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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 2022

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 the consolidated statement of comprehensive income of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 and the consolidated statement of financial position of the Group as at 31 December 2022 together with comparative figures in 2021 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 December	
		2022 HK\$'000	2021 HK\$'000
<b>REVENUE</b>	4	<b>1,805,843</b>	2,042,378
Cost of construction		<u>(1,516,399)</u>	<u>(1,785,252)</u>
Gross profit		<b>289,444</b>	257,126
Other income and gains	4	<b>17,864</b>	246
Administrative expenses		<b>(179,759)</b>	(172,399)
Impairment of trade receivables		<b>(9,458)</b>	–
Finance costs	5	<u><b>(1,894)</b></u>	<u>(3,212)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>116,197</b>	81,761
Income tax expense	7	<u><b>(20,173)</b></u>	<u>(15,068)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>96,024</b></u>	<u>66,693</u>
Profit attributable to:			
Equity holders of the Company		<u><b>96,024</b></u>	<u>66,693</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<u><b>HK 6.40 cents</b></u>	<u>HK 4.45 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
<b>PROFIT FOR THE YEAR</b>	<b>96,024</b>	66,693
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of leasehold land	<u>6,806</u>	<u>21,294</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>6,806</b>	21,294
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>102,830</b>	87,987
Attributable to:		
Equity holders of the Company	<u>102,830</u>	<u>87,987</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		255,591	261,589
Right-of-use assets		196,069	197,804
Investment in an associate		121	121
Deposits		9,962	5,527
		<hr/>	<hr/>
Total non-current assets		461,743	465,041
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Trade receivables	10	274,974	191,808
Contract assets		293,749	332,293
Prepayments, deposits and other receivables		37,179	35,325
Due from a fellow subsidiary		–	1,790
Tax recoverable		247	1,764
Cash and cash equivalents		457,769	186,028
		<hr/>	<hr/>
Total current assets		1,063,918	749,008
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade and retention monies payables	11	176,507	214,544
Other payables and accruals		647,509	344,497
Tax payable		13,078	1,296
		<hr/>	<hr/>
Total current liabilities		837,094	560,337
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>226,824</b>	<b>188,671</b>
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>688,567</b>	<b>653,712</b>
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Other payable		–	41,325
Deferred tax liabilities		35,407	39,557
		<hr/>	<hr/>
Total non-current liabilities		35,407	80,882
		<hr/>	<hr/>
Net assets		<b>653,160</b>	<b>572,830</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to holders of the Company</b>			
Issued capital		150,000	150,000
Reserves		503,160	422,830
		<hr/>	<hr/>
Total equity		<b>653,160</b>	<b>572,830</b>
		<hr/> <hr/>	<hr/> <hr/>

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of these revised HKFRSs does not have any impact on the financial position or performance of the Group.

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

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

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

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted 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 2022

	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	1,453,320	352,523	1,805,843
Intersegment sales	–	172,253	172,253
Other revenue	13,014	4,850	17,864
	<u>1,466,334</u>	<u>529,626</u>	<u>1,995,960</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(172,253)
Other revenue			<u>(17,864)</u>
Revenue			<u><u>1,805,843</u></u>
<b>Segment results</b>	<b>80,799</b>	<b>47,190</b>	<b>127,989</b>
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(12,531)
Interest income			2,633
Finance costs			<u>(1,894)</u>
Profit before tax			<u><u>116,197</u></u>
<b>Segment assets</b>	<b>1,252,486</b>	<b>271,952</b>	<b>1,524,438</b>
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>1,223</u>
Total assets			<u><u>1,525,661</u></u>
<b>Segment liabilities</b>	<b>646,761</b>	<b>216,904</b>	<b>863,665</b>
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>8,836</u>
Total liabilities			<u><u>872,501</u></u>
<b>Other segment information:</b>			
Investment in an associate	121	–	121
Depreciation of property, plant and equipment	51,557	11,293	62,850
Depreciation of right-of-use assets	8,541	–	8,541
Capital expenditure*	<u>44,010</u>	<u>15,550</u>	<u>59,560</u>

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

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

Year ended 31 December 2021

	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	1,718,935	323,443	2,042,378
Intersegment sales	–	179,605	179,605
Other revenue	35	211	246
	<u>1,718,970</u>	<u>503,259</u>	<u>2,222,229</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(179,605)
Other revenue			<u>(246)</u>
Revenue			<u><u>2,042,378</u></u>
<b>Segment results</b>	59,259	39,156	98,415
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(13,477)
Interest income			35
Finance costs			<u>(3,212)</u>
Profit before tax			<u><u>81,761</u></u>
<b>Segment assets</b>	995,713	216,882	1,212,595
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>1,454</u>
Total assets			<u><u>1,214,049</u></u>
<b>Segment liabilities</b>	479,647	153,539	633,186
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>8,033</u>
Total liabilities			<u><u>641,219</u></u>
<b>Other segment information:</b>			
Investment in an associate	121	–	121
Depreciation of property, plant and equipment	49,712	10,407	60,119
Depreciation of right-of-use assets	8,558	–	8,558
Capital expenditure*	<u>60,301</u>	<u>12,460</u>	<u>72,761</u>

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

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

#### *Geographical information*

(a) Revenue from external customers

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong	<b>1,805,843</b>	2,042,378

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

(b) Non-current assets

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong	<b>461,622</b>	464,920

The non-current asset 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>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Customer A	<b>468,268</b>	224,359
Customer B	<b>341,308</b>	*
Customer C	<b>259,388</b>	224,856
Customer D	*	298,094

\* *Less than 10%*



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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Revenue from contract with customers</i>		
Construction services	<u>1,805,843</u>	<u>2,042,378</u>

#### Revenue from contracts with customers

Disaggregated revenue information

For the year ended 31 December 2022

#### 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>1,453,320</u>	<u>352,523</u>	<u>1,805,843</u>
<b>Geographical markets</b>			
Hong Kong	<u>1,453,320</u>	<u>352,523</u>	<u>1,805,843</u>
Total revenue from contracts with customers	<u>1,453,320</u>	<u>352,523</u>	<u>1,805,843</u>
<b>Timing of revenue recognition</b>			
Services transferred over time	<u>1,453,320</u>	<u>352,523</u>	<u>1,805,843</u>
<b>Revenue from contracts with customers</b>			
External customers	1,453,320	352,523	1,805,843
Intersegment sales	–	172,253	172,253
Other revenue	<u>13,014</u>	<u>4,850</u>	<u>17,864</u>
	1,466,334	529,626	1,995,960
Elimination of intersegment sales	–	(172,253)	(172,253)
Other revenue	<u>(13,014)</u>	<u>(4,850)</u>	<u>(17,864)</u>
Total revenue from contracts with customers	<u>1,453,320</u>	<u>352,523</u>	<u>1,805,843</u>

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

For the year ended 31 December 2021

##### 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	1,718,935	323,443	2,042,378
<b>Geographical markets</b>			
Hong Kong	1,718,935	323,443	2,042,378
Total revenue from contracts with customers	1,718,935	323,443	2,042,378
<b>Timing of revenue recognition</b>			
Services transferred over time	1,718,935	323,443	2,042,378
<b>Revenue from contracts with customers</b>			
External customers	1,718,935	323,443	2,042,378
Intersegment sales	–	179,605	179,605
Other revenue	35	211	246
	1,718,970	503,259	2,222,229
Elimination of intersegment sales	–	(179,605)	(179,605)
Other revenue	(35)	(211)	(246)
Total revenue from contracts with customers	1,718,935	323,443	2,042,378
<b>Other income and gains</b>			
	<b>2022</b>	2021	
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	
Bank interest income	2,633	35	
Government subsidies*	15,211	–	
Gain on disposal of items of property, plant and equipment	20	–	
Others	–	211	
	<b>17,864</b>	<b>246</b>	

\* 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>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interest on lease liabilities	–	4
Interest on bank borrowings	–	130
Implicit interest on other payable	<b>1,894</b>	3,078
	<u>1,894</u>	<u>3,212</u>

## 6. PROFIT BEFORE TAX

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

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Cost of construction	<b>1,516,399</b>	1,785,252
Depreciation of property, plant and equipment	<b>62,850</b>	60,119
Depreciation of right-of-use assets	<b>8,541</b>	8,558
Staff costs (including directors' remuneration)		
Salaries, wages and allowances	<b>351,838</b>	345,055
Pension scheme contributions	<b>15,404</b>	15,179
	<u>367,242</u>	<u>360,234</u>
Auditor's remuneration	<b>1,442</b>	1,425
Lease payments not included in the measurement of lease liabilities	<b>3,366</b>	3,727
Loss/(gain) on disposal of items of property, plant and equipment	<b>(20)</b>	2,090
Foreign exchange differences, net	<b>1,180</b>	787
Impairment of trade receivables	<b>9,458</b>	–

## 7. INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	24,393	13,364
Overprovision in prior years	(70)	(71)
Deferred	(4,150)	1,775
	<u>20,173</u>	<u>15,068</u>
Total tax charge for the year	<u><u>20,173</u></u>	<u><u>15,068</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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\$96,024,000 (2021: HK\$66,693,000) and the number of ordinary shares 1,500,000,000 (2021: 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 2022 and 2021.

## 9. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Proposed final dividend of HK2.0 cents (2021: HK1.5 cents) per ordinary share	30,000	22,500
Proposed special dividend of HK1.3 cents (2021: Nil) per ordinary share	19,500	–
	<u>49,500</u>	<u>22,500</u>

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

## 10. TRADE RECEIVABLES

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<b>274,974</b>	191,808

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 2022, the Group has certain concentration risk that may arise from the exposure to the largest customer and five largest customers, which accounted for 26% and 80% (2021: 34% and 74%) of the Group's total trade receivable balances, respectively.

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:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current to 30 days	<b>202,436</b>	131,567
31 to 60 days	<b>48,402</b>	51,089
61 to 90 days	<b>4,542</b>	7,553
Over 90 days	<b>19,594</b>	1,599
	<b>274,974</b>	191,808

## 11. TRADE AND RETENTION MONIES PAYABLES

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<b>131,001</b>	170,917
Retention monies payable	<b>45,506</b>	43,627
	<u><b>176,507</b></u>	<u>214,544</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>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
Current to 30 days	<b>115,156</b>	125,755
31 to 60 days	<b>12,598</b>	29,236
61 to 90 days	<b>110</b>	12,188
Over 90 days	<b>3,137</b>	3,738
	<u><b>131,001</b></u>	<u>170,917</u>
Retention monies payable	<b>45,506</b>	43,627
	<u><b>176,507</b></u>	<u>214,544</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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND OPERATION REVIEW

As at 31 December 2022, the Group had 9 and 47 projects in progress with contract sum of approximately HK\$2,976 million and HK\$691 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 year:

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Foundation Division	<b>1,453,320</b>	1,718,935
Drilling Division	<b>352,523</b>	323,443
	<b><u>1,805,843</u></b>	<u>2,042,378</u>

The Group's revenue for the year under review was HK\$1,805.8 million (2021: HK\$2,042.4 million), representing a decrease of 11.6% from that of previous year. The decrease of revenue was mainly due to the decrease of contribution from the Foundation Division with previous year of HK\$1,718.9 million to reporting year of HK\$1,453.3 million, representing a decrease of HK\$265.6 million or 15.5%. The reduced revenue of the Foundation Division was primarily due to the completion of certain sizeable foundation contracts in the year under review while some of the newly awarded contracts were only commenced in the late half of 2022. In addition, we have been engaged as sub-contractors in several foundation contracts for bored pile construction only in the reporting year, other foundation works such as site formation and pile cap works were excluded from the foundation contracts. The revenue contribution from those foundation contracts was to certain extent being reduced. In respect of our Drilling Division, the revenue contribution increased from previous year of HK\$323.4 million to reporting year of HK\$352.5 million, representing an increase of HK\$29.1 million or 9.0%. The increased revenue of the Drilling Division was mainly due to the strong demand of site investigation in the drilling market.

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

The Group's total gross profit for the reporting year was HK\$289.4 million (2021: HK\$257.1 million), representing an increase of 12.6% from the previous year. The group's overall gross profit margin was also increased from previous year of 12.6% to current reporting year of 16.0%. The increase of total gross profit and improved gross profit margin was attributed to the increased tender opportunities in the foundation market, especially from that of the public sector, which had allowed the foundation contractors for the inclusion of reasonable profit margin in the tender price by reflecting the complexities and difficulties of the foundation construction. In addition, the adoption of alternative design of the foundation contracts as well as our persistently implementation of stringent project cost control had minimised the overall construction cost. These combined factors, together with enhanced contributions from the Drilling Division, had resulted in the overall improvement in both the gross profit and gross profit margin accordingly.

### ***Administrative expenses***

The Group's administrative expenses in the reporting year was HK\$179.8 million, representing an increase of HK\$7.4 million or 4.3% as compared with the previous corresponding year of HK\$172.4 million. The increase of administrative expenses was mainly attributed to the increase of staff costs of HK\$9.8 million in the reporting year which was partly set-off by the saving of other administrative expenses due to the closely monitoring of our administrative overhead.

### ***Net profit***

The Group's net profit in the reporting year was HK\$96.0 million, representing an increase of 44.0% or HK\$29.3 million, compared to the previous year's amount of HK\$66.7 million. The increase of net profit was mainly due to the increased gross profit of HK\$32.3 million generated from construction projects as well as the Employment Support Scheme subsidies of HK\$15.2 million by the Hong Kong Government in the reporting year. The increased contributions was partly set-off by the allowance for impairment loss of HK\$9.5 million as provided in view of the long overdue trade receivables together with the increased tax expenses of HK\$5.1 million in the year under review.

## **FINANCIAL REVIEW**

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

As at 31 December 2022, the Group had unpledged cash and bank balances of HK\$457.8 million as compared with that of HK\$186.0 million at 31 December 2021. The increase of cash and bank balances of HK\$271.8 million, after the payment of 2021 final dividend of HK\$22.5 million, capital payment of HK\$59.6 million in acquisition of new fleet machineries as well as partial consideration of HK\$42.0 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 reporting year. The Group had maintained a sound financial position and remained debt free during the year under review.

### ***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 board of directors 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 2022, the Group provided corporate guarantees and counter indemnities to certain banks and an insurance company for an aggregate amount of HK\$270.5 million (2021: HK\$253.7 million) for the issue of performance bonds in its ordinary course of business.



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

As at 31 December 2022, the Group employed 612 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**

In the past year, the foundation industry has witnessed a remarkable upswing in bidding projects, largely due to the government's efforts to develop the northern New Territories. In addition, the acceleration of construction in public and subsidised housing has played a significant role. Encouragingly, this increase in bidding opportunities has been accompanied by a reduction in the need to resort to price-cutting strategies in order to secure contracts.

In spite of the relatively optimistic outlook, costs will continue to pose headwinds. While global inflationary pressures cause volatility in direct material costs, demand for skilled labour and technical personnel in the construction industry locally is driving production cost pressure which together are cutting into our profit margins. Labour shortage is a constant challenge to the industry at large. Many of the current workers are aging and the younger generations are not keen on developing a career in the industry. In anticipation of future business demands, the Group is making a strategic investment in talent development. At the forefront of this initiative was the Chinney Kin Wing Academy launched by the end of 2022. Chinney Kin Wing Academy serves to bolster staff competence by providing comprehensive training for new hires, sharing technical knowledge, and fostering skill development among existing staff under the guidance of department heads. It also seeks to instil a sense of mission in colleagues, encouraging them to contribute to the construction industry and make positive impact on the larger community in Hong Kong. By sharing knowledge and expertise, the Group hopes to create a culture of achievement that will drive future success.

As we look to the future in 2023, the Group is committed to optimising our warehouse operations and enhancing our Information Technology capabilities. One of our primary goals is to increase productivity by minimising menial tasks and eliminating unnecessary processes. To achieve this, we are stepping up investing in advanced technologies and developing our Information Technology workforce to further streamline our operations and increase project efficiency.

Recognised with the Koden Test accreditation under The Hong Kong Laboratory Accreditation Scheme ("HOKLAS"), our subsidiary DrilTech is set to elevate its field testing services in the drilling industry, bolstered by the application of various categories of testing licenses under the HOKLAS. Moving forward, DrilTech is gearing up to expand its laboratory testing business further under the HOKLAS, which generates added advantage for our business. Additionally, DrilTech is exploring new growth opportunities, with a particular focus on diversifying its service offerings in marine ground investigation, instrumentation and field testing. These strategic moves are expected to result in a diversified income stream for DrilTech and increased returns for our shareholders.

With a focus on improving shareholder returns and maintaining a strong market position, the Group is shifting its focus towards identifying and leveraging diverse opportunities. To achieve sustainable business development and enhance competitiveness, the Group will adopt different tendering strategies and establish long-term relationships with quality customers, while also diversifying their services.

Furthermore, the Group is in the plan of establishing a headquarters, which will serve as a strong foundation for their long-term growth and success. This move underscores our commitment to creating a stable and reliable base from which to pursue new opportunities and achieve greater heights.

The Group supports the government in expediting the implementation of public works projects and remains prudently optimistic about the long-term prospects of the construction market. As one of the most dependable contractors in the foundation segment with an extensive range of specialised machinery and professional team, we are confident that the Group will secure more projects and play an instrumental role in the city's landmark projects.

### **PROPOSED DIVIDENDS**

The Board recommends the payment of a final dividend of HK2.0 cents per share and a special dividend of HK1.3 cents per share to celebrate the 25th anniversary of DrillTech for the year ended 31 December 2022 to the shareholders of the Company whose names appear on the Company's register of members on 14 June 2023. 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 5 July 2023.

### **CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING**

The annual general meeting of the Company is scheduled to be held on 2 June 2023. 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 2023 to 2 June 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 29 May 2023.

### **CLOSURE OF REGISTER OF MEMBERS FOR DIVIDENDS**

The proposed final dividend and proposed special dividend for the year ended 31 December 2022 are subject to the approval by the shareholders of the Company at the annual general meeting. For determining the entitlement to the proposed final dividend and proposed special dividend, the register of members of the Company will be closed from 9 June 2023 to 14 June 2023 (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 and proposed special dividend will be 6 June 2023. In order to qualify for the proposed final dividend and proposed special dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 8 June 2023.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my appreciation to the management team and all of the staff members for their contributions and commitment, particularly amid difficult conditions that were exacerbated by the pandemic. Also, my gratitude must certainly be extended to all of the Group's business partners and shareholders for their unwavering support. Going forward, we will make every effort to bolster our fundamentals and strive to safeguard our steady business growth in the long run.

## **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 on 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 2022.

### ***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 C.5.1. Board meetings of the Company were held twice during the year on a regular basis, which deviated from code provision C.5.1 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 provision) will be discussed in the Company's 2022 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 2022.

## **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 2022 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 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, 28 March 2023

*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*