney Construction and the materials and goods delivered, as certified by an independent architect of the Project (the "Architect") engaged by Gold Famous in the architect's certificates to be delivered to Gold Famous from time to time. Gold Famous had engaged the Architect and an independent quantity surveyor (the "Quantity Surveyor") to conduct the tendering process and both of them have examined and assessed the merits of the tenders received. In determining the main contractor of the Project, the Architect and the Quantity Surveyor considered the tender prices in addition to other factors relating to the tenderers such as the number of projects they have completed, their experiences of building contracts with similar nature, project scale and complexity, the competences of their technical staff and also the quality of their technical proposals submitted. Each tenderer was scored by the Architect after consideration of the above factors. Based on the examination and assessment by the Architect and the Quantity Surveyor, Chinney Construction received the highest score amongst the three tenderers received and the Quantity Surveyor recommended awarding the tender to Chinney Construction. By contrast, the tender sum for the Construction Framework Agreement offered by Chinney Construction to Gold Famous was determined based on the estimated project costs (including machinery usage costs, direct labour costs, subcontracting charges and construction materials costs etc.) according to the prevailing market rate, and was comparable to those offered to other independent third parties for similar construction works.

The entering into the Construction Framework Agreement constituted connected transaction of 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 Construction Framework Agreement were 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 Companies. As the applicable percentage ratios for each of the Companies, on both stand-alone and the basis when the Construction Framework Agreement were aggregated with the Consultancy Agreement, were more than 5% and the contract sum was more than HK$10 million, the entering into the Construction Framework Agreement and the transactions contemplated thereunder constituted a non-exempt connected transaction under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules for each of the Companies. The transaction was approved by independent shareholders of Chinney Investments and Hon Kwok on their respective extraordinary general meetings, and by the independent shareholders of the Company on special general meeting held on 24 August 2018. Details of the transaction were set out in the joint announcement of the Companies dated 12 July 2018 and a circular of the Company dated 8 August 2018.

The revenue recognised by Chinney Construction in respect of the transaction amounted to HK$11,920,000 in 2018.

PROCEEDS FROM ISSUE OF CONVERTIBLE BOND

The net proceeds from the issue of a convertible bond by Chinney Shun Cheong Holdings, a then wholly-owned subsidiary of the Company, with a principal sum of HK$40 million (the "Convertible Bond") of HK$39.7 million in April 2017 were fully utilised for capital injection to the IDC Group acquired in 2018 for the construction and purchase of equipment for the internet data centre in Longgang District, Shenzhen, the PRC.

EVENT AFTER THE REPORTING PERIOD

On 10 January 2019, the Group entered into a provisional sale and purchase agreement with an independent third party to acquire certain of its land and buildings situated in Hong Kong for a cash consideration of HK$17,000,000. Formal sale and purchase agreement was subsequently entered on 23 January 2019. The transaction was completed on 8 March 2019.

OUTLOOK

The strong global growth of 2017 and early 2018 seems to have lost momentum and shows signs of further deceleration. The effect of the fiscal stimulus by the US Government was less effective than expected and the growth expectation of the US economies is moderating. The Federal Reserve left the interest rates unchanged after the March 2019 meeting and it is expected to remain unchanged for the remainder of 2019. The good news is the cost of borrowings has steadied but the economic slowdown is of concerned. Therefore, we have conservatively decided to maintain a very low leveraged financial posture so that we can be opportunistic in the coming year.

There are other worrying signs of a maturing economic cycle. Although US and Mainland China trade talks continue and shows sign of productive progress, it is difficult to speculate on the final agreement and its implementation. These trade tensions affect international trade and investments and Hong Kong, and create turbulence in our markets. Economic growth in Europe has stalled and may even be in the early stages of a retreat. Brexit approaches the deadline though it is generally expected that an extension can be agreed. Nevertheless, the possibility of no-deal Brexit cannot be ruled out. Mainland China's economic growth is also stagnating in the face of unfavourable external conditions but their reduced reliance on exports and implementation of counter-cyclical policy measures should help support moderate growth.

The Hong Kong economy grew 3% for 2018, lower than 2017's 4.1%. While growth was strong in the first half of 2018, the pace decelerated to 2.8% in the third quarter and further to 1.3% in the fourth quarter of 2018. With the slowdown of external advanced economies, exports recorded declines in the fourth quarter. On positive news, the unemployment rate declined to 2.8%, the lowest in more than 20 years. The low unemployment rate, combined with solid growth in wages and earnings, supported private consumption. In addition, the Hong Kong Government is continuing its program of dynamic civil and infrastructure spending. So the short and medium-term outlook for Hong Kong economies is moderately optimistic. We are looking particularly at opportunities brought on by the Belt and Road Initiative and the Guangdong-Hong Kong-Macau Bay Area development.

As mentioned in the last annual report, the shortage of land supply and aging skilled labour will constrain further growth in Hong Kong. With the plans of Lantau Tomorrow, development of brownfield land, land sharing and revitalisation of industrial buildings to increase land supply as reported in Chief Executive's policy address in October 2018, the society should consider the cost and benefit of the plans and to implement them upon approval. However, there seems no specific measures to solve the problem of our aging labour force. Hong Kong already has some of the most expensive costs in the world. This trend makes it difficult to bring costs down. And contractors of all trades may have to lower profit margins to keep their tenders competitive. The Group's construction businesses will continue to face intense competition to secure projects, even as we use our best efforts to manage the progress and costs of projects.

Overall, given the Government's effort to resolve the land supply shortage, business opportunities for the construction industry look sustainable in the mid to long-term. The Group's Plastic and Chemical division has the pulse of the market and will continue to explore new products and technologies. With the satisfactory level of value of contracts on hand, the Board is cautiously optimistic about the Group's business prospects for the coming year.

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 past year.

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

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (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 year ended 31 December 2018.

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 year, 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 of the CG Code 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 the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election and that code provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

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

   Dr. James Sai-Wing Wong, the beneficial owner of Chinney Investments, Enhancement Investments Limited and Chinney Capital Limited, which collectively holds approximately 73.43% interest in the Company, is the Chairman of the Board to safeguard their investments in the Company. In addition, the Board considers that the continuity of the office of the Chairman and Managing Director provide the Group with a strong and consistent leadership for the smooth operation of the businesses of the Group. As a result, the Board concurred that the Chairman and the Managing Director need not be subject to retirement by rotation.

3. 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.

4. Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Chi-Chiu Wu, being independent non-executive director of the Company, did not attend the annual general meeting of the Company held on 1 June 2018 due to engagement in his own business.

Details of the Company's corporate governance policies and practices (including the above deviations from the code provisions) will be discussed in the Company's 2018 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 auditor the financial reporting matters of the Group for the year ended 31 December 2018.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

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 year.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 27 March 2019

At the date of this announcement, the Board comprises of eight directors, of which four are executive directors, namely Dr. James Sai-Wing Wong, Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam; and one is non-executive director, Ms. Wendy Kim-See Gan; and three are independent non-executive directors, namely Mr. Yuen-Tin Ng, Mr. Chi-Chiu Wu and Mr. Ronald James Blake.

* *For identification purpose only*