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 2019

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 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

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **REVENUE** | *2* | **5,219,559** | 6,047,951 |
| Cost of sales/services provided | | **(4,552,999)** | (5,341,838) |
| Gross profit | | **666,560** | 706,113 |
| Other income | *3* | **6,536** | 9,337 |
| Selling and distribution costs | | **(12,851)** | (14,910) |
| Administrative expenses | | **(463,015)** | (431,821) |
| Other operating expenses, net | | **(214)** | (3,769) |
| Changes in fair value of investment properties, net | | **(102)** | 3,396 |
| Deficit from revaluation of property, plant and equipment | | **(1,359)** | – |
| Finance costs | *4* | **(11,809)** | (11,710) |
| Share of losses of an associate | | **–** | (680) |
| **PROFIT BEFORE TAX** | *5* | **183,746** | 255,956 |
| Income tax expense | *6* | **(39,967)** | (45,522) |
| **PROFIT FOR THE YEAR** | | **143,779** | 210,434 |
| Attributable to: | | | |
| Owners of the Company | | **130,983** | 195,867 |
| Non-controlling interests | | **12,796** | 14,567 |
| | | **143,779** | 210,434 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | *7* | | |
| Basic and diluted | | **HK22.0 cents** | HK32.9 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| **PROFIT FOR THE YEAR** | **143,779** | 210,434 |
| **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 loss that may be reclassified to profit or loss in subsequent periods | **(1,380)** | (1,745) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Surplus on revaluation of land and buildings | **3,261** | 50,616 |
| Income tax effect | **(1,624)** | (5,900) |
| | **1,637** | 44,716 |
| Change in fair value of equity investment at fair value through other comprehensive income | **(324)** | 111 |
| Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods | **1,313** | 44,827 |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX** | **(67)** | 43,082 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **143,712** | 253,516 |
| Attributable to: | | |
| Owners of the Company | **130,916** | 238,949 |
| Non-controlling interests | **12,796** | 14,567 |
| | **143,712** | 253,516 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **31 December 2019** **HK$'000** | 31 December 2018 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **881,258** | 815,340 |
| Investment properties | | **39,191** | 20,386 |
| Investment in an associate | | **–** | 208 |
| Investment in a joint venture | | **–** | – |
| Equity investment at fair value through other comprehensive income | | **2,830** | 2,919 |
| Goodwill | | **14,369** | 14,369 |
| Financial assets at fair value through profit or loss | | **6,053** | 3,964 |
| Prepayments, deposits and other receivables | | **2,516** | 2,618 |
| Deferred tax assets | | **50** | 144 |
| Total non-current assets | | **946,267** | 859,948 |
| **CURRENT ASSETS** | | | |
| Inventories | | **74,150** | 88,370 |
| Contract assets | | **1,169,182** | 1,139,522 |
| Trade receivables | *9* | **730,073** | 670,167 |
| Amount due from a related company | *10* | **106,642** | 22,420 |
| Amount due from a joint venture | | **967** | 967 |
| Prepayments, deposits and other receivables | | **271,077** | 78,760 |
| Derivative financial instruments | | **–** | 827 |
| Tax recoverable | | **8,024** | 16,349 |
| Pledged time deposits | | **452** | 2,102 |
| Cash and cash equivalents | | **647,827** | 778,936 |
| Total current assets | | **3,008,394** | 2,798,420 |
| **CURRENT LIABILITIES** | | | |
| Trade, bills and retention monies payables | *11* | **714,509** | 707,212 |
| Trust receipt loans | | **144,804** | 166,452 |
| Other payables and accruals | | **717,519** | 711,444 |
| Tax payable | | **51,939** | 22,283 |
| Interest-bearing bank borrowings | | **106,332** | 947 |
| Lease liabilities | | **12,356** | – |
| Total current liabilities | | **1,747,459** | 1,608,338 |
| **NET CURRENT ASSETS** | | **1,260,935** | 1,190,082 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,207,202** | 2,050,030 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

| | *Notes* | **31 December 2019** ***HK$'000*** | 31 December 2018 *HK$'000* |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | | **58,756** | – |
| Deferred tax liabilities | | **96,700** | 98,652 |
| Total non-current liabilities | | **155,456** | 98,652 |
| Net assets | | **2,051,746** | 1,951,378 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | | **59,490** | 59,490 |
| Reserves | | **1,868,997** | 1,773,775 |
| | | **1,928,487** | 1,833,265 |
| **Non-controlling interests** | | **123,259** | 118,113 |
| Total equity | | **2,051,746** | 1,951,378 |

*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 leasehold land and buildings included in property, plant and equipment, investment properties, equity investment 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.

<u>Changes in accounting policies and disclosures</u>

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 |

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

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.

<u>New definition of a lease</u>

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.

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

(a) *(continued)*

<u>As a lessee – Leases previously classified as operating leases</u>

*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 lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the 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 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

## 1. 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:

| | **Increase/ (decrease)** *HK$'000* |
|---|---|
| **Assets** | |
| Increase in property, plant and equipment (including right-of-use assets) and total assets | 80,328 |
| **Liabilities** | |
| Increase in lease liabilities and total liabilities | 80,328 |

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** | 143,137 |
| Add: Payments for optional extension periods not recognised as at 31 December 2018 | 4,391 |
| Less: Recognition exemption to short-term leases | (15,193) |
| | 132,335 |
| Effect of discounting at incremental borrowing rates | (52,007) |
| **Lease liabilities as at 1 January 2019** | 80,328 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 5.89% |

(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.

## 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 distribution of aviation system and other hi-tech products and property holding.

### Year ended 31 December 2019

| | Plastic and chemical products | Building related contracting services | Building construction | Foundation piling and ground investigation | Others | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Segment revenue:** | | | | | | |
| Sales to external customers | **481,780** | **2,210,597** | **1,126,365** | **1,303,643** | **97,174** | **5,219,559** |
| Intersegment sales | **229** | **121,900** | **–** | **–** | **–** | **122,129** |
| Other revenue | **927** | **454** | **349** | **2,479** | **3** | **4,212** |
| | **482,936** | **2,332,951** | **1,126,714** | **1,306,122** | **97,177** | **5,345,900** |
| *Reconciliation*: | | | | | | |
| Elimination of intersegment sales | | | | | | **(122,129)** |
| Revenue | | | | | | **5,223,771** |
| **Segment results** | **(465)** | **87,799** | **56,764** | **68,054** | **47** | **212,199** |
| *Reconciliation*: | | | | | | |
| Interest income and unallocated gains | | | | | | **2,324** |
| Unallocated expenses | | | | | | **(29,316)** |
| Changes in fair value of investment properties | | | | | | **(102)** |
| Deficit from revalutation of properties and prepaid land lease | | | | | | **(1,359)** |
| Profit before tax | | | | | | **183,746** |

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

### Year ended 31 December 2019

| | 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** | **361,494** | **1,518,685** | **734,277** | **892,941** | **268,509** | **3,775,906** |
| *Reconciliation*: | | | | | | |
| Elimination of intersegment receivables | | | | | | **(59,695)** |
| Equity investment at fair value through other comprehensive income | | | | | | **2,830** |
| Financial assets at fair value through profit or loss | | | | | | **1,647** |
| Corporate and other unallocated assets | | | | | | **233,973** |
| Total assets | | | | | | **3,954,661** |
| **Segment liabilities** | **95,449** | **961,412** | **246,117** | **387,919** | **99,063** | **1,789,960** |
| *Reconciliation*: | | | | | | |
| Elimination of intersegment payables | | | | | | **(59,695)** |
| Corporate and other unallocated liabilities | | | | | | **172,650** |
| Total liabilities | | | | | | **1,902,915** |
| **Other segment information:** | | | | | | |
| Provision for inventories included in cost of inventories sold | **1,511** | **9** | **–** | **–** | **–** | **1,520** |
| Depreciation | **6,946** | **9,797** | **7,381** | **62,594** | **8,547** | **95,265** |
| Capital expenditure* | **3,002** | **21,151** | **21,175** | **44,881** | **20,157** | **110,366** |

* *Capital expenditure represents additions to property, plant and equipment and investment properties, excluding right-of-use assets arising from leased buildings.*

## 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 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 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 at fair value through other comprehensive income | | | | | | 2,919 |
| Financial assets at fair value through profit or loss | | | | | | 283 |
| Corporate and other unallocated assets | | | | | | 264,751 |
| 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)*

### *Geographical information*

(a) Revenue from external customers

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **4,590,247** | 5,404,584 |
| Mainland China, Macau and Singapore | **629,312** | 643,367 |
| | **5,219,559** | 6,047,951 |

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

(b) Non-current assets

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **737,148** | 734,347 |
| Mainland China and Macau | **183,301** | 101,379 |
| | **920,449** | 835,726 |

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 equity investment 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, deposits and other receivables.

### *Information about major customers*

During the years ended 31 December 2019 and 2018, 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

| Segments | Plastic and chemical products<br>*HK$'000* | Building related contracting services<br>*HK$'000* | Building construction<br>*HK$'000* | Foundation piling and ground investigation<br>*HK$'000* | Others<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2019** | | | | | | |
| **Type of goods or services** | | | | | | |
| Sales of goods | **481,780** | **134,476** | **–** | **–** | **–** | **616,256** |
| Construction services | **–** | **2,076,121** | **1,126,365** | **1,303,643** | **97,174** | **4,603,303** |
| Total revenue from contract with customers | **481,780** | **2,210,597** | **1,126,365** | **1,303,643** | **97,174** | **5,219,559** |
| **Geographical markets** | | | | | | |
| Hong Kong | **317,446** | **2,025,978** | **860,702** | **1,300,349** | **85,772** | **4,590,247** |
| Mainland China, Macau and Singapore | **164,334** | **184,619** | **265,663** | **3,294** | **11,402** | **629,312** |
| Total revenue from contract with customers | **481,780** | **2,210,597** | **1,126,365** | **1,303,643** | **97,174** | **5,219,559** |
| **Timing of revenue recognition** | | | | | | |
| Goods transferred at a point in time | **481,780** | **134,476** | **–** | **–** | **–** | **616,256** |
| Services transferred over time | **–** | **2,076,121** | **1,126,365** | **1,303,643** | **97,174** | **4,603,303** |
| Total revenue from contract with customers | **481,780** | **2,210,597** | **1,126,365** | **1,303,643** | **97,174** | **5,219,559** |

## 3. REVENUE AND OTHER INCOME *(continued)*

| Segments | Plastic and chemical products<br>*HK$'000* | Building related contracting services<br>*HK$'000* | Building construction<br>*HK$'000* | Foundation piling and ground investigation<br>*HK$'000* | Others<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|---|
| For the year ended 31 December 2018 | | | | | | |
| **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 |

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| **Other income** | | |
| Interest income | **3,587** | 4,601 |
| Commission income | **180** | 280 |
| Gross rental income from an investment property and machinery leases: | | |
| Lease payments, including fixed payment | **2,165** | – |
| Others | **604** | 4,456 |
| | **6,536** | 9,337 |

## 4. FINANCE COSTS

| | 2019 *HK$'000* | 2018 *HK$'000* |
|---|---|---|
| Interest on bank loans and overdrafts | **7,203** | 5,641 |
| Interest on a convertible bond | **–** | 6,069 |
| Interest on lease liabilities | **4,606** | – |
| | **11,809** | 11,710 |

## 5. PROFIT BEFORE TAX

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

| | 2019 *HK$'000* | 2018 *HK$'000* |
|---|---|---|
| Cost of inventories sold | **584,575** | 652,914 |
| Cost of services provided | **3,968,424** | 4,688,924 |
| Depreciation | **104,831** | 85,122 |
| Less: Amount included in cost of services provided | **(9,566)** | (8,589) |
| | **95,265** | 76,533 |
| Minimum lease payments under operating leases in respect of land and buildings | **–** | 19,528 |
| Lease payments not included in the measurement of lease liabilities | **7,829** | – |
| Auditor's remuneration | **3,857** | 4,339 |
| Employee benefits expense (including directors' remuneration) | **790,885** | 758,379 |
| Less: Amount included in cost of services provided | **(537,336)** | (518,522) |
| | **253,549** | 239,857 |
| Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties | **234** | 404 |
| Provision/(write-back of provision) for inventories included in cost of inventories sold | **1,520** | (304) |
| Impairment of goodwill* | **–** | 398 |
| Loss on disposal of items of property, plant and equipment, net* | **459** | 1,000 |
| Loss on dissolution of an associate* | **22** | – |
| Fair value changes in financial assets at fair value through profit or loss* | **(725)** | – |
| Fair value loss/(gain) on derivative financial instruments – transaction not qualifying as hedge* | **12** | (827) |
| Foreign exchange differences, net* | **446** | 3,198 |

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

## 6. INCOME TAX

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current – Hong Kong | | |
| Charge for the year | **40,370** | 42,834 |
| Over provision in prior years | **(49)** | (642) |
| Current – Elsewhere | | |
| Charge for the year | **3,700** | 6,999 |
| Over provision in prior years | **(572)** | – |
| Deferred | **(3,482)** | (3,669) |
| Total tax charge for the year | **39,967** | 45,522 |

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 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$130,983,000 (2018: HK$195,867,000), and the number of 594,899,245 ordinary shares in issue during both years.

In 2018, 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.

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

The calculation of diluted earnings per share is based on:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation | **130,983** | 195,867 |
| Interest on convertible bond of a subsidiary, net of tax | **–** | 6,069 |
| Dilution of earnings arising from the full conversion of the convertible bond of a subsidiary | **–** | 1,099 |
| | **130,983** | 203,035* |

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

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

## 8. DIVIDEND

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Proposed final – HK4.0 cents (2018: HK6.0 cents) per ordinary share | **23,796** | 35,694 |

## 9. TRADE RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **730,073** | 670,167 |

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

An 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 | **400,129** | 415,306 |
| 31 to 60 days | **183,634** | 163,937 |
| 61 to 90 days | **66,267** | 33,605 |
| Over 90 days | **80,043** | 57,319 |
| | **730,073** | 670,167 |

## 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 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, BILLS AND RETENTION MONIES PAYABLES

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade payables | **416,371** | 414,504 |
| Bills payable | **15,432** | 25,727 |
| Retention monies payable | **282,706** | 266,981 |
| | **714,509** | 707,212 |

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

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Current to 30 days | **328,461** | 315,929 |
| 31 to 60 days | **56,234** | 61,247 |
| 61 to 90 days | **22,465** | 27,019 |
| Over 90 days | **9,211** | 10,309 |
| | **416,371** | 414,504 |

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

## 12. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2019, the Group has the following significant events after the reporting period.

(a) As detailed in an announcement published by the Company on 26 November 2019, the Group entered into an acquisition agreement with an independent third party on that date to acquire the entire equity interest in a wholly foreign owned enterprise established in the People's Republic of China ("PRC") for a cash consideration of RMB104,000,000. The transaction was completed on 20 January 2020.

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

## RESULTS

The Group recorded a revenue of HK$5,220 million (2018: HK$6,048 million), with net profit of HK$143.8 million (2018: HK$210.4 million). The profit attributable to the owners of the Company was HK$131.0 million (2018: HK$195.9 million). The Group recorded deficit from revaluation of a property purchased during the year, which is held for own use, of HK$1.4 million. Other properties and buildings held by the Group for own use recorded a net surplus arising from revaluation of HK$1.6 million (net of deferred tax) which was credited to reserves as "other comprehensive income" (2018: HK$44.7 million).

The Group has for the first time applied HKFRS 16 *Leases* which set out revised accounting treatments for leases in the current financial year. Under this new standard, leases are generally capitalised as right-of-use assets and the corresponding discounted value of future lease payments are recorded as lease liabilities. Accordingly, lease payments amounted to HK$15.8 million during the year were no longer treated as expenses. On the other hand, depreciation of right-of-use assets of leased buildings and interest on lease liabilities of HK$14.4 million and HK$4.6 million, respectively were charged to profit or loss. 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 HK4.0 cents per share for the year ended 31 December 2019 (2018: HK6.0 cents) to the shareholders of the Company whose names appear on the Company's register of members on 18 June 2020. It is expected that the final dividend cheques will be despatched to the shareholders of the Company 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 Tengis 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 Tengis 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.

## BUSINESS REVIEW AND PROSPECTS

Turning to the results and prospects of our major divisions:

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

Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries generated revenue of HK$482 million (2018: HK$610 million) from sales to external customers and an operating loss of HK$0.5 million (2018: profit of HK$5.8 million). This is the first loss reported by this division in the last 10 years. Among other things, the loss stems from the ongoing trade tensions between the United States of America and the PRC. Major customers suffered from the effects of tariff increases and exchange rate fluctuations; which they in turn passed onto their suppliers in the form of lower purchase prices. Even increased sales volume could not compensate for the decrease in selling prices resulting in division revenue and profit margin cuts. The weak Renminbi further reduced the profit during the year. Prospects for 2020 remain pessimistic. As trade tensions eased at the start of this year, China customers faced a slowdown in orders as well as factory shut downs because of the COVID-19. Its escalation to a global pandemic means that international trade will be curtailed at least until the third quarter. On the plus side, the health crisis has boosted sales of our "JcoNAT" brand disinfectant products. To minimise our business risk going forward, the division will continue to diversify its product mix and technologies.

***Building related contracting services***

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") concentrated on its core HVAC, water, electrical, and fire safety businesses and contributed revenue of HK$2,211 million (2018: HK$2,668 million) with operating profits of HK$87.8 million (2018: HK$122.9 million). Major projects were gradually completed in the first half of the year under review and projects awarded during the year commenced at a steady pace. As works done at the early stage of projects were usually slow and less significant, the revenue and thus the profit contribution of the division were reduced in the second half of the year. Moreover, the division expanded its work force to deal with the increase in projects, which in turn increased overhead expenses. As at year end, the division had outstanding contract sums of approximately HK$4.8 billion.

***Building construction***

Chinney Construction Company, Limited ("Chinney Construction") and Chinney Builders Company Limited, which operate in Hong Kong, and Chinney Timwill Construction (Macau) Company Limited earned a combined revenue of HK$1,126 million (2018: HK$1,498 million) and achieved an operating profit of HK$56.8 million (2018: HK$79.2 million). With the delay in awarding projects, the division's number of active projects reduced after substantial completion of projects, resulting in lowered revenue and profit for the year. The outstanding contract sum as at year end was approximately HK$2.0 billion.

***Foundation piling and ground investigation***

Chinney Kin Wing Holdings Limited ("Chinney Kin Wing", together with its subsidiary, "Chinney Kin Wing Group") contributed revenue of HK$1,304 million (2018: HK$1,243 million) and operating profits of HK$68.1 million (2018: HK$68.8 million) to the Group. The increase in revenue in the current year was attributable to the increase in revenue contribution of DrilTech, the division's drilling and site investigation arm, together with the stablised revenue contribution from the foundation construction and ancillary services. The decrease in both gross profit and gross profit margin was due to the continuing weak and competitive foundation market which had suppressed 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. The stablised administrative expenses were due to the division's stringent and persistent control of the administrative overheads. The division maintained sound financial position during the year under review.

In early 2019, there was a slight albeit short upturn in the foundation market, with the Chinney Kin Wing 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 foundation contracts, in both 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 demanding contract requirements from the employers, placed foundation contractors in a difficult position. To cope with the increasing complexities and demanding contract requirements, the foundation division will further sharpen its competitive edge by allocating resources toward recruiting competent staff at all levels and capital investment in modernising the machinery fleet. As a key market player in the foundation industry, Chinney Kin Wing Group will compete in the marketplace by continuing implementation of the "3P Enhancement Program", namely Project management system, Production efficiency and Plant modernisation, which had significant contribution in enhancing its revenue and profit over the years. The division will deploy adequate resources to DrilTech for the further development of the drilling and site investigation business. DrilTech is enlisted as tenderer of various key Hong Kong property developers and architects and the company has also applied for different categories of specialist contractor licenses from the Development Bureau of Hong Kong to further broaden its business opportunities. The management of Chinney Kin Wing expects to improve DrilTech's scope of services and in turn enhance its revenue and profit contribution in coming years.

***Other businesses***

Other businesses recorded a profit of HK$0.05 million (2018: HK$3.4 million), which included the operating profit contributed from Chinney Alliance Engineering Limited (the Group's aviation business) of HK$3.6 million (2018: HK$3.7 million) and after deduction of increased depreciation charges of the properties held for the Group's own use, resulted from upward valuation at the end of 2018 and property purchased during the year. The aviation business was awarded some significant projects for the Hong Kong International Airport and the profit contribution to the Group will be crystalised in the coming years.

The Group's associate, Fineshade Investments Limited, following the disposal of investment properties in Hangzhou, the PRC in 2017, was finally dissolved in the second half of the year with remaining profit distributed and capital returned.

## FINANCIAL REVIEW

### *Liquidity and financial resources*

Total interest-bearing debts of the Group, which included trust receipt loans, bank loans (excluding bank overdrafts of HK$7.2 million (31 December 2018: Nil)) and lease liabilities, amounted to HK$315.0 million as at 31 December 2019 (31 December 2018: HK$167.4 million). As a result of the adoption of HKFRS 16 *Leases*, the discounted value of future lease payments was recognised as lease liability. The Group's lease liabilities amounted to HK$71.1 million as at 31 December 2019 while no adjustment for restatement of the position as at 31 December 2018 was required under the transition arrangement of HKFRS 16. Should the lease liabilities be excluded, total interest-bearing debts of the Group would be HK$243.9 million as at 31 December 2019. There were HK$256.3 million or 81% (31 December 2018: HK$167.4 million or 100%) of interest-bearing debts classified as current liabilities. The current portion of interest-bearing debts included bank borrowings with repayment-on-demand conditions imposed by the lenders. If that portion of the bank borrowings repayable after one year was classified as non-current liabilities, the current portion of the total interest-bearing debts would be reduced by HK$17.8 million to HK$238.5 million, or 76% of the total interest-bearing debts. Included in the current portion of interest-bearing debts were trust receipt loans of HK$144.8 million (31 December 2018: HK$166.5 million) for financing the purchases of goods by the plastic trading division and the purchases of materials and equipment for installation in the projects of the building services division. Current ratio of the Group as at 31 December 2019, measured by total current assets over total current liabilities, was 1.7 (31 December 2018: 1.7). Total unpledged cash and bank balances as at 31 December 2019 were HK$647.8 million (31 December 2018: HK$778.9 million). The decrease in unpledged bank balances was mainly due to net cash inflow from operations of HK$21.9 million and net cash inflow from bank loans drawn less repayments of HK$98.2 million, less purchases of properties, plant and equipment of HK$91.5 million, purchase of investment property of HK$18.9 million, deposit and prepayment of the consideration for the acquisition of a subsidiary of HK$116.1 million, increase in trust receipt loans of HK$21.6 million and repayment of the principal portion of lease liabilities of HK$11.2 million.

The Group had a total of HK$1,821 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. The gearing ratio of the Group, measured by total interest-bearing borrowings of HK$315.0 million over the equity attributable to the owners of the Company of HK$1,928.5 million, was 16.3% as at 31 December 2019 (2018: 9.1%).

***Funding and treasury policy***

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. Forward contracts of 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 2019, certain properties having an aggregate book value of HK$188.2 million were pledged to banks to secure bank loans and general banking facilities extended to the Group. In addition, time deposits of HK$0.5 million were pledged to banks to secure the performance/surety bonds issued in favour of the Group's clients on contracting works.

***Contingent liability***

As of 31 December 2019, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure performance/surety bonds in the aggregate amount of HK$569.2 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$200.5 million to which corporate guarantees and indemnities were provided by Chinney Kin Wing Group.

Except as disclosed above, the Group had no other material contingent liabilities as of 31 December 2019.

***Employees and remuneration policies***

The Group employed approximately 1,820 staff in Hong Kong and other parts of the PRC as of 31 December 2019. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

## CONNECTED TRANSACTIONS

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 entering into the Foundation Framework Agreement constituted a connected transaction of each of Hon Kwok, Chinney Investments, the Company and Chinney Kin Wing under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). On 7 November 2016, at the respective extraordinary general meetings held by each of Hon Kwok and Chinney Investments and at the respective special general meetings held by each of 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 2019, revenue of HK$9,823,000 was recognised by KWF under the Foundation Construction Works.

(b) On 12 June 2018, Shun Cheong Data Centre Solutions Company Limited ("Shun Cheong Data Centre Solutions"), an indirect wholly-owned subsidiary of the Company, as a consultant entered into a data centre consultancy agreement with Gold Famous (as the employer) for the provision of consultancy services by Shun Cheong Data Centre Solutions to Gold Famous in relation to the construction and development of a data centre in the Land (the "Data Centre Project") for a consultancy fee of HK$16,200,000 (the "Consultancy Agreement"). The entering into the Consultancy Agreement constituted connected transaction of each of Chinney Investments, Hon Kwok and the Company under the Listing Rules. As the applicable percentage ratios for each of Chinney Investments, Hon Kwok and the Company 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 Company's announcement dated 12 June 2018. The revenue recognised by Shun Cheong Data Centre Solution in respect of the transaction amounted to HK$2,430,000 in 2019.

(c) On 12 July 2018, Chinney Construction, an indirect wholly-owned subsidiary of the Company, as the contractor and Gold Famous as the employer entered into a framework agreement for the construction works to be carried out by Chinney Construction as the main contractor for the Data Centre Project at a tender sum of HK$757,838,691.70 (the "Construction Framework Agreement"). The entering into the Construction Framework Agreement constituted connected transaction of each of Chinney Investments, Hon Kwok and the Company 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 on another among Chinney Investments, Hon Kwok and the Company. 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 a special general meeting held on 24 August 2018.

Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok and the Company dated 12 July 2018 and a circular dated 8 August 2018. The revenue recognised by Chinney Construction in respect of the transaction amounted to HK$503,767,000 in 2019.

**OUTLOOK**

The advent of the COVID-19 pandemic has reversed any optimism arising from an easing of trade tensions in the Pacific and certainty bought about by Brexit in Europe. The draconian measures adopted by the Chinese Government to stop the spread of COVID-19 has drawn attention to the global supply chain's over-dependence on Chinese manufacturing, and customers around the world will likely move production away from China over the medium and longer terms. To further muddy the outlook, the significant drop in crude oil price caused by the internal OPEC+ dispute could help the hard hit transport and hospitality businesses, as well a host of other petroleum related businesses (plastics, agriculture, automobile production) in the short and medium terms. On top of these price reductions, the US Federal Reserve has dropped interest rates by 1.5% to near zero by March 15 while simultaneously reinstating quantitative easing, potentially flooding markets with liquidity. It is not clear how this liquidity will affect the already disrupted supply chain over the short term. Although the prospects of both a sharp recession in an inflationary environment cannot be ruled out.

As Hong Kong is an outward facing economy, the triple blows of the US-China trade tensions, the social unrest, and the pandemic unavoidably affect our businesses. The Hong Kong economy contracted by 1.2% for 2019 as a whole, the first decline since 2009. The unemployment rate increased to 3.7% in the first quarter of 2020, a record high over the past 9 years. With social unrest from the second half of 2019 to the recent travel restriction to Hong Kong due to the pandemic, the local retail market suffered by the reduction in demand and some shop closures, leading to the rise in unoccupied shops in the usual popular shopping malls. While the Hong Kong Government has announced HK$120 billion in relief measures, including HK$10,000 cash payout to Hong Kong residents aged 18 or above, to stimulate the economy from the social unrest and the pandemic, the market sentiment remains low for the time being.

The struggles of our plastic trading division are discussed above. For our construction businesses, the extended tender assessment for project awards, the delay in delivery of site materials, the delay in site progress due to health measures and prolonged examination of site works by government departments would add to the extended time for completion of site works, which in turn will increase onsite and office expenses for the Group's construction related divisions. The increased costs and overhead, coupled with lowering tender prices from intensive competition for construction projects, will erode the profit margin. Fortunately, the Group has satisfactory level of contracts on hand for the forthcoming year and the management of all divisions cautiously control the costs and efficiency to ensure delivery of works and products on time. Also, an uptick in airport related projects awarded will provide a bright spot for our business in the coming year.

On the back of your Group's sound financial position, your management will continuously monitor the market for opportunities to enhance our existing businesses and to develop new products and services to improve our long-term profitability.

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

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 having due regard to the Nomination Policy and the Board Diversity Policy adopted by the Company and assess the independence of the proposed independent non-executive director(s) as appropriate.

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 and Mr. Ronald James Blake, being independent non-executive directors of the Company, did not attend the annual general meeting of the Company held on 4 June 2019 due to engagement in their 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 2019 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 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, consolidated statement of 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
**James Sai-Wing Wong**
*Chairman*

Hong Kong, 26 March 2020

*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*