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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 2021

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 2021 and the consolidated statement of financial position of the Group as at 31 December 2021 together with comparative figures in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	3	6,799,821	4,941,712
Cost of sales/services provided		(6,153,262)	(4,381,952)
Gross profit		646,559	559,760
Other income	3	4,077	4,748
Selling and distribution costs		(22,366)	(16,079)
Administrative expenses		(496,027)	(464,651)
Other operating income, net	4	12,438	95,159
Changes in fair value of investment properties, net		565	1,362
Deficit from revaluation of property, plant and equipment		(40)	(1,514)
Finance costs	5	(15,900)	(12,485)
PROFIT BEFORE TAX	6	129,306	166,300
Income tax expense	7	(34,936)	(22,547)
PROFIT FOR THE YEAR		94,370	143,753
Attributable to:			
Owners of the Company		77,379	124,084
Non-controlling interests		16,991	19,669
		94,370	143,753
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		HK13.0 cents	HK20.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	94,370	143,753
	<u> </u>	<u> </u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations and net other comprehensive income that may be reclassified to profit or loss in subsequent periods	3,276	9,358
	<u> </u>	<u> </u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of leasehold land and owned buildings	70,931	4,798
Income tax effect	(7,463)	(1,093)
	<u> </u>	<u> </u>
	63,468	3,705
	<u> </u>	<u> </u>
Change in fair value of an equity investment at fair value through other comprehensive income	3,672	(65)
	<u> </u>	<u> </u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	67,140	3,640
	<u> </u>	<u> </u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	70,416	12,998
	<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	164,786	156,751
	<u> </u>	<u> </u>
Attributable to:		
Owners of the Company	142,365	137,082
Non-controlling interests	22,421	19,669
	<u> </u>	<u> </u>
	164,786	156,751
	<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December	31 December
	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	1,261,394	1,188,935
Investment properties	23,118	22,553
Investment in an associate	121	121
Investment in a joint venture	–	–
Equity investment at fair value through other comprehensive income	6,437	2,765
Goodwill	14,369	14,369
Financial assets at fair value through profit or loss	19,995	7,502
Deposits	7,671	2,161
Deferred tax assets	3	1
	1,333,108	1,238,407
CURRENT ASSETS		
Inventories	96,198	83,247
Property held for sale under development	106,697	102,033
Contract assets	1,653,825	1,401,099
Trade receivables	10 834,974	830,873
Amount due from a related company	11 18,112	25,532
Amount due from a joint venture	967	967
Prepayments, deposits and other receivables	232,339	155,690
Derivative financial instruments	–	7,070
Tax recoverable	10,439	17,016
Pledged time deposits	–	529
Cash and cash equivalents	648,837	417,874
	3,602,388	3,041,930
CURRENT LIABILITIES		
Trade, bills and retention monies payables	12 1,085,827	722,216
Trust receipt loans	119,978	202,596
Other payables and accruals	878,944	786,705
Tax payable	15,903	15,575
Interest-bearing bank borrowings	368,759	183,523
Lease liabilities	4,934	5,423
	2,474,345	1,916,038
NET CURRENT ASSETS	1,128,043	1,125,892
TOTAL ASSETS LESS CURRENT LIABILITIES	2,461,151	2,364,299

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	31 December 2021	31 December 2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Other payable	41,325	81,431
Lease liabilities	58,072	59,717
Deferred tax liabilities	94,169	90,818
	<hr/>	<hr/>
Total non-current liabilities	193,566	231,966
	<hr/>	<hr/>
Net assets	2,267,585	2,132,333
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	59,490	59,490
Reserves	2,061,195	1,942,626
	<hr/>	<hr/>
	2,120,685	2,002,116
	<hr/>	<hr/>
Non-controlling interests	146,900	130,217
	<hr/>	<hr/>
Total equity	2,267,585	2,132,333
	<hr/> <hr/>	<hr/> <hr/>

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 following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 9, *Interest Rate Benchmark Reform – Phase 2*
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows

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

of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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, distribution and installation of aviation system and other hi-tech products and others, which include property holding and development. During the year, the Group reviewed the structure and internal organisation and changed the composition of its reportable segments. Accordingly, certain subsidiaries which were previously included in “Others” segment have been reclassified to the “Aviation” segment. The relevant comparable figures have been restated to conform with current year’s presentation. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

Year ended 31 December 2021

	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>	Aviation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Sales to external customers	572,250	2,683,680	1,119,749	2,042,378	381,764	-	6,799,821
Intersegment sales	63	1,863	77,674	-	-	-	79,600
Other revenue	727	27	46	246	1	-	1,047
	<u>573,040</u>	<u>2,685,570</u>	<u>1,197,469</u>	<u>2,042,624</u>	<u>381,765</u>	<u>-</u>	<u>6,880,468</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales							<u>(79,600)</u>
Revenue							<u><u>6,800,868</u></u>
Segment results	25,452	82,005	(41,465)	81,699	13,393	(3,653)	157,431
<i>Reconciliation:</i>							
Fair value changes in financial assets at fair value through profit or loss							7,997
Interest income and unallocated gains							3,030
Unallocated expenses							(39,677)
Changes in fair value of investment properties, net							565
Deficit from revaluation of property, plant and equipment							<u>(40)</u>
Profit before tax							<u><u>129,306</u></u>

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021 *(continued)*

	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>	Aviation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	385,265	1,780,299	783,313	1,216,057	373,881	348,668	4,887,483
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(17,253)
Equity investment at fair value through other comprehensive income							6,437
Financial assets at fair value through profit or loss							14,839
Corporate and other unallocated assets							43,990
Total assets							<u>4,935,496</u>
Segment liabilities	85,435	1,159,355	386,403	600,273	236,165	68,489	2,536,120
<i>Reconciliation:</i>							
Elimination of intersegment payables							(17,253)
Corporate and other unallocated liabilities							149,044
Total liabilities							<u>2,667,911</u>
Other segment information:							
Investment in an associate	-	-	-	121	-	-	121
Provision/(write-back of provision) for inventories included in cost of inventories sold	(2,003)	30	-	-	(158)	-	(2,131)
Depreciation	7,531	20,726	8,027	68,738	3,230	7,949	116,201
Capital expenditure*	419	15,740	752	72,762	2,506	20,943	113,122

* *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 2020 (restated)

	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>	Aviation <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	30	1	2,161
	<u>463,491</u>	<u>2,091,020</u>	<u>660,359</u>	<u>1,553,377</u>	<u>210,762</u>	<u>1</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	14,890	(2,515)	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 (restated) *(continued)*

	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>	Aviation <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	167,477	380,766	4,296,334
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(71,053)
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>4,280,337</u>
Segment liabilities	94,395	1,007,658	242,583	596,962	133,016	12,313	2,086,927
<i>Reconciliation:</i>							
Elimination of intersegment payables							(71,053)
Corporate and other unallocated liabilities							132,130
Total liabilities							<u>2,148,004</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	1,152	7,799	109,946
Capital expenditure*	<u>1,512</u>	<u>135,165</u>	<u>1,591</u>	<u>242,146</u>	<u>170</u>	<u>6,312</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)*

Geographical information

(a) Revenue from external customers

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	5,895,650	4,399,351
Mainland China, Macau and Singapore	904,171	542,361
	<u>6,799,821</u>	<u>4,941,712</u>

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

(b) Non-current assets

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	936,659	902,381
Mainland China and Macau	347,853	309,107
	<u>1,284,512</u>	<u>1,211,488</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 deferred tax assets.

Information about major customers

During the years ended 31 December 2021 and 31 December 2020, 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>	Aviation <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2021						
Type of goods or services						
Sales of goods	572,250	197,219	-	-	-	769,469
Construction services	-	2,486,461	1,119,749	2,042,378	381,764	6,030,352
Total revenue from contracts with customers	<u>572,250</u>	<u>2,683,680</u>	<u>1,119,749</u>	<u>2,042,378</u>	<u>381,764</u>	<u>6,799,821</u>
Geographical markets						
Hong Kong	499,687	2,473,564	501,303	2,042,378	378,718	5,895,650
Mainland China and Macau	72,563	210,116	618,446	-	3,046	904,171
Total revenue from contracts with customers	<u>572,250</u>	<u>2,683,680</u>	<u>1,119,749</u>	<u>2,042,378</u>	<u>381,764</u>	<u>6,799,821</u>
Timing of revenue recognition						
Goods transferred at a point in time	572,250	197,219	-	-	-	769,469
Services transferred over time	-	2,486,461	1,119,749	2,042,378	381,764	6,030,352
Total revenue from contracts with customers	<u>572,250</u>	<u>2,683,680</u>	<u>1,119,749</u>	<u>2,042,378</u>	<u>381,764</u>	<u>6,799,821</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>	Aviation <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2020						
Type of goods or services						
Sales 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)*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income		
Interest income	145	2,105
Commission income	42	89
Gross rental income from an investment property and plant and machinery operating leases:		
Other lease payments, including fixed payment	–	258
Others	<u>3,890</u>	<u>2,296</u>
	<u>4,077</u>	<u>4,748</u>

4. OTHER OPERATING INCOME, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fair value changes in financial assets at fair value through profit or loss	8,872	(188)
Fair value gains on derivative financial instruments – transactions not qualifying as hedges	3,958	7,070
Foreign exchange differences, net	(1,580)	5,227
Government subsidies <i>(note)</i>	3,204	80,241
Gain/(loss) on disposal of items of property, plant and equipment, net	(2,016)	2,374
Others	<u>–</u>	<u>435</u>
	<u>12,438</u>	<u>95,159</u>

Note: The government subsidies represented 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.

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank loans and overdrafts	9,283	8,275
Interest on lease liabilities	4,201	4,210
Implicit interest on other payable	3,078	–
Less: Interest capitalised under a property held for sale under development	(662)	–
	<u>15,900</u>	<u>12,485</u>

6. PROFIT BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	646,358	523,181
Cost of services provided	5,506,904	3,858,771
Depreciation of property, plant and equipment (excluding right-of-use assets)	80,666	76,504
Depreciation of right-of-use assets	35,535	33,442
Lease payments not included in the measurement of lease liabilities	7,189	6,113
Auditor's remuneration	4,261	4,024
Employee benefits expense (including directors' remuneration)	860,004	868,915
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	167	206
Write-back of provision for inventories included in cost of inventories sold	(2,131)	(78)
Loss/(gain) on disposal of items of property, plant and equipment, net	2,016	(2,374)
Government subsidies	(3,204)	(80,241)
Fair value changes in financial assets at fair value through profit or loss	(8,872)	188
Fair value gains on derivative financial instruments – transactions not qualifying as hedge	(3,958)	(7,070)
Foreign exchange differences, net	1,580	(5,227)
	<u>1,580</u>	<u>(5,227)</u>

7. INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	37,582	27,213
Over provision in prior years	(611)	(143)
Current – Elsewhere		
Charge for the year	2,082	2,393
Under/(over) provision in prior years	(3)	10
Deferred	<u>(4,114)</u>	<u>(6,926)</u>
Total tax charge for the year	<u><u>34,936</u></u>	<u><u>22,547</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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.

8. 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\$77,379,000 (2020: HK\$124,084,000), 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 years ended 31 December 2021 and 2020.

9. DIVIDEND

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Proposed final – HK2.75 cents (2020: HK4.0 cents) per ordinary share	<u><u>16,360</u></u>	<u><u>23,796</u></u>

10. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<u><u>834,974</u></u>	<u><u>830,873</u></u>

The Group's trading terms with its customers are mainly on credit. The credit periods range from cash on delivery to 60 days. A longer credit period may be allowed for customers with good business relationships with the Group. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current to 30 days	519,137	565,844
31 to 60 days	213,096	157,467
61 to 90 days	45,642	40,204
Over 90 days	<u>57,099</u>	<u>67,358</u>
	<u><u>834,974</u></u>	<u><u>830,873</u></u>

11. 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.

12. TRADE, BILLS AND RETENTION MONIES PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	743,465	384,230
Bills payable	29,497	38,807
Retention monies payable	312,865	299,179
	<u>1,085,827</u>	<u>722,216</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current to 30 days	580,629	355,120
31 to 60 days	109,080	16,975
61 to 90 days	20,430	1,042
Over 90 days	33,326	11,093
	<u>743,465</u>	<u>384,230</u>

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

13. COMPARATIVE AMOUNTS

The comparative operating segment information has been represented as if the change of the composition of the Group's reportable segments has been effected at the beginning of the comparative period.

RESULTS

The Group recorded a mixed year with revenues of HK\$6,800 million (2020: HK\$4,942 million), and a net profit of HK\$94.4 million (2020: HK\$143.8 million). The profit attributable to the owners of the Company was HK\$77.4 million (2020: HK\$124.1 million). While the results of the Group's different business segments have improved in the second half of the year, our decrease in profit was in part the result of a reduction in anti-pandemic subsidies from the government, from HK\$80.2 million last year to HK\$3.2 million this year. It was also partly due to cost overruns on projects in our Construction division completed in the first half of the year, caused by an erosion of gross margins from increases in material and logistics costs; for the delays in goods delivery; and costs of preventive measures against Covid-19. There was other comprehensive income of HK\$63.5 million (net of deferred tax) arising from the upward revaluation of certain properties and buildings held for own use (2020: net surplus of HK\$3.7 million, net of deferred tax) which has been credited directly to reserves.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK2.75 cents per share for the year ended 31 December 2021 (2020: HK4.0 cents) to the shareholders of the Company whose names appear on the Company's register of members on 15 June 2022. It is expected that the final dividend cheques will be despatched to the shareholders of the Company on or before 6 July 2022.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 2 June 2022. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 30 May 2022 to 2 June 2022 (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 27 May 2022.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2021 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 10 June 2022 to 15 June 2022 (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 7 June 2022. 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 9 June 2022.

BUSINESS REVIEW AND PROSPECTS

Turning to the results and prospects of our businesses:

Trading of plastics and chemical products

A beneficiary of the global supply chain chaos, Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries ("Jacobson") generated revenue of HK\$572 million (2020: HK\$463 million) and doubling operating profit to HK\$25.5 million (2020: HK\$11.1 million). Jacobsen found trading opportunities among the disruptions caused by the prolonged Covid-19 pandemic. Continued disruptions to the supply chain improved margins for traded materials and logistics. Jacobsen benefited from price hikes arising from plastic raw materials and chemical supplies shortages. While management believes the elevated trading environment could remain for the near term, we've hedged against potential reversals by focusing on stock positions to avoid losses. In addition, the ongoing rollout of JcoNAT disinfectant products continued to bring profit growth. While sales flattened slightly during the pandemic lull in the second half of 2021, demand roared back with the recent outbreak of the Omicron variant. Seeking to expand distribution channels, JcoNAT launched new intelligent disinfection stations from the beginning of December 2021. As of this writing, orders are strong and accelerating.

Building related contracting services

The Shun Cheong Engineering Group (“Shun Cheong”) contributed revenue of HK\$2,684 million (2020: HK\$2,056 million) with operating profits of HK\$82.0 million (2020: HK\$74.4 million) from its electrical, HVAC, fire services and pump and drainage businesses. The 30% increase in revenues was offset by increases in material and labour costs as well as site overheads. In addition, the absence of anti-pandemic government subsidies led to an erosion of gross and net profit margins. Shun Cheong is actively developing strategic joint arrangement to explore higher valued tender opportunities in upcoming large scale government projects. Shun Cheong’s management continues to review and improve the efficiency of its operation and profitability of its projects. As at 31 December 2021, the segment had outstanding contract sums of approximately HK\$4,809 million, with additional HK\$452 million worth contracts awarded subsequent to the year-end.

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\$1,120 million (2020: HK\$659 million) and recorded an operating loss of HK\$41.5 million (2020: profit of HK\$15.7 million). As previously described in the 2021 interim report, the loss was in part the result of delays in projects completed in first half of the year which incurred cost overruns not fully claimable from the employers, and also partly due to delays caused by the social unrest and pandemic related work slowdowns accumulated over the past couple of years. The weak performance reversed by the second half of the year, with the segment reporting marginal profits. Unfortunately, not enough to cover existing losses. Our management continues to scrutinize costs in ongoing projects, while exercising caution in determining tender prices to aim for reasonable margins that balance profitability against contracts on hand. As at 31 December 2021, the outstanding contract sum stood at approximately HK\$1,023 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\$2,042 million (2020: HK\$1,553 million) and operating profits of HK\$81.7 million (2020: HK\$85.0 million). The increase in revenue of Chinney Kin Wing Group was mainly attributable to continuing progress on sizeable foundation contracts as well as contributions from drilling and site investigation contracts. While the revenue increased by 31.5%, gross profit margins shrank due to significant price increases in the cost of direct materials and the labour wage index, as well as cessation of government anti-pandemic subsidies. In addition, extra resources were allocated to comply with more stringent contract requirements as well as meeting tightened construction schedules in a time of Covid slowdowns. Importantly, Chinney Kin Wing invested in its people by improving employee benefits, and in its plant and equipment by upgrading its machinery fleets.

As at 31 December 2021, Chinney Kin Wing is running 16 and 48 projects in the Foundation division and Drilling division, with contract sums of approximately HK\$3,380 million and HK\$762 million, respectively.

While property developers remained active in launching new projects from 2021 onwards, there are also a number of upcoming infrastructure projects in the public sector. It is believed that this highly favourable combination of factors will contribute to a substantial growth drive for this segment’s businesses. In addition, the set-up of the self-owned depot has both enhanced the Chinney Kin Wing Group’s plant maintenance and engineering capabilities as well as the optimised overall project management and production efficiency. The Chinney Kin Wing Group will invest continuously in creating greater value so as to foster strong relationship with our diverse clientele.

Looking forward, challenges remain for the foundation industry. Keen competition amongst market players persists as evidenced by tenders at competitive prices. We see ongoing upwards pressure in direct material and labour costs, possibly continuing the downward slide in net margins. To increase production efficiency, Chinney Kin Wing has implemented strategic initiatives from improving cost controls on projects, to strengthening project management teams, to optimising design capabilities and flexibility. Moreover, in this challenging and dynamic backdrop, Chinney Kin Wing will exercise prudence and vigilance through operational and strategic agility, as well as shifting the focus to bidding for more large-scale and complex projects.

In 2021, DrilTech Geotechnical Engineering Limited, a subsidiary under the Drilling division, was admitted as a specialist contractor for public works in the Rock-socketed Steel H-pile in Pre-bored Hole under the Land Piling category (Group II) of the Development Bureau. The Drilling division will speed up its laboratory testing business under The Hong Kong Laboratory Accreditation Scheme, which generates advantages for our business, and will continue the diversification of business by allocating more resources to expanding the service in marine ground investigation, instrumentation and field testing.

Aviation business

Our aviation segment under Chinney Alliance Engineering Limited (“CAE”) recorded revenues of HK\$382 million (2020: HK\$211 million) and an operating profit of HK\$13.4 million (2020: HK\$14.9 million). The aviation business runs a number of projects for the Hong Kong International Airport, the Hong Kong Government, and various Airport Authorities inside Mainland China. Project and client security requirements mean that there is a necessary blanket of discretion around specific projects.

However, CAE faces the same materials and labor constraints as the rest of our construction and engineering segments. Nevertheless, with its excellent reputation and job experience in the aviation sector, CAE will continue to gain new projects in the coming years and contribute profit to the Group.

Other businesses

The segment includes property held for sale under development which is located in Fanling near the railway station and still at planning stage, certain properties held for the Group’s own use and certain investment properties. The loss for the year represented mainly depreciation and other overheads of the Group’s properties held for own use.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts for the Group at the end of the reporting period amounted to HK\$551.7 million (31 December 2020: HK\$451.3 million). These include trust receipt loans, bank loans and lease liabilities. Current liabilities made up 89.5% (31 December 2020: 86.8%) of all these interest-bearing debts. The current ratio stood at 1.5 (31 December 2020: 1.6). Total cash and cash equivalents, represented by unpledged cash and bank balances were HK\$648.8 million as at 31 December 2021 (31 December 2020: HK\$417.9 million).

The Group had a total of HK\$2,845 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\$551.7 million over the equity attributable to the owners of the Company of HK\$2,120.7 million, was 26.0% as at 31 December 2021 (31 December 2020: 22.5%).

The Group prudently manages its financial positions and has sufficient liquidity to sustain projects and operations for the foreseeable future.

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 2021, certain properties having an aggregate book value of HK\$145.4 million and property held for sale under development of HK\$106.7 million were pledged to banks to secure bank loans and general banking facilities extended to the Group.

Contingent liability

As of 31 December 2021, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure performance/surety bonds in the aggregate amount of HK\$1,035.4 million issued in favour of the Group's clients in its ordinary course of business. This amount included performance/surety bonds issued in favour of the clients of the Chinney Kin Wing Group of HK\$253.7 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 2021.

Employees and remuneration policies

The Group employed approximately 1,640 staff in Hong Kong and other parts of the People's Republic of China (the "PRC") as of 31 December 2021. 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 Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (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 2021, 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 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 construction and development of a data centre at the Land at a total contract sum of HK\$757,838,691.70 (the "Construction Framework Agreement"). The entering into the Construction Framework Agreement constituted a connected transaction of each of Chinney Investments, Hon Kwok and the Company under the Listing Rules. 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. No revenue was recognised by Chinney Construction during the year ended 31 December 2021.

OUTLOOK

As we enter the third year of the Covid-19 pandemic, new variants continue to disrupt the global economy. We hope that high vaccination rates and the declining virulence of the infections will mean a quick improvement in the local economy. Internationally, persistent inflation due to ongoing supply chain pressures as well as the war in Europe will mean a series of interest rate hikes.

At the same time, China's stringent measures against the virus and sustained economic strength can anchor local economic volatility. The PRC's economic outlook remains rosy, with very short-term growing pains followed by longer term expansion in the future. Industry, the yuan, and international trade will gain ground regardless of the outcome of the war in Ukraine. On the other hand, the tense relationship between China and Western countries will likely continue to act as a drag on globalisation. The next few years will likely see a stronger Europe, stronger China, and gradually receding United States.

Companies will need to adopt to a reopening economy as well as a world where doing business will be more expensive. Companies like our Group, with strong teams, profitable track records, and low leverage will have an edge in this dynamic environment.

Over the next few years, our Company is well positioned to serve the strategic development of the Northern Metropolis and the Lantau Tomorrow Vision. The persistent need for housing and urban services will continue to create business opportunities for our Group's Foundation, Building Construction and Building Services businesses. Our Aviation business will expand with the growing demand for passenger, cargo, and drone delivery navigation and safety systems. Our plastic business will look to break out from the commodity supply cycle by growing its consumer facing JcoNAT product lines. In addition, we are exploring opportunities in zero-carbon and climate change technologies, robotics, digitization and electrification infrastructure, and urban air mobility. With a satisfactory level of contracts on hand, the Board is cautiously optimistic about the Group's sustained forward performance.

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 this unusual 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 2021.

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 (which has been re-numbered as C.5.1 since 1 January 2022) and A.4.2 (which has been re-numbered as B.2.2 since 1 January 2022), 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.4.2 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.

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.

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 2021 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 2021.

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 2021 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, 29 March 2022

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 four are independent non-executive directors, namely Mr. Chi-Chiu Wu, Mr. Ronald James Blake, Mr. Anthony King-Yan Tong and Ms. Dee-Dee Chan.

* *For identification purpose only*