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## CHINNEY KIN WING HOLDINGS LIMITED

建業建榮控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1556)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “Board”) of Chinney Kin Wing Holdings Limited (the “Company”) is pleased to announce the consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the “Group”) for the year ended 31 December 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 AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
<b>REVENUE</b>	4	<b>1,553,331</b>	1,303,643
Cost of construction		<u>(1,347,469)</u>	<u>(1,105,508)</u>
Gross profit		<b>205,862</b>	198,135
Other income and gains	4	<b>33,754</b>	2,831
Administrative expenses		<b>(154,375)</b>	(132,169)
Finance costs	5	<u>(236)</u>	<u>(524)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>85,005</b>	68,273
Income tax expense	7	<u>(7,825)</u>	<u>(10,700)</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>77,180</u></b>	<b><u>57,573</u></b>
Profit and total comprehensive income attributable to:			
Equity owners of the Company		<b><u>77,180</u></b>	<b><u>57,573</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<b><u>HK 5.15 cents</u></b>	<b><u>HK 3.84 cents</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2020 <i>HK\$'000</i>	31 December 2019 <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		253,683	256,002
Right-of-use assets	10	185,068	9,752
Investment in an associate	10	121	–
Total non-current assets		438,872	265,754
<b>CURRENT ASSETS</b>			
Trade receivables	11	265,436	257,327
Contract assets		333,001	279,223
Prepayments, deposits and other receivables		23,210	25,139
Due from a fellow subsidiary		1,790	1,790
Due from a related company	12	–	5,250
Tax recoverable		4,270	8,024
Cash and cash equivalents		80,587	54,607
Total current assets		708,294	631,360
<b>CURRENT LIABILITIES</b>			
Trade and retention monies payables	13	213,509	174,288
Other payables and accruals		301,249	203,798
Tax payable		4,986	14,673
Lease liabilities		866	9,060
Total current liabilities		520,610	401,819
<b>NET CURRENT ASSETS</b>		187,684	229,541
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		626,556	495,295
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		–	866
Other payable		81,431	–
Deferred tax liabilities		37,782	41,766
Total non-current liabilities		119,213	42,632
Net assets		507,343	452,663
<b>EQUITY</b>			
<b>Equity attributable to holders of the Company</b>			
Issued capital		150,000	150,000
Reserves		357,343	302,663
Total equity		507,343	452,663

NOTES:

**1. CORPORATE INFORMATION**

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

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

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

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land which has been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) 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.

### **3. OPERATING SEGMENT INFORMATION**

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

- Foundation construction and ancillary services (the “Foundation Division”); and
- Drilling and site investigation (the “Drilling Division”).

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

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

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

Year ended 31 December 2020

	Foundation construction and ancillary services <i>HK\$'000</i>	Drilling and site investigation <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>			
Sales to external customers	1,349,994	203,337	1,553,331
Intersegment sales	–	97,843	97,843
Other revenue	26,395	7,359	33,754
	<u>1,376,389</u>	<u>308,539</u>	<u>1,684,928</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(97,843)
Other revenue			(33,754)
Revenue			<u>1,553,331</u>
<b>Segment results</b>	<b>51,517</b>	<b>47,819</b>	<b>99,336</b>
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(14,141)
Interest income			46
Finance costs			(236)
Profit before tax			<u>85,005</u>
<b>Segment assets</b>	<b>938,773</b>	<b>196,678</b>	<b>1,135,451</b>
<i>Reconciliation:</i>			
Corporate and other unallocated assets			11,715
Total assets			<u>1,147,166</u>
<b>Segment liabilities</b>	<b>481,451</b>	<b>151,594</b>	<b>633,045</b>
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			6,778
Total liabilities			<u>639,823</u>
<b>Other segment information:</b>			
Investment in an associate	121	–	121
Depreciation of property, plant and equipment	49,018	10,471	59,489
Depreciation of right-of-use assets	8,916	–	8,916
Capital expenditure*	234,562	7,585	242,147
	<u>234,562</u>	<u>7,585</u>	<u>242,147</u>

\* Capital expenditure represents additions to property, plant and equipment and right-of-use assets of leasehold land pursuant to the acquisition of an associate.

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

Year ended 31 December 2019

	Foundation construction and ancillary services <i>HK\$'000</i>	Drilling and site investigation <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>			
Sales to external customers	1,075,296	228,347	1,303,643
Intersegment sales	–	86,587	86,587
Other revenue			
– Rental income from leasing of machinery	2,100	–	2,100
– Others	374	357	731
	<u>1,077,770</u>	<u>315,291</u>	<u>1,393,061</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(86,587)
Other revenue			<u>(2,831)</u>
Revenue			<u><u>1,303,643</u></u>
<b>Segment results</b>	40,211	36,206	76,417
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(7,999)
Interest income			379
Finance costs			<u>(524)</u>
Profit before tax			<u><u>68,273</u></u>
<b>Segment assets</b>	722,918	172,470	895,388
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>1,726</u>
Total assets			<u><u>897,114</u></u>
<b>Segment liabilities</b>	286,679	154,168	440,847
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>3,604</u>
Total liabilities			<u><u>444,451</u></u>
<b>Other segment information:</b>			
Depreciation of property, plant and equipment	53,240	9,372	62,612
Depreciation of right-of-use assets	8,916	–	8,916
Capital expenditure*	29,357	15,524	44,881
	<u>29,357</u>	<u>15,524</u>	<u>44,881</u>

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

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

#### *Geographical information*

(a) Revenue from external customers

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	<b>1,551,887</b>	1,300,349
Singapore	<b>1,444</b>	3,294
	<b>1,553,331</b>	1,303,643

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

(b) Non-current assets

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	<b>438,751</b>	265,754

The non-current assets information above is based on the locations of the assets and excludes investment in an associate.

#### *Information about major customers*

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	<b>266,530</b>	198,366
Customer B	<b>253,228</b>	*
Customer C	<b>217,000</b>	*
Customer D	*	246,954
Customer E	*	163,282

\* *Less than 10%*

#### 4. REVENUE, OTHER INCOME AND GAINS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Revenue from contract with customers</i>		
Construction services	<u>1,553,331</u>	<u>1,303,643</u>

#### Revenue from contracts with customers

Disaggregated revenue information

For the year ended 31 December 2020

#### Segments

	Foundation construction and ancillary services <i>HK\$'000</i>	Drilling and site investigation <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Type of services</b>			
Construction services	<u>1,349,994</u>	<u>203,337</u>	<u>1,553,331</u>
<b>Geographical markets</b>			
Hong Kong	1,349,994	201,893	1,551,887
Singapore	–	1,444	1,444
Total revenue from contracts with customers	<u>1,349,994</u>	<u>203,337</u>	<u>1,553,331</u>
<b>Timing of revenue recognition</b>			
Services transferred over time	<u>1,349,994</u>	<u>203,337</u>	<u>1,553,331</u>
<b>Revenue from contracts with customers</b>			
External customers	1,349,994	203,337	1,553,331
Intersegment sales	–	97,843	97,843
	<u>1,349,994</u>	<u>301,180</u>	<u>1,651,174</u>
Elimination of intersegment sales	–	(97,843)	(97,843)
Total revenue from contracts with customers	<u>1,349,994</u>	<u>203,337</u>	<u>1,553,331</u>



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

For the year ended 31 December 2019

##### Segments

	Foundation construction and ancillary services <i>HK\$'000</i>	Drilling and site investigation <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Type of services</b>			
Construction services	1,075,296	228,347	1,303,643
<b>Geographical markets</b>			
Hong Kong	1,075,296	225,053	1,300,349
Singapore	–	3,294	3,294
Total revenue from contracts with customers	<u>1,075,296</u>	<u>228,347</u>	<u>1,303,643</u>
<b>Timing of revenue recognition</b>			
Services transferred over time	<u>1,075,296</u>	<u>228,347</u>	<u>1,303,643</u>
<b>Revenue from contracts with customers</b>			
External customers	1,075,296	228,347	1,303,643
Intersegment sales	–	86,587	86,587
Elimination of intersegment sales	<u>–</u>	<u>314,934</u> <u>(86,587)</u>	<u>1,390,230</u> <u>(86,587)</u>
Total revenue from contracts with customers	<u>1,075,296</u>	<u>228,347</u>	<u>1,303,643</u>
<b>Other income and gains</b>			
		<b>2020</b>	2019
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Bank interest income		46	379
Rental income from leasing of machinery		–	2,100
Foreign exchange differences, net		–	352
Government subsidies *		<u>33,708</u>	–
		<u>33,754</u>	<u>2,831</u>

\* The Government subsidies represented mainly grants from the Employment Support Scheme of the Hong Kong Government. There are no unfulfilled conditions or contingencies relating to these subsidies.

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	<b>208</b>	524
Interest on bank overdrafts	<b>28</b>	–
	<u>236</u>	<u>524</u>

## 6. PROFIT BEFORE TAX

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of construction	<b>1,347,469</b>	1,105,508
Depreciation of property, plant and equipment	<b>59,489</b>	62,612
Depreciation of right-of-use assets	<b>8,916</b>	8,916
Staff costs (including directors' remuneration)		
Salaries, wages and allowances	<b>340,786</b>	293,942
Pension scheme contributions	<b>15,336</b>	13,294
	<u>356,122</u>	<u>307,236</u>
Auditor's remuneration	<b>1,325</b>	1,339
Lease payments not included in the measurement of lease liabilities	<b>2,327</b>	2,001
Loss on disposal of items of property, plant and equipment	–	330
Foreign exchange differences, net	<b>859</b>	(352)
	<u>859</u>	<u>(352)</u>

## 7. INCOME TAX

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the year	<b>11,843</b>	14,330
Underprovision in prior years	<b>232</b>	–
Current – Elsewhere		
Charge for the year	–	266
Overprovision in prior years	<b>(266)</b>	(522)
Deferred	<b>(3,984)</b>	(3,374)
	<hr/>	<hr/>
Total tax charge for the year	<b>7,825</b>	10,700
	<hr/> <hr/>	<hr/> <hr/>

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 rate of tax prevailing in the jurisdictions in which the Group operates.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$77,180,000 (2019: HK\$57,573,000) and the number of ordinary shares 1,500,000,000 (2019: 1,500,000,000) in issue during the year.

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

## 9. DIVIDENDS

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Proposed final dividend of HK1.5 cents (2019: HK 1.5 cents) per ordinary share	<b>22,500</b>	22,500
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The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 10. RIGHT-OF-USE ASSETS / INVESTMENT IN AN ASSOCIATE

During the year ended 31 December 2020, the Group acquired 50% equity interest of Senior Rich Development Limited and two right-of-use assets pursuant to this acquisition at HK\$121,000 and HK\$184,232,000, respectively.

## 11. TRADE RECEIVABLES

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>265,436</b>	257,327

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing. At 31 December 2020, the Group has certain concentration risk that may arise from the exposure to the largest customer and five largest customers, which accounted for 24% and 66% (2019: 36% and 79%) of the Group's total receivables balance, respectively.

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

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	<b>212,363</b>	166,549
31 to 60 days	<b>41,066</b>	82,750
61 to 90 days	<b>2,353</b>	160
Over 90 days	<b>9,654</b>	7,868
	<b>265,436</b>	257,327

## 12. DUE FROM A RELATED COMPANY

At 31 December 2019, the amount due from a related company represented construction contracting income certified from Gold Famous Development Limited ("Gold Famous"). Gold Famous is an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") of which Dr. James Sai-Wing Wong, a controlling shareholder of the Company, is also a director of and has a beneficial interest in. Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam are common directors of the Company and Hon Kwok.

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

### 13. TRADE AND RETENTION MONIES PAYABLES

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<b>167,375</b>	133,802
Retention monies payable	<b>46,134</b>	40,486
	<u><b>213,509</b></u>	<u>174,288</u>

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

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
Current to 30 days	<b>163,626</b>	106,820
31 to 60 days	<b>1,485</b>	19,579
61 to 90 days	<b>82</b>	5,927
Over 90 days	<b>2,182</b>	1,476
	<u><b>167,375</b></u>	<u>133,802</u>
Retention monies payable	<b>46,134</b>	40,486
	<u><b>213,509</b></u>	<u>174,288</u>

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

### 14. COMPARATIVE AMOUNTS

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND OPERATION REVIEW

As at 31 December 2020, the Group had 16 and 56 projects in progress with contract sum of approximately HK\$2,028 million and HK\$495 million in the Foundation Division and Drilling Division respectively.

#### *Revenue*

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

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK'000</i>
Foundation Division	<b>1,349,994</b>	1,075,296
Drilling Division	<b>203,337</b>	228,347
	<b>1,553,331</b>	1,303,643

The Group's revenue for the year under review was HK\$1,553.3 million (2019: HK\$1,303.6 million), representing an increase of 19.2% from the previous year. The increase of revenue of HK\$249.7 million in the reporting year was primarily attributed to contributions from sizeable foundation contracts being actively progressed and certified accordingly.

#### *Gross profit and gross profit margin*

The Group's total gross profit was HK\$205.9 million (2019: HK\$198.1 million), representing a slight increase of 3.9% from the previous year. The group's gross profit margin, however, decreased from the previous year of 15.2% to our current reporting year of 13.3%. Despite increased revenue of the Group this year, gross profit declined to a certain extent due to additional construction cost incurred in complying with more stringent contract requirements and complex construction techniques. Furthermore, intense competition amongst the market players in the foundation market has led contractors to adopt aggressive tendering strategies that result in reduced gross profit margin.

### ***Administrative expenses***

The Group's administrative expenses in the reporting year was HK\$154.4 million, representing an increase of HK\$22.2 million or 16.8% as compared with the previous corresponding year of HK\$132.2 million. The increase of administrative expenses in the current year was mainly due to increased staff costs of HK\$16.8 million in recruiting additional necessary personnel as well as rewarding and retaining talented staff for their service in the Group. Nevertheless, the Group will continue to adopt a stringent and persistent control of administrative overheads in the coming years.

### ***Net profit***

The Group's net profit in the reporting year was HK\$77.2 million, which represents an increase of 34.1% or HK\$19.6 million, over the previous year's figure of HK\$57.6 million.

## **FINANCIAL REVIEW**

### ***Liquidity and financial resources***

As at 31 December 2020, the Group had unpledged cash and bank balances of HK\$80.6 million as compared with that of HK\$54.6 million at 31 December 2019. The increase of cash and bank balances of HK\$26.0 million, after the payment of 2019 final dividend of HK\$22.5 million, capital payment of HK\$57.9 million in acquisition of new fleet machineries as well as part payment of HK\$64.0 million for investment in an associate and the corresponding right-of-use assets, was mainly due to the net cash inflow of certain sizeable foundation contracts in the current reporting year. The Group maintained a sound financial position during the year under review.

As at 31 December 2020, the Group had total debt, which represented lease liabilities, of HK\$0.9 million (2019: HK\$9.9 million). The gearing ratio of the Group, calculated by the total debt divided by the total equity is 0.2% (2019: 2.2%).

### ***Funding and treasury policy***

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

### ***Contingent liabilities***

As at 31 December 2020, the Group provided corporate guarantees and counter indemnities to certain banks and an insurance company for an aggregate amount of HK\$288.9 million (2019: HK\$200.5 million) for the issue of performance bonds in its ordinary course of business.

### ***Employees and remuneration policies***

As at 31 December 2020, the Group employed 621 staff in Hong Kong. The Group is proud of the professional foundation and drilling contracting team formed by these colleagues. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

### **OUTLOOK AND FUTURE PLANS**

Pursuant to our announcement dated 28 December 2020, the Group had completed the acquisition of a new depot for storage of machinery, equipment, plant accessories and parts. The spacious depot will also serve as an ideal hub for our production management team and general workforce to better streamline, centralise and monitor maintenance and engineering works as well as optimise our machinery and equipment storage system, leading to the overall enhancement of sustainability performance, operation and production efficiency, cost control measures, logistic arrangement and resources allocation.

DrilTech, the Group's drilling division, is well equipped with advanced technology and machinery for a broad range of foundation works and drilling services, including ground investigation, geotechnical instrumentation, sampling, field testing, down-the-hole, geotechnical and foundation engineering works. As one of the leading drilling specialist contractors in Hong Kong, DrilTech has a proven track record of managing both the public and private foundation and drilling projects of various scales and demonstrates excellent performance in terms of steady contract revenue and profit contributions to the Group. DrilTech had been newly admitted as the specialist contractor of Mini Pile and Steel H Pile (Group II) under Works Bureau and accredited for specific laboratory activities as listed in the Hong Kong Laboratory Accreditation Scheme. To sustain the robust development of the Group in the future, DrilTech will strive to diversify its business by allocating more appropriate resources to broaden the range of services in marine ground investigation, instrumentation and field testing. The Group believes that DrilTech can achieve more return and expand the scope of its services by our strategy, and in turn will increase its revenue and profit contributions to the Group in the coming years.

The foundation industry in Hong Kong is changing rapidly. The number of construction projects requiring sophisticated technology is on the rise. With the growing size and complexity of projects in Hong Kong, foundation contractors with more advanced technical capabilities will be more competitive in the industry. As one of the major players in the field of foundation technology, we are primed for the challenges ahead. The Group are dedicated to enhancing our competitive strength and maintaining a strong position by shifting our focus to bidding on more large-scale and complex projects as well as diversifying our scope of business activities.



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

### **PROPOSED FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2020 to the shareholders of the Company whose names appear on the Company's register of members on 16 June 2021. Subject to approval by the shareholders on the forthcoming annual general meeting, the dividend cheques are expected to be despatched to the shareholders on or before 7 July 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 Investor Services 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 Investor Services 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.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to extend my appreciation to our staff and colleagues for their continued dedication and professionalism. Our many stakeholders and business partners are important to our business and we give our thanks for their tremendous support and loyalty. In addition, I would like to extend my thanks to our shareholders for your unwavering support. With our unique blend of operational excellence and expertise in the field, we are poised to create significant shareholder value in the future.

## **CORPORATE GOVERNANCE**

### ***Model Code for Securities Transactions by Directors***

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “Model Code”) set out in Appendix 10 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”). On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 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 code provision A.1.1. Board meetings of the Company were held twice during the year on a regular basis, which deviated from code provision A.1.1 of the CG code which stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In view of the simplicity of the Group’s businesses, regular board meetings have not been held quarterly during the year. The interim and annual results together with all corporate transactions happened during the year have been reviewed and discussed amongst the directors at the full board meetings held in the year.

Details of the Company’s corporate governance policies and practices (including the above deviation from the code provisions) will be discussed in the Company’s 2020 annual report.

### ***Audit Committee***

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

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management and the external auditor the financial reporting matters of the Group for the year ended 31 December 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 and 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  
**Yuen-Keung Chan**  
*Chairman*

Hong Kong, 25 March 2021

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

\* *For identification purpose only*