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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 2020

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 2020 and the consolidated statement of financial position of the Group as at 31 December 2020 together with comparative figures in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	3	4,941,712	5,219,559
Cost of sales/services provided		(4,381,952)	(4,605,216)
Gross profit		559,760	614,343
Other income	3	4,748	6,536
Selling and distribution costs		(16,079)	(12,851)
Administrative expenses		(464,651)	(410,798)
Other operating income/(expenses), net		95,159	(214)
Changes in fair value of investment properties, net		1,362	(102)
Deficit from revaluation of property, plant and equipment		(1,514)	(1,359)
Finance costs	4	(12,485)	(11,809)
PROFIT BEFORE TAX	5	166,300	183,746
Income tax expense	6	(22,547)	(39,967)
PROFIT FOR THE YEAR		143,753	143,779
Attributable to:			
Owners of the Company		124,084	130,983
Non-controlling interests		19,669	12,796
		143,753	143,779
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		HK20.9 cents	HK22.0 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	143,753	143,779
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations and net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>9,358</u>	<u>(1,380)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of leasehold land and owned buildings	<u>4,798</u>	3,261
Income tax effect	<u>(1,093)</u>	<u>(1,624)</u>
	<u>3,705</u>	<u>1,637</u>
Change in fair value of an equity investment at fair value through other comprehensive income	<u>(65)</u>	<u>(324)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>3,640</u>	<u>1,313</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>12,998</u>	<u>(67)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	156,751	143,712
Attributable to:		
Owners of the Company	<u>137,082</u>	130,916
Non-controlling interests	<u>19,669</u>	<u>12,796</u>
	<u>156,751</u>	<u>143,712</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2020 <i>HK\$'000</i>	31 December 2019 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,188,935	881,258
Investment properties		22,553	39,191
Investment in an associate		121	–
Investment in a joint venture		–	–
Equity investment at fair value through other comprehensive income		2,765	2,830
Goodwill		14,369	14,369
Financial assets at fair value through profit or loss		7,502	6,053
Prepayments, deposits and other receivables		2,161	2,516
Deferred tax assets		1	50
		<hr/>	<hr/>
Total non-current assets		1,238,407	946,267
CURRENT ASSETS			
Inventories		83,247	74,150
Properties held for sale under development		102,033	–
Contract assets		1,401,099	1,169,182
Trade receivables	9	830,873	730,073
Amount due from a related company	10	25,532	106,642
Amount due from a joint venture		967	967
Prepayments, deposits and other receivables		155,690	271,077
Derivative financial instruments		7,070	–
Tax recoverable		17,016	8,024
Pledged time deposits		529	452
Cash and cash equivalents		417,874	647,827
		<hr/>	<hr/>
Total current assets		3,041,930	3,008,394
CURRENT LIABILITIES			
Trade, bills and retention monies payables	11	722,216	714,509
Trust receipt loans		202,596	144,804
Other payables and accruals		786,705	717,519
Tax payable		15,575	51,939
Interest-bearing bank borrowings		183,523	106,332
Lease liabilities		5,423	12,356
		<hr/>	<hr/>
Total current liabilities		1,916,038	1,747,459
NET CURRENT ASSETS		<hr/>	<hr/>
		1,125,892	1,260,935
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		2,364,299	2,207,202

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*continued*)

	31 December 2020	31 December 2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Other payables	81,431	—
Lease liabilities	59,717	58,756
Deferred tax liabilities	90,818	96,700
	<hr/>	<hr/>
Total non-current liabilities	231,966	155,456
	<hr/>	<hr/>
Net assets	2,132,333	2,051,746
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	59,490	59,490
Reserves	1,942,626	1,868,997
	<hr/>	<hr/>
	2,002,116	1,928,487
	<hr/>	<hr/>
Non-controlling interests	130,217	123,259
	<hr/>	<hr/>
Total equity	2,132,333	2,051,746
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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, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Changes in accounting policies and disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs does not have significant impact on the Group’s financial statements.

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 and installation of aviation system and other hi-tech products and property holding and development.

Year ended 31 December 2020

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	462,932	2,055,737	658,980	1,553,331	210,732	4,941,712
Intersegment sales	197	34,940	–	–	–	35,137
Other revenue	362	343	1,379	46	31	2,161
	<u>463,491</u>	<u>2,091,020</u>	<u>660,359</u>	<u>1,553,377</u>	<u>210,763</u>	<u>4,979,010</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(35,137)</u>
Revenue						<u><u>4,943,873</u></u>
Segment results	11,144	74,401	15,728	84,988	12,375	198,636
<i>Reconciliation:</i>						
Interest income and unallocated gains						2,587
Unallocated expenses						(34,771)
Changes in fair value of investment properties, net						1,362
Deficit from revaluation of property, plant and equipment						<u>(1,514)</u>
Profit before tax						<u><u>166,300</u></u>

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2020

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	356,049	1,577,304	668,008	1,146,730	533,647	4,281,738
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(56,457)
Equity investment at fair value through other comprehensive income						2,765
Financial assets at fair value through profit or loss						3,221
Corporate and other unallocated assets						49,070
Total assets						<u><u>4,280,337</u></u>
Segment liabilities	94,395	1,007,658	242,583	596,962	130,733	2,072,331
<i>Reconciliation:</i>						
Elimination of intersegment payables						(56,457)
Corporate and other unallocated liabilities						132,130
Total liabilities						<u><u>2,148,004</u></u>
Other segment information:						
Investment in an associate	-	-	-	121	-	121
Provision/(write-back of provision) for inventories included in cost of inventories sold	(149)	71	-	-	-	(78)
Depreciation	7,424	17,248	7,901	68,422	8,951	109,946
Capital expenditure*	<u>1,512</u>	<u>135,165</u>	<u>1,591</u>	<u>242,146</u>	<u>6,482</u>	<u>386,896</u>

* *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 2019

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
	<u>482,936</u>	<u>2,332,951</u>	<u>1,126,714</u>	<u>1,306,122</u>	<u>97,177</u>	<u>5,345,900</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(122,129)</u>
Revenue						<u><u>5,223,771</u></u>
Segment results	(465)	87,799	56,764	68,054	47	212,199
<i>Reconciliation:</i>						
Interest income and unallocated gains						2,324
Unallocated expenses						(29,316)
Changes in fair value of investment properties, net						(102)
Deficit from revaluation of property, plant and equipment						<u>(1,359)</u>
Profit before tax						<u><u>183,746</u></u>

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2019

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	361,494	1,518,685	734,277	892,941	268,509	3,775,906
<i>Reconciliation:</i>						
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						<u>3,954,661</u>
Segment liabilities	95,449	961,412	246,117	387,919	99,063	1,789,960
<i>Reconciliation:</i>						
Elimination of intersegment payables						(59,695)
Corporate and other unallocated liabilities						172,650
Total liabilities						<u>1,902,915</u>
Other segment information:						
Provision for inventories included in cost of inventories sold	1,511	9	–	–	–	1,520
Depreciation	6,946	10,184	7,407	71,747	8,547	104,831
Capital expenditure*	<u>3,002</u>	<u>21,151</u>	<u>21,175</u>	<u>44,881</u>	<u>20,157</u>	<u>110,366</u>

* *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)*

Geographical information

(a) Revenue from external customers

	2020 HK\$'000	2019 HK\$'000
Hong Kong	4,399,351	4,590,247
Mainland China, Macau and Singapore	542,361	629,312
	<u>4,941,712</u>	<u>5,219,559</u>

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

(b) Non-current assets

	2020 HK\$'000	2019 HK\$'000
Hong Kong	902,381	737,148
Mainland China and Macau	309,107	183,301
	<u>1,211,488</u>	<u>920,449</u>

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, financial assets at fair value through profit or loss, non-current portion of prepayments, deposits and other receivables assets and deferred tax assets.

Information about major customers

During the years ended 31 December 2020 and 31 December 2019, none of the Group's revenue derived from transactions with a single external customer amounted to 10 percent or more of the Group's revenue.

3. REVENUE AND OTHER INCOME

Segments	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2020						
Types of goods or services						
Sale of goods	462,932	136,108	–	–	–	599,040
Construction services	–	1,919,629	658,980	1,553,331	210,732	4,342,672
Total revenue from contracts with customers	<u>462,932</u>	<u>2,055,737</u>	<u>658,980</u>	<u>1,553,331</u>	<u>210,732</u>	<u>4,941,712</u>
Geographical markets						
Hong Kong	325,604	1,954,108	364,392	1,551,887	203,360	4,399,351
Mainland China, Macau and Singapore	<u>137,328</u>	<u>101,629</u>	<u>294,588</u>	<u>1,444</u>	<u>7,372</u>	<u>542,361</u>
Total revenue from contracts with customers	<u>462,932</u>	<u>2,055,737</u>	<u>658,980</u>	<u>1,553,331</u>	<u>210,732</u>	<u>4,941,712</u>
Timing of revenue recognition						
Goods transferred at a point in time	462,932	136,108	–	–	–	599,040
Services transferred over time	–	1,919,629	658,980	1,553,331	210,732	4,342,672
Total revenue from contracts with customers	<u>462,932</u>	<u>2,055,737</u>	<u>658,980</u>	<u>1,553,331</u>	<u>210,732</u>	<u>4,941,712</u>

3. REVENUE AND OTHER INCOME (continued)

Segments	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2019						
Types of goods or services						
Sale 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 contracts with customers	<u>481,780</u>	<u>2,210,597</u>	<u>1,126,365</u>	<u>1,303,643</u>	<u>97,174</u>	<u>5,219,559</u>
Geographical markets						
Hong Kong	317,446	2,025,978	860,702	1,300,349	85,772	4,590,247
Mainland China, Macau and Singapore	<u>164,334</u>	<u>184,619</u>	<u>265,663</u>	<u>3,294</u>	<u>11,402</u>	<u>629,312</u>
Total revenue from contracts with customers	<u>481,780</u>	<u>2,210,597</u>	<u>1,126,365</u>	<u>1,303,643</u>	<u>97,174</u>	<u>5,219,559</u>
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 contracts with customers	<u>481,780</u>	<u>2,210,597</u>	<u>1,126,365</u>	<u>1,303,643</u>	<u>97,174</u>	<u>5,219,559</u>

3. REVENUE AND OTHER INCOME *(continued)*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Interest income	2,105	3,587
Commission income	89	180
Gross rental income from an investment property and plant and machinery operating leases:		
Other lease payments, including fixed payment	258	2,165
Others	2,296	604
	<u>4,748</u>	<u>6,536</u>

4. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans and overdrafts	8,275	7,203
Interest on lease liabilities	4,210	4,606
	<u>12,485</u>	<u>11,809</u>

5. PROFIT BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold	523,181	584,575
Cost of services provided	3,858,771	4,020,641
Depreciation of property, plant and equipment (excluding right-of-use assets)	76,504	74,323
Depreciation of right-of-use assets	33,442	30,508
Lease payments not included in the measurement of lease liabilities	6,113	7,829
Auditor's remuneration	4,024	3,857
Employee benefits expense (including directors' remuneration)	868,915	790,885
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	206	234
Provision/(write-back of provision) for inventories included in cost of inventories sold	(78)	1,520
Loss/(gain) on disposal of items of property, plant and equipment, net*	(2,374)	459
Government subsidies* (<i>note</i>)	(80,241)	–
Loss on dissolution of an associate*	–	22
Fair value changes in financial assets at fair value through profit or loss*	188	(725)
Fair value loss/(gain) on derivative financial instruments – transactions not qualifying as hedge*	(7,070)	12
Foreign exchange differences, net*	(5,227)	446
	<u> </u>	<u> </u>

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

Note: The government subsidies represent mainly grants from the Employment Support Scheme of the Hong Kong Government, which aims to retain employment and combat COVID-19. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	27,213	40,370
Over provision in prior years	(143)	(49)
Current – Elsewhere		
Charge for the year	2,393	3,700
Under/(over) provision in prior years	10	(572)
Deferred	<u>(6,926)</u>	<u>(3,482)</u>
Total tax charge for the year	<u><u>22,547</u></u>	<u><u>39,967</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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\$124,084,000 (2019: HK\$130,983,000), and the number of 594,899,245 ordinary shares in issue during both years.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020 and 2019.

8. DIVIDEND

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Proposed final – HK4.0 cents (2019: HK4.0 cents) per ordinary share	<u><u>23,796</u></u>	<u><u>23,796</u></u>

9. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	830,873	730,073

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 30 days	565,844	400,129
31 to 60 days	157,467	183,634
61 to 90 days	40,204	66,267
Over 90 days	67,358	80,043
	830,873	730,073

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	384,230	416,371
Bills payable	38,807	15,432
Retention monies payable	299,179	282,706
	<u>722,216</u>	<u>714,509</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 30 days	355,120	328,461
31 to 60 days	16,975	56,234
61 to 90 days	1,042	22,465
Over 90 days	11,093	9,211
	<u>384,230</u>	<u>416,371</u>

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

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified from administrative expenses to cost of services provided to conform with the current year's presentation, which would better reflect the performance of the Group.

RESULTS

The Group recorded revenues of HK\$4,942 million (2019: HK\$5,220 million), with net profit of HK\$143.8 million (2019: HK\$143.8 million). The profit attributable to the owners of the Company was HK\$124.1 million (2019: HK\$131.0 million). The Group recorded deficits from the revaluation of certain properties held for its own use of HK\$1.5 million (2019: deficits of HK\$1.4 million) and surplus on revaluation of investment properties of HK\$1.3 million (2019: deficits of HK\$0.1 million). Other properties and buildings held by the Group for own use recorded a net surplus arising from revaluation of HK\$3.7 million (net of deferred tax) which was credited to reserve as “other comprehensive income” (2019: net surplus of HK\$1.6 million, net of deferred tax).

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK4.0 cents per share for the year ended 31 December 2020 (2019: HK4.0 cents) to the shareholders of the Company whose names appear on the Company’s register of members on 16 June 2021. It is expected that the final dividend cheques will be despatched to the shareholders of the Company on or before 7 July 2021.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 4 June 2021. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 1 June 2021 to 4 June 2021 (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 31 May 2021.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2020 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 11 June 2021 to 16 June 2021 (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 8 June 2021. 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 10 June 2021.

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 (“Jacobson”) generated revenue of HK\$463 million (2019: HK\$482 million) from sales to external customers and an operating profit of HK\$11.1 million (2019: loss of HK\$0.5 million). The worldwide COVID-19 pandemic was a story of two parts for Jacobson, with the losses of the first half of the year substantially recouped by the second half of the year. Many customers were affected heavily by an international pause in orders, leading to some decrease in revenues. These were offset by an increase in the sales margins of multiple commodity products in the second half of 2020. In addition, a resurgent Renminbi, government subsidies, and the substantial contribution of the JcoNAT disinfectant products further improved profits. The JcoNAT solutions, launched less than 24 months ago, provided the bulk of profits in the first half of the year when it proved to be the perfect product to sell into the market for pandemic fighting disinfectants. Jacobson will continue to explore new frontiers in products, markets, customer and technologies to bring values to stakeholders.

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries (“Shun Cheong”) contributed revenue of HK\$2,056 million (2019: HK\$2,211 million) with operating profits of HK\$74.4 million (2019: HK\$87.8 million) from its electrical, HVAC, fire services and pump and drainage businesses. While substantial amount of contracts were awarded during the year, the progress on existing projects were slowed down by the pandemic. This slowdown not only reduced revenues but also increased site and office overhead, corresponding to further pressure on margins. On the other hand, Shun Cheong is running a healthy order book with newly awarded projects still at preliminary stages with contributions that will be realised in 2021. Nevertheless, Shun Cheong’s management continues to review and improve the efficiency of its operation and quality of works. As at year end, recorded outstanding contract sums stood at approximately HK\$5,891 million.

Building construction

The Group's building construction segment, which consists of Chinney Construction Company, Limited ("Chinney Construction") and Chinney Builders Company Limited, which operate in Hong Kong, and Chinney Timwill Construction (Macau) Company Limited, contributed revenues of HK\$659 million (2019: HK\$1,126 million) and an operating profit of HK\$15.7 million (2019: HK\$56.8 million). Chinney Construction had a difficult pandemic year. Macau revenues disappeared with the lockdown of casino businesses. And the slowdown in the Hong Kong economy also meant fewer jobs at far lower margins. With most active projects completed in the first half of 2020, Chinney Construction did not see a pickup in contracts awarded until near the end of the second half of the year. As at year end, the outstanding contract sum stood at approximately HK\$1,220 million.

Foundation piling and ground investigation

Chinney Kin Wing Holdings Limited ("Chinney Kin Wing", together with subsidiaries, the "Chinney Kin Wing Group") contributed revenues of HK\$1,553 million (2019: HK\$1,304 million) and operating profits of HK\$85.0 million (2019: HK\$68.1 million). Chinney Kin Wing actively progressed a number of sizeable contracts during the year, leading to an increase in revenue. However, profit margins were constrained by additional construction costs required to comply with the stringent contract requirements and resolving technical problems at complex construction sites. Furthermore, intense competition among the market players also led to aggressive tendering strategies that resulted in reduced profit margins for newly awarded contracts. There were also increases in staff costs resulting from the recruitment of additional personnel and an increase in remuneration for rewarding and retaining talented staff.

As announced on 28 December 2020, the Chinney Kin Wing Group completed the acquisition of 50% interest in Senior Rich Development Limited, which provides a new depot for storage of machinery, equipment, plant accessories and parts. The Chinney Kin Wing Group will use the depot as a hub for her production management team and general workforce to better streamline, centralise and monitor maintenance and engineering works, as well as optimising the machinery and equipment storage system, leading to the overall enhancement of sustainability performance, operation and production efficiency, cost control measures, logistic arrangements and resources allocation.

During the year under review, DrilTech Geotechnical Engineering Limited, a subsidiary company of the drilling division of the Chinney Kin Wing Group, was admitted as a specialist contractor of Mini Pile and Steel H Pile under the Land Piling category (Group II) of the Works Bureau and also accredited for specific laboratory activities under the Hong Kong Laboratory Accreditation Scheme. The Chinney Kin Wing Group will strive to diversify its drilling division to broaden the range of services in marine ground investigation, instrumentation and field test to sustain the robust development of her businesses in the future.

The foundation industry in Hong Kong is changing rapidly. The number of construction projects requiring sophisticated technology is on the rise. With the growing in size and complexity of projects, foundation contractors with advanced technical capabilities will become more competitive in the industry. As one of the leaders in the field of foundation technology, Chinney Kin Wing Group is primed for the challenges ahead.

Other businesses

Other businesses recorded a revenue of HK\$211 million (2019: HK\$97 million) and an operating profit of HK\$12.4 million (2019: HK\$0.05 million), mainly through the contributions of Chinney Alliance Engineering Limited (the Group's aviation business) of HK\$14.7 million (2019: HK\$3.6 million) and after deduction of depreciation and other overhead of the properties held for the Group's own use. The aviation business has been awarded multiple contracts at the Hong Kong International Airport and related projects. We expect the aviation business to contribute increasing profits to the Group as these contracts progress in the coming years.

As announced on 18 August 2020, the Company and FRO Management Holdings Limited ("FRO Management", an independent third party within the meaning of the The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) entered into a settlement deed (the "Settlement Deed") where (i) the Company agreed to buy back from FRO Management the 25% of the issued shares in Chinney Shun Cheong Holdings Limited ("Chinney Shun Cheong", a then direct 75% subsidiary) at a cash consideration of HK\$40,000,000 together with the payment of interest of HK\$6,630,137; and (ii) FRO Management waived all rights and claims it may have under or arising from the subscription agreement dated 9 February 2017 and supplemental agreement dated 27 April 2017 entered into between Chinney Shun Cheong and FRO Management. The transaction contemplated under the Settlement Deed was completed on 18 August 2020 and Chinney Shun Cheong has become a direct wholly-owned subsidiary of the Company since then.

As announced on 8 October 2020, the Group acquired a property located at Fanling near the railway station (the "Fanling Property") by a public tender at a price of HK\$96,800,000. The Group intends to redevelop the Fanling Property into residential property for sale to maximise its worth to the shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group, which included trust receipt loans, bank loans and lease liabilities, amounted to HK\$451.3 million as at 31 December 2020 (31 December 2019: HK\$315.0 million). There were HK\$391.5 million or 86.8% (31 December 2019: HK\$256.3 million or 81%) 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\$16.3 million to HK\$375.2 million, or 83.1% of the total interest-bearing debts. Included in the current portion of interest-bearing debts were trust receipt loans of HK\$202.6 million (31 December 2019: HK\$144.8 million) for financing the purchases of goods by the plastic trading segment and the purchases of materials and equipment for installation in the projects of the building services segment. Current ratio of the Group as at 31 December 2020, measured by total current assets over total current liabilities, was 1.6 (31 December 2019: 1.7). Total unpledged cash and bank balances as at 31 December 2020 were HK\$417.9 million (31 December 2019: HK\$647.8 million). The decrease in unpledged bank balances was mainly due to net cash outflow from operating activities of HK\$162.6 million, net cash outflow from investing activities of HK\$143.8 million and net cash inflow from financing activities of HK\$82.5 million.

The Group had a total of HK\$1,953 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\$451.3 million over the equity attributable to the owners of the Company of HK\$2,002.1 million, was 22.5% as at 31 December 2020 (31 December 2019: 16.3%).

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 2020, certain properties having an aggregate book value of HK\$181.0 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 2020, the Group provided corporate guarantees and indemnities to certain banks and insurance institutions for the issue of performance/surety bonds of an aggregate amount of HK\$991.9 million in favour of the Group's clients in its ordinary course of businesses. This amount included performance/surety bonds issued in favour of the clients of the Chinney Kin Wing Group of HK\$288.9 million to which corporate guarantees and indemnities were provided by the Chinney Kin Wing Group.

Except as disclosed above, the Group had no other material contingent liabilities as of 31 December 2020.

Employees and remuneration policies

The Group employed approximately 1,960 staff in Hong Kong and other parts of the PRC as of 31 December 2020. 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 an indirect non wholly-owned subsidiary of Chinney Investments, Limited (“Chinney Investments”), as the employer entered into a framework agreement (the “Foundation Framework Agreement”) with Kin Wing Foundations Limited (“KWF”), an indirect wholly-owned subsidiary of Chinney Kin Wing and an indirect non wholly-owned subsidiary of the Company, as a contractor for the construction of piling foundation, pipe piling, bored pile wall works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong (the “Land”) at a contract sum of HK\$210 million (the “Foundation Construction Works”). The entering into the Foundation Framework Agreement constituted a connected transaction of each of Chinney Investments, Hon Kwok, the Company and Chinney Kin Wing under the Listing Rules. On 7 November 2016, at the respective extraordinary general meetings held by each of Chinney Investments and Hon Kwok 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 Chinney Investments, Hon Kwok, the Company and Chinney Kin Wing dated 20 September 2016 and the Company’s circular dated 21 October 2016. During the year ended 31 December 2020, no revenue was recognised by KWF as the Foundation Construction Works were substantially completed and pending for agreement of variation orders and final account of the project.

- (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 Consultancy Agreement and the transaction contemplated thereunder were set out in a joint announcement of Chinney Investments, Hon Kwok and the Company dated 12 June 2018. The revenue recognised by Shun Cheong Data Centre Solutions in respect of the transaction amounted to HK\$4,050,000 in 2020. The Consultancy Agreement was completed and the Consultancy fee of HK\$16,200,000 were received in full.

- (c) On 12 July 2018, Chinney Construction, an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Gold Famous as the employer for the construction works to be carried out by Chinney Construction as the main contractor for the Data Centre Project at a total contract sum of HK\$757,838,691.70 (the “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 one another among Chinney Investments, Hon Kwok and the Company. The transaction was approved by independent shareholders of Chinney Investments and Hon Kwok at their respective extraordinary general meetings and by the independent shareholders of the Company at 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 of the Company dated 8 August 2018. The revenue recognised by Chinney Construction in respect of the transaction amounted to HK\$186,393,000 in 2020.

OUTLOOK

2020 was quite a year. On the one hand, a global pandemic triggered lockdowns and a collapse of economic activity. At the same time, continuing frictions between China and the United States constrained trade and reduced industrial production leading to mass layoffs on top of the healthcare crisis. On the other hand, the Chinese Government’s stringent control measures bore fruit first. At 2.3%, China was the only major economy to report a gain for the year. The completion of the election cycle in the US offers a return to stability. And the beginning of mass vaccinations promises an economic rebound, particular to the hard-hit tourism and hospitality sectors.

2021 is forecast to be a year of recovery for the global economy. China has announced a target growth rate of over 6% for the year. And the travel restrictions may probably be lifted shortly. Nevertheless, we have a long way to return to “normal”. The ongoing fiscal stimulus programs in the US and EU portend further volatility in capital markets. And we may be reintroduced to high inflation and interest rates for the first time in a generation.

The Hong Kong economy recorded a contraction of 6.1% in 2020. The labour market deteriorated sharply, with unemployment rate reaching 7.2% in December 2020 to February 2021, the highest since 2004. While there are signs of an improvement of trade goods to China, the local consumption and tourism sectors are still significantly disrupted by the pandemic.

While targeted government aid has muted the worst effects of the downturn, our Group is still negatively affected in such extraordinary environment. Going forward, Jacobson will grow because it is nimble. Chinney Kin Wing and Shun Cheong will grow because of their improving productivity and because their managers are the “Best in Breed” in their competitive categories. The aviation business will track the return of tourists to the Hong Kong International Airport. And Chinney Construction will track the return of tourists to Macau and Hong Kong. The Board is cautiously optimistic to the performance of the Group in the coming years.

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 2020.

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, A.6.7 and E.1.2, 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. Yuen-Tin Ng, being a then independent non-executive director of the Company, did not attend the annual general meeting of the Company held on 9 June 2020 due to engagement in his own business.
5. Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. Dr. James Sai-Wing Wong, the Chairman of the Board, did not attend the annual general meeting of the Company held on 9 June 2020 due to engagement in his own business.

Details of the Company's corporate governance policies and practices (including the above deviations from the code provisions) will be discussed in the Company's 2020 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 2020.

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 2020 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, 25 March 2021

At the date of this announcement, the Board comprises of seven 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 two are independent non-executive directors, namely Mr. Chi-Chiu Wu and Mr. Ronald James Blake.

* *For identification purpose only*