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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 2022**

The board of directors (the “Board”) of Chinney Alliance Group Limited (the “Company”) announces 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>	3	<b>5,898,359</b>	6,799,821
Cost of sales/services provided		<b>(5,328,840)</b>	(6,153,262)
Gross profit		<b>569,519</b>	646,559
Other income	3	<b>6,277</b>	4,077
Selling and distribution costs		<b>(23,903)</b>	(22,366)
Administrative expenses		<b>(517,737)</b>	(496,027)
Other operating income, net	4	<b>28,776</b>	12,438
Changes in fair value of investment properties, net		<b>(2,051)</b>	565
Deficit from revaluation of property, plant and equipment		<b>(5,418)</b>	(40)
Finance costs	5	<b>(18,701)</b>	(15,900)
<b>PROFIT BEFORE TAX</b>	6	<b>36,762</b>	129,306
Income tax expense	7	<b>(22,476)</b>	(34,936)
<b>PROFIT FOR THE YEAR</b>		<b>14,286</b>	94,370
Attributable to:			
Owners of the Company		<b>(10,197)</b>	77,379
Non-controlling interests		<b>24,483</b>	16,991
		<b>14,286</b>	94,370
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<b>HK(1.7) cents</b>	HK13.0 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****Year ended 31 December**

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>14,286</b>	94,370
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations and net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>(20,333)</u>	<u>3,276</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of leasehold land and owned buildings	<b>14,327</b>	70,931
Income tax effect	<u>(1,971)</u>	<u>(7,463)</u>
	<b>12,356</b>	63,468
Change in fair value of an equity investment at fair value through other comprehensive income	<u>780</u>	<u>3,672</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>13,136</u>	<u>67,140</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<u>(7,197)</u>	<u>70,416</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>7,089</b>	164,786
Attributable to:		
Owners of the Company	<b>(19,129)</b>	142,365
Non-controlling interests	<u>26,218</u>	<u>22,421</u>
	<b>7,089</b>	164,786

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>31 December</b>	31 December
	<b>2022</b>	2021
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	1,106,137	1,261,394
Investment properties	117,439	23,118
Investment in an associate	121	121
Investment in a joint venture	–	–
Equity investment at fair value through other comprehensive income	7,217	6,437
Goodwill	14,369	14,369
Financial assets at fair value through profit or loss	26,578	19,995
Deposits	12,354	7,671
Deferred tax assets	3	3
	<b>1,284,218</b>	1,333,108
<b>TOTAL non-current assets</b>		
<b>CURRENT ASSETS</b>		
Inventories	85,369	96,198
Property held for sale under development	73,485	106,697
Contract assets	1,502,671	1,653,825
Trade receivables	10 814,871	834,974
Amount due from a related company	11 9,651	18,112
Amount due from a joint venture	967	967
Prepayments, deposits and other receivables	284,780	232,339
Tax recoverable	19,222	10,439
Cash and cash equivalents	760,662	648,837
	<b>3,551,678</b>	3,602,388
<b>TOTAL current assets</b>		
<b>CURRENT LIABILITIES</b>		
Trade, bills and retention monies payables	12 773,023	1,085,827
Trust receipt loans	132,895	119,978
Other payables and accruals	1,166,285	878,944
Tax payable	17,456	15,903
Interest-bearing bank borrowings	349,755	368,759
Lease liabilities	4,429	4,934
	<b>2,443,843</b>	2,474,345
<b>TOTAL current liabilities</b>		
<b>NET CURRENT ASSETS</b>		
	<b>1,107,835</b>	1,128,043
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		
	<b>2,392,053</b>	2,461,151

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

	<b>31 December 2022</b>	31 December 2021
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Other payables	–	41,325
Lease liabilities	<b>52,432</b>	58,072
Deferred tax liabilities	<b>87,044</b>	94,169
	<u>139,476</u>	<u>193,566</u>
Total non-current liabilities	<b>139,476</b>	193,566
Net assets	<b>2,252,577</b>	2,267,585
	<u><u>2,252,577</u></u>	<u><u>2,267,585</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>59,490</b>	59,490
Reserves	<b>2,025,706</b>	2,061,195
	<u>2,085,196</u>	<u>2,120,685</u>
<b>Non-controlling interests</b>	<b>167,381</b>	146,900
	<u>167,381</u>	<u>146,900</u>
Total equity	<b>2,252,577</b>	2,267,585
	<u><u>2,252,577</u></u>	<u><u>2,267,585</u></u>

NOTES:

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

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings included in property, plant and equipment, investment properties, equity investment at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

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.

## 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. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

### Year ended 31 December 2022

	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>
<b>Segment revenue:</b>							
Sales to external customers	450,592	2,348,631	948,025	1,801,475	349,636	-	5,898,359
Intersegment sales	129	3,340	1,954	4,368	-	-	9,791
Other revenue	462	17	213	2,633	1	-	3,326
	<u>451,183</u>	<u>2,351,988</u>	<u>950,192</u>	<u>1,808,476</u>	<u>349,637</u>	<u>-</u>	<u>5,911,476</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales							<u>(9,791)</u>
Revenue							<u><u>5,901,685</u></u>
<b>Segment results</b>	<b>7,567</b>	<b>11,479</b>	<b>(21,442)</b>	<b>116,170</b>	<b>7,359</b>	<b>(39,679)</b>	<b>81,454</b>
<i>Reconciliation:</i>							
Fair value changes in financial assets at fair value through profit or loss							3,350
Interest income and unallocated gains							2,951
Unallocated expenses							(43,524)
Changes in fair value of investment properties, net							(2,051)
Deficit from revaluation of property, plant and equipment							<u>(5,418)</u>
Profit before tax							<u><u>36,762</u></u>

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

### Year ended 31 December 2022 *(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	342,539	1,643,949	651,455	1,529,160	317,027	285,737	4,769,867
<i>Reconciliation:</i>							
Elimination of intersegment receivables							(10,932)
Equity investment at fair value through other comprehensive income							7,217
Financial assets at fair value through profit or loss							20,178
Corporate and other unallocated assets							49,566
Total assets							<u>4,835,896</u>
Segment liabilities	42,826	1,083,402	268,966	823,923	192,991	45,914	2,458,022
<i>Reconciliation:</i>							
Elimination of intersegment payables							(10,932)
Corporate and other unallocated liabilities							136,229
Total liabilities							<u>2,583,319</u>
<b>Other segment information:</b>							
Investment in an associate	-	-	-	121	-	-	121
Impairment of trade receivables	-	-	-	9,458	-	-	9,458
Provision for inventories included in cost of inventories sold	5,004	100	-	-	-	-	5,104
Write-down of property held for sale under development to net realisable value included in cost of inventories sold	-	-	-	-	-	36,000	36,000
Depreciation	8,346	20,220	8,527	71,418	4,167	9,745	122,423
Capital expenditure*	<u>1,768</u>	<u>7,090</u>	<u>171</u>	<u>59,560</u>	<u>2,858</u>	<u>26</u>	<u>71,473</u>

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

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

Year ended 31 December 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>
<b>Segment revenue:</b>							
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>
<b>Segment results</b>	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>
<b>Segment assets</b>	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>
<b>Segment liabilities</b>	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>
<b>Other segment information:</b>							
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)*

### *Geographical information*

(a) Revenue from external customers

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	<b>5,070,852</b>	5,895,650
Mainland China and Macau	<b>827,507</b>	904,171
	<b><u>5,898,359</u></b>	<u>6,799,821</u>

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

(b) Non-current assets

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	<b>971,294</b>	936,659
Mainland China and Macau	<b>252,282</b>	347,853
	<b><u>1,223,576</u></b>	<u>1,284,512</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 deposits and deferred tax assets.

### *Information about major customers*

During the years ended 31 December 2022 and 2021, 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>
<b>For the year ended 31 December 2022</b>						
<b>Type of goods or services</b>						
Sales of goods	450,592	121,890	-	-	-	572,482
Construction services	-	2,226,741	948,025	1,801,475	349,636	5,325,877
Total revenue from contracts with customers	<u>450,592</u>	<u>2,348,631</u>	<u>948,025</u>	<u>1,801,475</u>	<u>349,636</u>	<u>5,898,359</u>
<b>Geographical markets</b>						
Hong Kong	393,753	1,795,243	732,929	1,801,475	347,452	5,070,852
Mainland China and Macau	56,839	553,388	215,096	-	2,184	827,507
Total revenue from contracts with customers	<u>450,592</u>	<u>2,348,631</u>	<u>948,025</u>	<u>1,801,475</u>	<u>349,636</u>	<u>5,898,359</u>
<b>Timing of revenue recognition</b>						
Goods transferred at a point in time	450,592	121,890	-	-	-	572,482
Services transferred over time	-	2,226,741	948,025	1,801,475	349,636	5,325,877
Total revenue from contracts with customers	<u>450,592</u>	<u>2,348,631</u>	<u>948,025</u>	<u>1,801,475</u>	<u>349,636</u>	<u>5,898,359</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 2021						
<b>Type of goods or services</b>						
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>
<b>Geographical markets</b>						
Hong Kong	499,687	2,473,564	501,303	2,042,378	378,718	5,895,650
Mainland Chin 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>
<b>Timing of revenue recognition</b>						
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)*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Other income</b>		
Interest income	3,024	145
Commission income	75	42
Others	3,178	3,890
	<u>6,277</u>	<u>4,077</u>

### 4. OTHER OPERATING INCOME, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fair value changes in financial assets at fair value through profit or loss	3,725	8,872
Fair value gain on derivative financial instruments – transactions not qualifying as hedges	–	3,958
Foreign exchange differences, net	(3,640)	(1,580)
Government subsidies <i>(note)</i>	38,152	3,204
Loss on disposal of items of property, plant and equipment, net	(3)	(2,016)
Impairment of trade receivables	(9,458)	–
	<u>28,776</u>	<u>12,438</u>

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

## 5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank loans and overdrafts	14,444	9,283
Interest on lease liabilities	3,856	4,201
Implicit interest on other payable	1,894	3,078
Less: Interest capitalised under a property held for sale under development	<u>(1,493)</u>	<u>(662)</u>
	<u><b>18,701</b></u>	<u><b>15,900</b></u>

## 6. PROFIT BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	521,070	646,358
Cost of services provided	4,807,770	5,506,904
Depreciation of property, plant and equipment (excluding right-of-use assets)	85,868	80,666
Depreciation of right-of-use assets	36,555	35,535
Lease payments not included in the measurement of lease liabilities	9,138	7,189
Auditor's remuneration	4,245	4,261
Employee benefits expense (including directors' remuneration)	879,203	860,004
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	167	167
Provision/(write-back of provision) for inventories included in cost of inventories sold	5,104	(2,131)
Impairment of trade receivables	9,458	–
Write-down of property held for sale under development to net realisable value included in cost of inventories sold	36,000	–
Loss on disposal of items of property, plant and equipment, net	3	2,016
Government subsidies	(38,152)	(3,204)
Fair value changes in financial assets at fair value through profit or loss	(3,725)	(8,872)
Fair value gain on derivative financial instruments – transactions not qualifying as hedge	–	(3,958)
Foreign exchange differences, net	<u><b>3,640</b></u>	<u><b>1,580</b></u>

## 7. INCOME TAX

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	<b>31,691</b>	37,582
Over provision in prior years	<b>(241)</b>	(611)
Current – Elsewhere		
Charge for the year	<b>416</b>	2,082
Over provision in prior years	<b>(294)</b>	(3)
Deferred	<b>(9,096)</b>	(4,114)
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Total tax charge for the year	<b>22,476</b>	34,936
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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 rates of tax prevailing in the jurisdictions in which the Group operates.

## 8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company of loss of HK\$10,197,000 (2021: profit of HK\$77,379,000), 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 2022 and 2021.

## 9. DIVIDEND

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Proposed final dividend – HK2.50 cents (2021: HK2.75 cents) per ordinary share	<b>14,872</b>	16,360
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## 10. TRADE RECEIVABLES

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<b>825,380</b>	836,025
Impairment	<b>(10,509)</b>	(1,051)
	<b>814,871</b>	834,974

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:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current to 30 days	<b>514,758</b>	519,137
31 to 60 days	<b>167,503</b>	213,096
61 to 90 days	<b>50,664</b>	45,642
Over 90 days	<b>81,946</b>	57,099
	<b>814,871</b>	834,974



## 11. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contracting income certified from Honour Well Development Limited (“Honour Well”) and Gold Famous Development Limited (“Gold Famous”) as at 31 December 2022 and 2021, respectively. Honour Well and Gold Famous are indirect wholly-owned subsidiaries 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	429,320	743,465
Bills payable	12,981	29,497
Retention monies payable	330,722	312,865
	<u>773,023</u>	<u>1,085,827</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current to 30 days	293,457	580,629
31 to 60 days	81,247	109,080
61 to 90 days	11,690	20,430
Over 90 days	42,926	33,326
	<u>429,320</u>	<u>743,465</u>

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

## **RESULTS**

The Group recorded revenues of HK\$5,898 million (2021: HK\$6,800 million), and a net profit of HK\$14.3 million (2021: HK\$94.4 million). The loss attributable to the owners of the Company was HK\$10.2 million (2021: profit of HK\$77.4 million). The Group recorded revenue declines from all segments and gross profits dropped by 12%, which included a non-cash and unrealised write-down of property held for sale under development of HK\$36.0 million, reflecting Hong Kong residential property market's current status. The prolonged construction periods during the three years' pandemic period eroded profit margins in our Building Construction segment and Building Services segment. At the same time, pandemic related charges increased overheads. On the other hand, an uptick in new government projects improved gross margins in our Foundation subsidiaries and set-off part of the overall decrease in gross profits. The downturn of the property market in China last year also led to valuation decreases in properties located on the Mainland held for own use and investment properties, with an aggregate deficit of HK\$7.5 million charged against profits.

## **PROPOSED FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK2.50 cents per share for the year ended 31 December 2022 (2021: HK2.75 cents) to the shareholders of the Company whose names appear on the Company's register of members on 14 June 2023. It is expected that the final dividend cheques will be despatched to the shareholders of the Company 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 Tengis 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 DIVIDEND**

The proposed final dividend for the year ended 31 December 2022 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 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 will be 6 June 2023. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 8 June 2023.

## **BUSINESS REVIEW AND PROSPECTS**

Turning to the results and prospects of our businesses:

### ***Foundation piling and ground investigation***

Chinney Kin Wing Holdings Limited ("Chinney Kin Wing", together with subsidiaries, the "Chinney Kin Wing Group") contributed revenues of HK\$1,801 million (2021: HK\$2,042 million) and operating profits of HK\$116.2 million (2021: HK\$81.7 million). The decrease in revenue was mainly attributable to the completion of certain sizeable foundation contracts in the year under review while newly awarded contracts were commenced only in the late half of the year. On the other hand, the gross profit as well as the gross margin improved which were mainly due to better prices for new contracts awarded as market players were less keen to lower the prices for tenders from the public sector with complicated site conditions and demanding technical requirements. Besides, the adoption of alternative design for certain foundation contracts and the management's persistent efforts in stringent project cost control also contributed to the improved gross margin. Although administrative expenses increased with the increase in staff costs, the segment recorded satisfactory increase in the net profit for the year. The segment remained debt free during the year.

As at 31 December 2022, Chinney Kin Wing has 9 and 47 projects in the Foundation division and Drilling division, with contract sums of approximately HK\$2,976 million and HK\$691 million, respectively.

In the past year, the foundation industry witnessed a remarkable upswing in bidding projects, largely due to the Hong Kong 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 come without 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, Chinney Kin Wing Group is making a strategic investment in talent development. At the forefront of this initiative was the Chinney Kin Wing Academy launched near 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 instill 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 management of Chinney Kin Wing hopes to create a culture of achievement that will drive future success.

As we look to the future in 2023, Chinney Kin Wing is committed to optimising the warehouse operations and enhancing 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, Chinney Kin Wing is shifting its focus towards identifying and leveraging diverse opportunities. To achieve sustainable business development and enhance competitiveness, the segment will adopt different tendering strategies and establish long-term relationships with quality customers, while also diversifying their services.

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

Chinney Kin Wing 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 industry with an extensive range of specialised machinery and professional team, the management of Chinney Kin Wing is confident to secure more projects and play an instrumental role in the city's landmark projects.

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

Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries ("Jacobson") generated revenue of HK\$451 million (2021: HK\$572 million) and operating profit of HK\$7.6 million (2021: HK\$25.5 million). In the first half of the year under review, the segment managed to increase sale prices to compensate for the increase in raw material prices and logistic costs. However, the sale price and profit margin both dropped in the second half of the year due to changes in international demand. Soaring inflation, rising interest rates, and the continuation of war in Ukraine further affect the recovery of the global economy. Customers were cautious placing orders and maintained stock levels low to preserve liquidity. On the other hand, the sales of JcoNAT products almost doubled in the year under review. While all social distancing and other measures against COVID-19 have been relaxed in Hong Kong since early 2023, the general public are more cautious to personal hygiene from the lessons of the pandemic. So, we expect demand for disinfectant and hygiene products will continue, although growth may not match previous levels. At the same time, Jacobson will seek growth by introducing more green plastic products to our customers and exploring new wellness products to expand our product range.

### ***Building related contracting services***

The Shun Cheong Engineering Group ("Shun Cheong") contributed revenues of HK\$2,349 million (2021: HK\$2,684 million) with operating profits of HK\$11.5 million (2021: HK\$82.0 million) from its electrical, HVAC, fire services and pump and drainage businesses. The slow progress of the major projects of the segment caused by the pandemic led to the decrease in revenues. With the delay in site works caused by the pandemic, the budgeted profit margins of certain projects were reduced to reflect the increase in site staff costs, logistics costs and overheads. It is anticipated that the site works of certain projects will have to accelerate in 2023 to catch up to expected completion dates. So, while the revenues of the segment would improve, under the environment of rising skilled labours costs, additional costs for acceleration and increasing interest rate, the operating profit may not improve proportionately. Shun Cheong's management continues to review and improve the efficiency of its operation and profitability of her projects. As at 31 December 2022, the segment had outstanding contract sums of approximately HK\$4,971 million, with additional HK\$408 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 ("Chinney Timwill"), contributed revenues of HK\$948 million (2021: HK\$1,120 million) and recorded an operating loss of HK\$21.4 million (2021: loss of HK\$41.5 million). While the segment's Hong Kong operation managed to achieve a slight profit, the Macau operation recorded a loss, which was due to the lack of new projects awarded and additional costs incurred for site works during the second half of the year. Nevertheless, with the renewal of gaming licenses in Macau, which requires the development of overseas tourist markets and non-gaming projects by the licensees, and the reopening of the border, there will be more construction works in the territory which will in turn increase the tender opportunities for Chinney Timwill in Macau. With more projects awarded to Chinney Construction in the second half of 2022 and in 2023, the management of the Construction segment expects improvement in revenues and profitability in the coming years. As at 31 December 2022, the outstanding contract sum stood at approximately HK\$604 million. There were new projects worth HK\$1,222 million awarded after year end.

### ***Aviation business***

Our Aviation segment under Chinney Alliance Engineering Limited recorded revenues of HK\$350 million (2021: HK\$382 million) and an operating profit of HK\$7.4 million (2021: HK\$13.4 million). The decrease in revenue and operating profit was mainly attributable to the slower than expected progress of the segment's airport and related projects, as well as the increase in overheads to cope with the increased size of projects on hand. There were new projects awarded after year end and the segment will explore tender opportunities in Hong Kong and Macau to expand the business.

### ***Other businesses***

The segment includes property held for sale under development which is located in Fanling near the railway station and is still at the planning stage, certain properties held for the Group's own use and certain investment properties. The losses of the segment were mainly attributable to write-down of the property held for sale under development of HK\$36.0 million with the downturn of the local residential property market, as well 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\$539.5 million (31 December 2021: HK\$551.7 million). These include trust receipt loans, bank loans and lease liabilities. Current liabilities made up 90.3% (31 December 2021: 89.5%) of all these interest-bearing debts. The current ratio stood at 1.5 (31 December 2021: 1.5). Total cash and cash equivalents, represented by unpledged cash and bank balances were HK\$760.7 million as at 31 December 2022 (31 December 2021: HK\$648.8 million).

The Group had a total of HK\$2,620 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\$539.5 million over the equity attributable to the owners of the Company of HK\$2,085.2 million, was 25.9% as at 31 December 2022 (31 December 2021: 26.0%).

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 2022, certain properties having an aggregate book value of HK\$142.7 million and property held for sale under development of HK\$73.5 million were pledged to banks to secure bank loans and general banking facilities extended to the Group.

### *Contingent liability*

As of 31 December 2022, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure performance/surety bonds in the aggregate amount of HK\$909.0 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\$270.5 million to which corporate guarantees and indemnities were provided by Chinney Kin Wing Group.

Except as disclosed above, the Group had no other material contingent liabilities as of 31 December 2022.

### *Employees and remuneration policies*

The Group employed approximately 1,670 staff in Hong Kong and other parts of the People's Republic of China (the "PRC") as of 31 December 2022. 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 12 July 2018, Chinney Construction, an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with 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 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 K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The transaction was approved by independent shareholders of Chinney Investments, Hon Kwok and the Company at their respective general meetings 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. Revenues of HK\$6,185,000 were recognised by Chinney Construction during the year ended 31 December 2022.



- (b) On 26 September 2022, Chinney Construction and Shun Cheong Building Services Limited (“SC Building Services”), both being indirect wholly-owned subsidiaries of the Company, entered into a framework agreement (the “Revamp Framework Agreement”) with Honour Well, an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, pursuant to which, Chinney Construction was appointed by Honour Well as the contractor for the builder’s works at the contract sum of not exceeding HK\$96,300,000 and SC Building Services was appointed by Honour Well as the contractor for the mechanical and electrical engineering works and façade works at the contract sum of not exceeding HK\$141,000,000 relating to the revamp project of the building located at 119-121 Connaught Road Central, Sheung Wan, Hong Kong. The entering into the Revamp 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, Hon Kwok and the Company at their respective general meetings held on 28 November 2022.

Details of the transactions were set out in the joint announcement of Chinney Investments, Hon Kwok and the Company dated 26 September 2022 and the Company’s circular dated 8 November 2022. Revenues of HK\$2,104,000 were recognised by Chinney Construction and/or SC Building Services in respect of the transactions during the year ended 31 December 2022.

## **OUTLOOK**

With the lifting of zero-COVID policies in Mainland China and relaxation of social distancing measures in Hong Kong earlier this year, we have now entered the post-pandemic era. Yet, the recovery of the global economy is still hindered by various factors: the war in Ukraine, the hiking inflation rate, the rising interest rates, the collapse of several regional banks in the US whose customers were mainly start-up companies, and most recently the liquidity issue of Credit Suisse. The US Government promptly offered guarantees for the deposits of those collapsed banks and the Swiss central bank agreed to provide financial support to Credit Suisse. The US Federal Reserve is also slowing down the pace of rising interest rates. Whether it would become another financial crisis is yet to know but there is a dilemma that the immediate measures to resolve the problems of these banks helped to maintain the confidence of the market and provide liquidity, but the combat against inflation would be prolonged. The Eurozone economy remains subdued due to the monetary policies, high inflation and also the war in Ukraine. Under these circumstances, the recovery of the US and the Western economies would be further decelerated in the coming year.

On the other hand, the PRC Government sets a 5% target of economy growth for 2023, which is considered to be achievable by her usual precise monetary policies and the reactivated domestic demand. The consumer market of the Mainland recorded substantial improvement during the Chinese New Year after the normalisation from anti-pandemic policies. With the relaxation of travel restrictions, Hong Kong's consumer market was rebound in this spring.

While Hong Kong's economy recorded a contraction by 3.5% in 2022, the unemployment rate reduced further to 3.3% in December 2022 to February 2023. Although the recovery of advanced economies remains soft, the growth of the local economy will benefit from the growth momentum of the Mainland and the recovery of Asian countries. We can see more tourists and business visitors coming to Hong Kong in the first two months of 2023 after the further relaxation of travel restrictions to Hong Kong. The increase in visitors to Hong Kong is not only improving the consumer market, but also improving the sentiment and confidence of the society. In the coming years, the Hong Kong Government will have substantial investments in infrastructure and land supplies to create strong impetus for growth. The development of the Northern Metropolis and the Kau Yi Chau Artificial Islands will certainly broaden the business opportunities of the Group's construction related businesses and the Group is well-positioned to expand under these circumstances. Our Foundation segment is renewing the machineries fleet to enhance their capacity. The Construction segment and Building Services segment are actively involved in tenders and new contracts have been awarded after the end of the financial year. With the Government's vision to maintain Hong Kong as an international aviation hub and our neighborhood Macau's renewal and expansion of the Macau airport, our Aviation segment will expand with the growth. Our Plastic segment will face a difficult time for the traditional plastic and chemical trading business for a while but will continue the development of JcoNAT and other well-being products to enhance her product range. With a satisfactory level of contracts on hand, the Board is cautiously optimistic about the Group's sustained future performance in this post-pandemic era.

## **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 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 B.2.2 and C.5.1, which are explained below.

1. Code provision B.2.2 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.

2. 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 deviations from the code provisions) will be discussed in the Company's 2022 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 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  
**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 28 March 2023

*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*