CHINNEY KIN WING HOLDINGS LIMITED

建業建榮控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1556)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of Chinney Kin Wing Holdings Limited (the "Company") is pleased to announce the consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 and the consolidated statement of financial position of the Group as at 31 December 2019 together with comparative figures in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**1,303,643**	1,242,956
Cost of construction		**(1,053,291)**	(989,526)
Gross profit		**250,352**	253,430
Other income and gains	*4*	**2,831**	2,565
Administrative expenses		**(184,386)**	(186,026)
Finance costs		**(524)**	–
PROFIT BEFORE TAX	*5*	**68,273**	69,969
Income tax expense	*6*	**(10,700)**	(12,333)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**57,573**	57,636
Profit and total comprehensive income attributable to:			
Equity owners of the Company		**57,573**	57,636
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic and diluted		**HK 3.84 cents**	HK 3.84 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2019** ***HK$'000***	31 December 2018 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**256,002**	277,290
Right-of-use assets		**9,752**	–
Total non-current assets		**265,754**	277,290
CURRENT ASSETS			
Trade receivables	*9*	**257,327**	157,730
Contract assets		**279,223**	270,895
Prepayments, deposits and other receivables		**25,139**	18,772
Due from a fellow subsidiary		**1,790**	1,790
Due from a related company	*10*	**5,250**	10,500
Tax recoverable		**8,024**	11,274
Cash and cash equivalents		**54,607**	193,661
Total current assets		**631,360**	664,622
CURRENT LIABILITIES			
Trade and retention monies payables	*11*	**174,288**	169,395
Other payables and accruals		**203,798**	297,906
Tax payable		**14,673**	4,381
Lease liabilities		**9,060**	–
Total current liabilities		**401,819**	471,682
NET CURRENT ASSETS		**229,541**	192,940
TOTAL ASSETS LESS CURRENT LIABILITIES		**495,295**	470,230
NON-CURRENT LIABILITIES			
Lease liabilities		**866**	–
Deferred tax liabilities		**41,766**	45,140
Total non-current liabilities		**42,632**	45,140
Net assets		**452,663**	425,090
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**150,000**	150,000
Reserves		**302,663**	275,090
Total equity		**452,663**	425,090

NOTES:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda on 29 May 2015. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Room 2308, 23/F., Wing On Centre, 111 Connaught Road Central, Hong Kong.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally involved in foundation construction, and drilling and site investigation works for both public and private sectors in Hong Kong and overseas.

2. 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 and are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

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

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

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

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

(a) *(continued)*

New definition of a lease

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

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance cost).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

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

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

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

(a) *(continued)*

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	HK'000
Assets	
Increase in right-of-use assets and total assets	18,668
Liabilities	
Increase in lease liabilities and total liabilities	18,668

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

	HK'000
Operating lease commitments as at 31 December 2018	19,548
Weighted average incremental borrowing rate as at 1 January 2019	3.57%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	18,668

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered that the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group is organised into business units based on their services and has two reportable operating segments as follows:

- Foundation construction and ancillary services (the "Foundation Division"); and
- Drilling and site investigation (the "Drilling Division")

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted operating profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as unallocated corporate gains and expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude 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.

3. **OPERATING SEGMENT INFORMATION** (*continued*)

Year ended 31 December 2019

	Foundation construction and ancillary services *HK$'000*	Drilling and site investigation *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	**1,075,296**	**228,347**	**1,303,643**
Intersegment sales	**–**	**86,587**	**86,587**
Other revenue			
– Rental income from leasing of machinery	**2,100**	**–**	**2,100**
– Others	**374**	**357**	**731**
	1,077,770	**315,291**	**1,393,061**
Reconciliation:			
Elimination of intersegment sales			**(86,587)**
Other revenue			**(2,831)**
Revenue			**1,303,643**
Segment results	**40,211**	**36,206**	**76,417**
Reconciliation:			
Corporate and other unallocated expenses			**(7,999)**
Interest income			**379**
Finance costs			**(524)**
Profit before tax			**68,273**
Segment assets	**722,918**	**172,470**	**895,388**
Reconciliation:			
Corporate and other unallocated assets			**1,726**
Total assets			**897,114**
Segment liabilities	**286,679**	**154,168**	**440,847**
Reconciliation:			
Corporate and other unallocated liabilities			**3,604**
Total liabilities			**444,451**
Other segment information:			
Depreciation of property, plant and equipment	**52,893**	**566**	**53,459**
Depreciation of right-of-use assets	**8,916**	**–**	**8,916**
Capital expenditure*	**29,357**	**15,524**	**44,881**

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

3. OPERATING SEGMENT INFORMATION (*continued*)

Year ended 31 December 2018

	Foundation construction and ancillary services *HK$'000*	Drilling and site investigation *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	1,073,054	169,902	1,242,956
Intersegment sales	–	80,939	80,939
Other revenue			
– Rental income from leasing of machinery	600	–	600
– Others	1,102	863	1,965
	1,074,756	251,704	1,326,460
Reconciliation:			
Elimination of intersegment sales			(80,939)
Other revenue			(2,565)
Revenue			1,242,956
Segment results	49,095	26,114	75,209
Reconciliation:			
Corporate and other unallocated expenses			(6,381)
Interest income			1,141
Profit before tax			69,969
Segment assets	718,980	221,410	940,390
Reconciliation:			
Corporate and other unallocated assets			1,522
Total assets			941,912
Segment liabilities	350,214	161,900	512,114
Reconciliation:			
Corporate and other unallocated liabilities			4,708
Total liabilities			516,822
Other segment information:			
Depreciation of property, plant and equipment	54,650	234	54,884
Impairment of goodwill	398	–	398
Capital expenditure*	28,204	2,422	30,626

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

3. OPERATING SEGMENT INFORMATION (*continued*)

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**1,300,349**	1,233,471
Macau and Singapore	**3,294**	9,485
	1,303,643	1,242,956

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**265,754**	277,290

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**246,954**	146,191
Customer B	**198,366**	222,000
Customer C	**163,282**	*

* *Less than 10%*

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contract with customers		
Construction services	**1,303,643**	1,242,956

Revenue from contracts with customers

Disaggregated revenue information

For the year ended 31 December 2019

Segments	**Foundation construction and ancillary services**	**Drilling and site investigation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Type of services			
Construction services	**1,075,296**	**228,347**	**1,303,643**
Geographical markets			
Hong Kong	**1,075,296**	**225,053**	**1,300,349**
Singapore	**–**	**3,294**	**3,294**
Total revenue from contracts with customers	**1,075,296**	**228,347**	**1,303,643**
Timing of revenue recognition			
Services transferred over time	**1,075,296**	**228,347**	**1,303,643**
Revenue from contracts with customers			
External customers	**1,075,296**	**228,347**	**1,303,643**
Intersegment sales	**–**	**86,587**	**86,587**
	1,075,296	**314,934**	**1,390,230**
Elimination of intersegment sales	**–**	**(86,587)**	**(86,587)**
Total revenue from contracts with customers	**1,075,296**	**228,347**	**1,303,643**

4. REVENUE, OTHER INCOME AND GAINS (*continued*)

For the year ended 31 December 2018

Segments

	Foundation construction and ancillary services *HK$'000*	Drilling and site investigation *HK$'000*	Total *HK$'000*
Type of services			
Construction services	1,073,054	169,902	1,242,956
Geographical markets			
Hong Kong	1,068,993	164,478	1,233,471
Macau and Singapore	4,061	5,424	9,485
Total revenue from contracts with customers	1,073,054	169,902	1,242,956
Timing of revenue recognition			
Services transferred over time	1,073,054	169,902	1,242,956
Revenue from contracts with customers			
External customers	1,073,054	169,902	1,242,956
Intersegment sales	–	80,939	80,939
	1,073,054	250,841	1,323,895
Elimination of intersegment sales	–	(80,939)	(80,939)
Total revenue from contracts with customers	1,073,054	169,902	1,242,956

Other income and gains

	2019 *HK$'000*	2018 *HK$'000*
Bank interest income	**379**	1,141
Rental income from leasing of machinery	**2,100**	600
Foreign exchange differences, net	**352**	111
Others	**–**	713
	2,831	2,565

5. PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of construction	**1,053,291**	989,526
Depreciation of property, plant and equipment	**62,612**	62,948
Less: Amount included in cost of construction	**(9,153)**	(8,064)
	53,459	54,884
Depreciation of right-of-use assets	**8,916**	–
Staff costs (including directors' remuneration)		
Salaries, wages and allowances	**293,942**	261,498
Pension scheme contributions	**13,294**	11,035
	307,236	272,533
Less: Amount included in cost of construction	**(234,111)**	(197,299)
	73,125	75,234
Auditor's remuneration	**1,339**	1,427
Minimum lease payments under operating leases	**–**	9,790
Lease payments not included in the measurement of lease liabilities	**2,001**	–
Loss on disposal of items of property, plant and equipment	**330**	1,117
Impairment of goodwill	**–**	398
Foreign exchange differences, net	**(352)**	(111)

6. INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**14,330**	15,024
Over provision in prior years	**–**	(381)
Current – Elsewhere		
Charge for the year	**266**	1,237
Over provision in prior years	**(522)**	–
Deferred	**(3,374)**	(3,547)
Total tax charge for the year	**10,700**	12,333

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rate 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 basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$57,573,000 (2018: HK$57,636,000) and the number of ordinary shares of 1,500,000,000 (2018: 1,500,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

8. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Proposed final dividend of HK 1.5 cents (2018: HK 2.0 cents) per ordinary share	**22,500**	30,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**257,327**	157,730

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month. 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing. At 31 December 2019, the Group has certain concentration risk that may arise from the exposure to the largest customer and five largest customers, which accounted for 36% and 79% (2018: 23% and 71%) of the Group's total receivables balance, respectively.

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

	2019	2018
	HK$'000	*HK$'000*
Current to 30 days	**166,549**	118,572
31 to 60 days	**82,750**	29,111
61 to 90 days	**160**	2,259
Over 90 days	**7,868**	7,788
	257,327	157,730

10. 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 controlling shareholder of the Company, is also a director of and has a beneficial interest in. Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam are common directors of the Company and Hon Kwok.

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

11. TRADE AND RETENTION MONIES PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**133,802**	139,960
Retention monies payable	**40,486**	29,435
	174,288	169,395

The ageing analysis of the trade and retention monies payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Current to 30 days	**106,820**	125,209
31 to 60 days	**19,579**	11,187
61 to 90 days	**5,927**	153
Over 90 days	**1,476**	3,411
	133,802	139,960
Retention monies payable	**40,486**	29,435
	174,288	169,395

The trade and retention monies payables are non-interest-bearing. Trade payables are normally settled on 30-day terms. Retention monies payable had repayment terms ranging from one to two years.

12. EVENT AFTER THE REPORTING PERIOD

The recent escalation of COVID-19 coronavirus to a global pandemic has an adverse impact on market sentiments and posed challenge to the whole world. The Group continues to closely monitor the development of the pandemic and takes all possible and reasonable measures to mitigate the effect on the Group's operations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

During the year under review, the Group had completed 8 and 27 projects with contract sum of approximately HK$642 million and HK$75 million in the Foundation Division and the Drilling Division respectively.

As at 31 December 2019, the Group had 10 and 44 projects in progress with contract sum of approximately HK$3,105 million and HK$378 million in the Foundation Division and the Drilling Division respectively.

Revenue

Set out below is the breakdown of revenue of the Group during the current and previous year:

	2019	2018
	HK$'000	*HK'000*
Foundation Division	**1,075,296**	1,073,054
Drilling Division	**228,347**	169,902
	1,303,643	1,242,956

The Group's revenue for the year under review was HK$1,303.6 million (2018: HK$1,243.0 million), representing an increase of 4.9% from the previous year. The increase of revenue in the reporting year was attributed to the contribution of Drilling Division from previous corresponding year of HK$169.9 million to current reporting year of HK$228.3 million, together with the stablised revenue contribution of approximately HK$1,070 million from the Foundation Division in both years of 2019 and 2018.

Gross profit and gross profit margin

The Group's total gross profit was HK$250.4 million (2018: HK$253.4 million), representing a slightly decrease of 1.2% from the previous year. The Group's gross profit margin also decreased from previous year of 20.4% to current reporting year of 19.2%. The decrease of both the gross profit and the gross profit margin was due to the continuing weak and competitive foundation market which had suppressed the contract price of those awarded contracts and the contract profits contributed therefrom. The increase of direct material costs and labour wages further deteriorated the gross profit and gross profit margin to some certain extent.

Administrative expenses

The Group's administrative expenses were stabilised at the reporting year of HK$184.4 million as compared with the previous corresponding year of HK$186.0 million. The stablised administrative expenses were due to the Group's stringent and persistent control of the administrative overheads.

Net profit

The Group's net profit was maintained at HK$57.6 million in both years of 2019 and 2018. The impact of the decrease in gross profit for the reporting year of HK$3.1 million was set-off in aggregate by the decrease of administrative expenses of HK$1.6 million and the tax saving of HK$1.6 million.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2019, the Group had unpledged cash and bank balances of HK$54.6 million as compared with that of HK$193.7 million at 31 December 2018. The decrease was mainly due to the payment of 2018 final dividend of HK$30.0 million to our shareholders as well as a cash payment of HK$44.9 million for investments in our machinery fleets. In addition, net cash had been expended for certain sizeable projects before the end of the reporting year and certification of progress payments were still pending from our customers. The Group had a total of HK$715.5 million undrawn facilities extended from banks and financial institutions at year-end available for its working capital, trade finance and issue of performance/surety bonds. Overall, the Group maintained a sound financial position during the year under review.

Funding and treasury policy

The Group adheres to a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the board of directors closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Contingent liabilities

As at 31 December 2019, the Group provided corporate guarantees and indemnities to certain banks and an insurance company for an aggregate amount of HK$200.5 million (2018: HK$167.5 million) for the issue of performance bonds in its ordinary course of business.

Employees and remuneration policies

Our continued success depends on the efforts of our immensely professional foundation and drilling contracting teams. As at 31 December 2019, the Group employed 531 staff in Hong Kong. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

OUTLOOK AND FUTURE PLANS

The year of 2019 was full of challenges. The political and social issues in Hong Kong have created additional uncertainty in the economy and the foundation market had undoubtedly be adversely affected. In early 2019, there was a slight albeit short upturn in the foundation market, with our Group being awarded several sizeable private foundation contracts. However, the foundation market remained competitive during most of the year and keen competition amongst the market players persisted. Bidding prices of the foundation contracts, in both the public and private sectors of the foundation industry, continued to be conservative. In addition, maintaining the high index of direct material costs and labour wages, together with the demanding contract requirements from the employers, positioned foundations contractors in a difficult situation in the short to medium term.

To cope with the increasing complexities and demanding contract requirements of the foundation contracts, the Group will further sharpen its competitive edge by allocating adequate resources toward recruiting different levels of competent staffs and capital investment in modernising the machinery fleets. As a key market player in the foundation industry, the Group will compete against other competitors in the market by continuing adoption of the "3P Enhancement Program", namely Project management system, Production efficiency and Plant modernisation, which has significantly enhanced the Group's revenue and profit contribution over the years.

Our Drilling Division, DrilTech, with specialised technology in ground investigation, instrumentation and Down-the-hole projects continued to perform satisfactorily with record high revenue and profit in the reporting year. Tender opportunities for DrilTech were increasing as its name is included in the tenderer list of various key Hong Kong property developers and Architects. DrilTech had also applied for admission to other categories of specialist contractors of the Development Bureau so as to broaden the business opportunities to work for the public sector of the construction industry. Adequate resources will be deployed to DrilTech for the further development of its business line of instrumentation and monitoring in the ground investigation field works. Based on this strategy, we expect that DrilTech will further expand its scope of services and in turn enhance the revenue and profit contribution to the Group in the coming years.

With the Group's long established reputation in the foundation industry, together with our competitive strength and talented staff led by a committed Execution Panel, we are confident that the Group's business and our client base will continue to expand even within the existing challenging environment. We are conservatively optimistic as to the long term demands in the construction industry especially in view of the housing supply target of 430,000 housing units in Hong Kong from both the public and private sectors in the next decade as well as the Government's policies to launch large scale of infrastructure projects in medium term.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2019 to the shareholders of the Company whose names appear on the Company's register of members on 18 June 2020. Subject to approval by the shareholders on the forthcoming annual general meeting, the dividend cheques are expected to be despatched to the shareholders on or before 7 July 2020.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 9 June 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 4 June 2020 to 9 June 2020 (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 Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 3 June 2020.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2019 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 16 June 2020 to 18 June 2020 (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 11 June 2020. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 15 June 2020.

A NOTE OF THANKS & APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my appreciation to our staff and workforce for their continued dedication and professionalism. Foundation work is a tough industry and our project teams consistently perform to a high standard.

Our many stakeholders and business partners are important to our business and we give our thanks for their tremendous support and loyalty.

In addition, I would like to extend my deep thanks to our shareholders for your unwavering support. With our unique blend of operational excellence and expertise in the field, we are poised to create significant shareholder value in the future.

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 of 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 2019.

Compliance with the Corporate Governance Code

In the opinion of the directors, the Company has complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the year, except code provision A.1.1. 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.

Details of the Company's corporate governance policies and practices (including the above deviation from the code provisions) will be discussed in the Company's 2019 annual report.

Audit Committee

The Audit Committee comprises all the three independent non-executive directors namely Mr. Siu-Chee Kong (Chairman of the Audit Committee), Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui.

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 2019.

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 and comprehensive income and the related notes thereto for the year ended 31 December 2019 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
Yuen-Keung Chan
Chairman

Hong Kong, 26 March 2020

At the date of this announcement, the Board comprises of eight directors, of which five are executive directors, namely Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong, Mr. Wing-Sang Yu, Mr. Philip Bing-Lun Lam and Mr. Hin-Kwong So; and three are independent non-executive directors, namely Mr. Siu-Chee Kong, Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui.

* *For identification purpose only*