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## **CR Construction Group Holdings Limited**

**華營建築集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1582)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

The total revenue of the Group for the year ended 31 December 2021 increased to approximately HK\$4,875.4 million as compared to that of approximately HK\$4,646.4 million (restated) for the year ended 31 December 2020.

The total gross profit of the Group decreased to approximately HK\$177.0 million for the year ended 31 December 2021 as compared to that of approximately HK\$211.2 million (restated) for the year ended 31 December 2020.

Profit attributable to the equity holders of the Company for the year ended 31 December 2021 amounted to approximately HK\$47.6 million as compared to that of approximately HK\$89.1 million (restated) for the year ended 31 December 2020. If excluding the restatement resulted from the acquisition under common control of Triumph Success Developments Limited, the previously reported profit attributable to the equity holders of the Company would amount to approximately HK\$89.3 million for the year ended 31 December 2020.

The Directors propose to recommend, at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK1.8 cents per share, amounting to approximately HK\$9.0 million.

The board (the “**Board**”) of directors (the “**Directors**”) of CR Construction Group Holdings Limited (the “**Company**”) hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*Year ended 31 December 2021*

		<b>2021</b>	2020
	<i>Notes</i>	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
<b>REVENUE</b>	6	<b>4,875,373</b>	4,646,407
Contract costs		<u>(4,698,367)</u>	<u>(4,435,247)</u>
Gross profit		<b>177,006</b>	211,160
Other income	6	<b>1,178</b>	1,830
Administrative expenses		<b>(102,251)</b>	(87,628)
Other operating expenses, net		<b>(4,250)</b>	(10,055)
Finance costs	8	<u><b>(11,715)</b></u>	<u>(14,472)</u>
<b>PROFIT BEFORE TAX</b>	7	<b>59,968</b>	100,835
Income tax expense	9	<u><b>(12,416)</b></u>	<u>(11,694)</u>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<u><b>47,552</b></u>	<u>89,141</u>
<b>OTHER COMPREHENSIVE LOSS</b>			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		<u><b>(2,490)</b></u>	<u>(228)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<u><b>(2,490)</b></u>	<u>(228)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<u><b>45,062</b></u>	<u>88,913</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	11	<u><b>HK9.51 cents</b></u>	<u>HK17.83 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2021*

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		23,987	22,756
Right-of-use assets		61,626	29,477
Prepayments and deposits		8,261	5,834
Deferred tax assets		428	–
		<hr/>	<hr/>
Total non-current assets		94,302	58,067
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Contract assets	<i>12</i>	1,745,968	1,745,264
Trade receivables	<i>13</i>	676,260	610,044
Prepayments, deposits and other receivables		28,069	49,728
Tax recoverable		336	166
Cash and cash equivalents		64,495	121,851
		<hr/>	<hr/>
Total current assets		2,515,128	2,527,053
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade and retention payables	<i>14</i>	1,111,839	989,799
Other payables and accruals		716,162	782,018
Interest-bearing bank borrowings	<i>15</i>	130,000	80,000
Amounts due to an intermediate holding company		2,825	2,819
Loans from an intermediate holding company		20,089	135,700
Lease liabilities		20,870	15,836
Tax payable		5,610	742
		<hr/>	<hr/>
Total current liabilities		2,007,395	2,006,914
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		507,733	520,139
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		602,035	578,206
		<hr/>	<hr/>

		<b>2021</b>	2020
	<i>Notes</i>	<b><i>HK\$'000</i></b>	(Restated) <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Provision		<b>7,000</b>	4,000
Lease liabilities		<b>37,635</b>	14,301
Deferred tax liabilities		<b>–</b>	1,317
		<hr/>	<hr/>
Total non-current liabilities		<b>44,635</b>	19,618
		<hr/>	<hr/>
Net assets		<b>557,400</b>	558,588
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	<i>16</i>	<b>5,000</b>	5,000
Reserves		<b>552,400</b>	553,588
		<hr/>	<hr/>
Total equity		<b>557,400</b>	558,588
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION

CR Construction Group Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit Nos. 3–16, Level 32, Standard Chartered Tower of Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of building construction services and repair, maintenance, addition and alteration (“**RMAA**”) works in Hong Kong and Malaysia.

CR Construction Investments Limited (“**CR Investments**”), a company incorporated in the British Virgin Islands (the “**BVI**”), is the immediate holding company of the Company. In the opinion of the Directors, Zhejiang State-owned Capital Operation Company Limited, a company established in the People’s Republic of China (the “**PRC**”), is the ultimate holding company of the Company.

### 2.1 ACQUISITION UNDER COMMON CONTROL

On 30 November 2020, the Company entered into a share purchase agreement (the “**Share Purchase Agreement**”) with China Zhejiang Construction Group (H.K.) Limited (“**CZH**”), an intermediate holding company of the Company, pursuant to which the Group agreed to purchase the entire issued share capital of Triumph Success Developments Limited (“**TS**”), a company incorporated in the British Virgin Islands (the “**Acquisition**”). The Acquisition was completed on 28 January 2021 (the “**Acquisition Date**”).

The consideration payable under the Share Purchase Agreement for the Acquisition were HK\$20,000,000, payable at the Acquisition Date. The consideration shall be adjusted by the consideration adjustment (the “**Consideration Adjustment**”) if the audited net profit of CR Sea (Malaysia) Sdn. Bhd. (“**CRS**”), the Malaysian subsidiary of TS, is less than HK\$4,000,000 for the year ended 31 December 2021.

As at the Acquisition Date, CRS, TS and CZH entered into a deed of assignment and settlement (the “**Deed of Assignment and Settlement**”), whereby certain trade receivables of CRS amounting to Malaysian ringgit (“**RM**”) 71,770,000, equivalent to approximately HK\$137,682,000 were assigned to CZH as a partial settlement of the shareholder’s loans between TS or CRS (in each case as borrower) and CZH (as lender). The remaining portion of the shareholder’s loans of RM10,759,000, equivalent to approximately HK\$20,639,000, as at the Acquisition date, shall be repayable on demand once the latest available audited financial statements of CRS demonstrate that it has positive profit for the year, positive net assets value and positive net cash flows from operating activities (the “**Repayment Conditions**”).

Further details of the Share Purchase Agreement, the Consideration Adjustment and the Deed of Assignment and Settlement are set out in the announcement of the Company dated 30 November 2020 and the circular of the Company dated 31 December 2020.

The Company and TS were under the common control of CZH before and after the Acquisition. The Acquisition of TS has been accounted for based on the principles of merger accounting as if the Acquisition had occurred on the date when the combining entities first came under the common control of CZH. Accordingly, the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the years ended 31 December 2021 and 2020 include the results and cash flows of TS from the earliest date presented or since the date when the subsidiaries and/or business first came under the common control of CZH, where this is a shorter period. The consolidated statement of financial position as at 31 December 2020 has been restated to include the carrying amounts of the assets and liabilities of TS.

The comparative amounts of the financial statements of the Group have been restated to include the financial statement items of TS. The effect of the Acquisition on and, hence, the items so restated in the comparative financial statements are summarised below:

Effect on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	As previously reported <i>HK\$'000</i>	Acquisition of TS <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>REVENUE</b>	4,491,782	154,625	–	4,646,407
Contract costs	(4,288,017)	(147,230)	–	(4,435,247)
Gross profit	203,765	7,395	–	211,160
Other income	1,439	391	–	1,830
Administrative expenses	(83,060)	(4,568)	–	(87,628)
Other operating expenses, net	(6,799)	(3,256)	–	(10,055)
Finance costs	(14,371)	(101)	–	(14,472)
Profit/(loss) before tax	100,974	(139)	–	100,835
Income tax expense	(11,694)	–	–	(11,694)
Profit/(loss) for the year	89,280	(139)	–	89,141
<b>OTHER COMPREHENSIVE INCOME</b>				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange difference on translation of foreign operations	–	(228)	–	(228)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	–	(228)	–	(228)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	89,280	(367)	–	88,913

Effect on the consolidated statement of financial position as at 31 December 2020

	As previously reported <i>HK\$'000</i>	Acquisition of TS <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	22,366	390	–	22,756
Right-of-use assets	29,053	424	–	29,477
Prepayments and deposits	5,834	–	–	5,834
	<u>57,253</u>	<u>814</u>	<u>–</u>	<u>58,067</u>
Total non-current assets	<u>57,253</u>	<u>814</u>	<u>–</u>	<u>58,067</u>
<b>CURRENT ASSETS</b>				
Contract assets	1,686,059	59,205	–	1,745,264
Trade receivables	482,382	127,662	–	610,044
Prepayments, deposits and other receivables	47,824	1,904	–	49,728
Tax recoverable	–	166	–	166
Cash and cash equivalents	118,708	3,143	–	121,851
	<u>2,334,973</u>	<u>192,080</u>	<u>–</u>	<u>2,527,053</u>
Total current assets	<u>2,334,973</u>	<u>192,080</u>	<u>–</u>	<u>2,527,053</u>
<b>CURRENT LIABILITIES</b>				
Trade and retention payables	927,927	61,872	–	989,799
Other payables and accruals	771,119	10,899	–	782,018
Interest-bearing bank borrowings	80,000	–	–	80,000
Amounts due to an intermediate holding company	–	2,819	–	2,819
Loans from an intermediate holding company	–	135,700	–	135,700
Lease liabilities	15,402	434	–	15,836
Tax payable	742	–	–	742
	<u>1,795,190</u>	<u>211,724</u>	<u>–</u>	<u>2,006,914</u>
Total current liabilities	<u>1,795,190</u>	<u>211,724</u>	<u>–</u>	<u>2,006,914</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<u>539,783</u>	<u>(19,644)</u>	<u>–</u>	<u>520,139</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>597,036</u>	<u>(18,830)</u>	<u>–</u>	<u>578,206</u>

	As previously reported <i>HK\$'000</i>	Acquisition of TS <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>				
Provision	4,000	–	–	4,000
Lease liabilities	14,301	–	–	14,301
Deferred tax liabilities	1,317	–	–	1,317
	<u>19,618</u>	<u>–</u>	<u>–</u>	<u>19,618</u>
Total non-current liabilities	19,618	–	–	19,618
	<u>577,418</u>	<u>(18,830)</u>	<u>–</u>	<u>558,588</u>
Net assets/(liabilities)	577,418	(18,830)	–	558,588
<b>EQUITY</b>				
Share capital	5,000	*	*	5,000
Reserves	572,418	(18,830)	*	553,588
	<u>577,418</u>	<u>(18,830)</u>	<u>–</u>	<u>558,588</u>
Total equity/(deficiency in assets)	577,418	(18,830)	–	558,588

\* *These items had amounts of less than a thousand.*

## 2.2 BASIS OF PREPARATION

The 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.

The financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### **3. 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, HKAS 39, HKFRS 7,  
HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

*Interest Rate Benchmark Reform — Phase 2*

*Covid-19-Related Rent Concessions beyond  
30 June 2021 (early adopted)*

#### 4. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>2,5</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2,4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>2</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>2</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>2</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>1</sup>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> <sup>1</sup>
Annual improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's financial performance and financial position.

## 5. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is contract work as a main contractor or subcontractor, primarily in respect of building construction, repair, maintenance and addition and alteration works. Accordingly, no segment information is presented.

### Geographical information

#### (a) Revenue from external customers

	2021	2020
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Hong Kong	4,628,290	4,491,782
Malaysia	247,083	154,625
	<u>4,875,373</u>	<u>4,646,407</u>

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

#### (b) Non-current assets

	2021	2020
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Hong Kong	86,877	53,548
Malaysia	1,371	814
	<u>88,248</u>	<u>54,362</u>

The non-current asset information of above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

### Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each reporting period is set out below:

	2021	2020
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Customer A	*	1,648,846
Customer B	615,392	*

\* Nil or less than 10% of the Group's revenue

## 6. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 (Restated) <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Building construction	4,100,520	4,136,083
RMAA	774,853	510,324
	<u>4,875,373</u>	<u>4,646,407</u>

### Revenue from contracts with customers

#### (a) Disaggregated revenue information

	2021 <i>HK\$'000</i>	2020 (Restated) <i>HK\$'000</i>
<b>Geographical markets</b>		
Hong Kong	4,628,290	4,491,782
Malaysia	247,083	154,625
	<u>4,875,373</u>	<u>4,646,407</u>

	2021 <i>HK\$'000</i>	2020 (Restated) <i>HK\$'000</i>
<b>Timing of revenue recognition</b>		
Services transferred over time	4,875,373	4,646,407

The following table shows the amounts of revenue recognised in the current reporting period from performance obligations satisfied in previous periods:

	2021 <i>HK\$'000</i>	2020 (Restated) <i>HK\$'000</i>
Revenue recognised from performance obligations satisfied in previous periods:		
Provision of building construction and RMAA services previously not recognised due to constraints on variable consideration	<u>112,039</u>	<u>120,071</u>

(b) *Performance obligations*

Information about the Group's performance obligations is summarised below:

*Construction services and other RMAA services*

The performance obligation is satisfied over time as services are rendered and payment is generally due within 14 to 45 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The construction period varies from one to four years. The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021	2020
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	5,165,206	4,639,144
After one year	6,652,738	7,124,473
	<u>11,817,944</u>	<u>11,763,617</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within four years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

**RMAA services under term contracts**

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of RMAA services. The Group has elected the practical expedient to not to disclose the remaining performance obligations for this type of contracts.

	2021	2020
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
<b>Other income</b>		
Interest income	113	383
Gross rental income	–	648
Others	1,065	799
	<u>1,178</u>	<u>1,830</u>

## 7. PROFIT BEFORE TAX

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

	2021	2020
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Contract costs	4,698,367	4,435,247
Depreciation of property, plant and equipment	7,546	6,338
Less: Amount included in contract costs	<u>(3,166)</u>	<u>(1,800)</u>
Amount included in administrative expenses	<u>4,380</u>	<u>4,538</u>
Depreciation of right-of-use assets	17,197	15,716
Less: Amount included in contract costs	<u>(5,267)</u>	<u>(3,918)</u>
Amount included in administrative expenses	<u>11,930</u>	<u>11,798</u>
Lease payments not included in the measurement of lease liabilities	41,512	31,775
Less: Amount included in contract costs	<u>(41,150)</u>	<u>(31,572)</u>
Amount included in administrative expenses	<u>362</u>	<u>203</u>
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	374,610	326,822
Pension scheme contributions	<u>16,070</u>	<u>13,990</u>
	390,680	340,812
Less: Amount included in contract costs	<u>(329,966)</u>	<u>(274,962)</u>
Amount included in administrative expenses	<u>60,714</u>	<u>65,850</u>
Auditor's remuneration	2,342	2,040
Government grants ( <i>note</i> )	–	(32,951)
Impairment of trade receivables, net*	1,337	8,807
Impairment of contract assets*	2,859	1,134
Gain on disposal of items of property, plant and equipment, net*	–	(35)
Gain on modification of leases*	(364)	(52)
Foreign exchange differences, net*	<u>102</u>	<u>64</u>

*Note:* Being wage subsidies provided by the Government of Hong Kong Special Administrative Region (the “**HKSAR Government**”) under the Employment Support Scheme (“**ESS**”) for the year ended 31 December 2020. The subsidies were for the purpose to retain employment to combat the impact of the novel coronavirus 2019 pandemic (“**COVID-19**”). As a condition of receiving the subsidies under the ESS, the Group has undertaken not to make redundancies of its Hong Kong employees from 1 June 2020 to 30 November 2020. There are no unfilled conditions or contingencies related to these subsidies. Government grants related to income are deducted from the related expense.

\* These items are included in “Other operating expenses, net” on the face of the consolidated statement of profit or loss and other comprehensive income.

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020 (Restated)
	<i>HK\$’000</i>	<i>HK\$’000</i>
Interest on bank loans	5,912	6,426
Increase in discounted amounts of retention payables arising from the passage of time	4,995	6,953
Interest on lease liabilities	808	1,093
	<u>11,715</u>	<u>14,472</u>

## 9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. 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, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2021	2020 (Restated)
	<i>HK\$’000</i>	<i>HK\$’000</i>
Current — Hong Kong		
Charge for the year	14,171	11,415
Overprovision in prior years	(10)	(63)
Deferred	(1,745)	342
	<u>12,416</u>	<u>11,694</u>
Total tax charge for the year	<u>12,416</u>	<u>11,694</u>

## 10. DIVIDEND

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim — HK2.5 cents (2020: HK2.5 cents) per ordinary share	12,500	12,500
Proposed final — HK1.8 cents (2020: HK2.75 cents) per ordinary share	<u>9,000</u>	<u>13,750</u>
	<u><b>21,500</b></u>	<u><b>26,250</b></u>

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$47,552,000 (2020 (restated): HK\$89,141,000), and the weighted average number of ordinary shares of 500,000,000 (2020: 500,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 31 December 2020.

## 12. CONTRACT ASSETS

	<b>31 December 2021</b>	31 December 2020	1 January 2020
<i>Notes</i>	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Contract assets arising from construction services	(a) <b>1,029,221</b>	1,122,388	1,044,591
Retention receivables	(b) <b>721,293</b>	624,587	554,065
	<u><b>1,750,514</b></u>	1,746,975	1,598,656
Impairment	<u><b>(4,546)</b></u>	<u>(1,711)</u>	<u>(552)</u>
	<u><b>1,745,968</b></u>	<u>1,745,264</u>	<u>1,598,104</u>

*Notes:*

- (a) Contract assets consist of the Group's rights to consideration for works completed but unbilled amounts resulting from construction contracts and RMAA services. The contract assets are transferred to trade receivables when the rights become unconditional, which is generally one to three months. The decrease in contract assets in 2021 was due to the faster certification by contract customers, whilst the increase in contract assets in 2020 was the result of the increase in the provision of construction services at end of the year.

The expected timing of recovery or settlement for contract assets, net of loss allowances, arising from construction services as at 31 December is as follows:

	<b>2021</b>	2020 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u><b>1,026,339</b></u>	<u>1,121,323</u>

- (b) Retention receivables held by contract customers arising from the Group's construction work and certain RMAA work are settled within a period ranging from one year to two years after the completion of the construction work and acceptance by customers, as stipulated in the construction contracts.

The due date for settlement of the Group's retention receivables, net of loss allowances, as at 31 December is as follows:

	<b>2021</b>	2020 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within one year	<b>429,882</b>	424,071
Due after one year	<u><b>289,747</b></u>	<u>199,870</u>
	<u><b>719,629</b></u>	<u>623,941</u>

During the year ended 31 December 2021, HK\$2,859,000 (2020 (restated): HK\$1,134,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 13.

The movements in the loss allowance for impairment of contract assets are as follows:

	2021	2020 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	1,711	552
Impairment losses ( <i>note 7</i> )	2,859	1,134
Exchange realignment	(24)	25
	<u>4,546</u>	<u>1,711</u>
At end of year	<u>4,546</u>	<u>1,711</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2021	2020 (Restated)
Expected credit loss rate	0.260%	0.098%
Gross carrying amount ( <i>HK\$'000</i> )	1,750,514	1,746,974
Expected credit losses ( <i>HK\$'000</i> )	4,546	1,711

### 13. TRADE RECEIVABLES

	2021	2020 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	681,368	613,915
Impairment	(5,108)	(3,871)
	<u>676,260</u>	<u>610,044</u>

The Group's trading terms with its customers are on credit. The Group's credit period with customers range from 14 to 45 days. 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.

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

	<b>2021</b>	2020 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	<b>428,329</b>	411,703
1 to 2 months	<b>162,294</b>	120,664
2 to 3 months	<b>18,495</b>	1,781
3 to 12 months	<b>66,520</b>	48,933
Over 1 year	<b>622</b>	26,963
	<u><b>676,260</b></u>	<u>610,044</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	<b>2021</b>	2020 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	<b>3,871</b>	3,601
Impairment losses, net ( <i>note 7</i> )	<b>1,337</b>	8,807
Amount written off as uncollectible	–	(8,639)
Exchange realignment	<b>(100)</b>	102
	<u><b>5,108</b></u>	<u>3,871</u>
At end of year	<u><b>5,108</b></u>	<u>3,871</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Current	Past due			Over 1 year	Total
		Less than 1 month	1 to 3 months	3 months to 1 year		
As at 31 December 2021						
Expected credit loss rate	0.222%	0.800%	2.507%	3.694%	56.540%	0.750%
Gross carrying amount (HK\$'000)	528,991	67,616	22,424	61,337	1,000	681,368
Expected credit losses (HK\$'000)	1,174	541	562	2,266	565	5,108
As at 31 December 2020 (restated)						
Expected credit loss rate	0.140%	0.887%	1.954%	3.206%	5.143%	0.631%
Gross carrying amount (HK\$'000)	498,737	36,656	17,654	32,443	28,425	613,915
Expected credit losses (HK\$'000)	699	325	345	1,040	1,462	3,871

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables.

#### 14. TRADE AND RETENTION PAYABLES

		2021	2020
	Notes	HK\$'000	(Restated) HK\$'000
Trade payables	(a)	519,025	460,587
Retention payables	(b)	592,814	529,212
		<u>1,111,839</u>	<u>989,799</u>

Notes:

- (a) 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 (Restated) <i>HK\$'000</i>
Within 1 month	31,814	52,343
1 to 2 months	230,075	158,614
2 to 3 months	125,837	106,770
Over 3 months	131,299	142,860
	<u>519,025</u>	<u>460,587</u>

The trade payables are non-interest-bearing and are normally settled within one month.

- (b) Retention payables held by the Group arose from the Group's construction work and RMAA work and are normally settled to subcontractors within a period ranging from one year to two years after the completion of the contract work by the subcontractors, as stipulated in the subcontracting contracts.

## 15. INTEREST-BEARING BANK BORROWINGS

	31 December 2021			31 December 2020		
	Effective interest rate (%)	Maturity	<i>HK\$'000</i>	Effective interest rate (%)	Maturity	<i>HK\$'000</i>
<b>Current</b>						
Bank loans	Hong Kong Interbank Offered Rate ("HIBOR")+ 1.4–1.7%	On demand	130,000	HIBOR+ 1.3–1.6%	On demand	80,000
				2021 <i>HK\$'000</i>		2020 <i>HK\$'000</i>
Analysed into:						
Bank loans repayable:						
On demand				<u>130,000</u>		<u>80,000</u>

Note:

- (a) All borrowings were in Hong Kong dollars.

## 16. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised: 10,000,000,000 (2020: 10,000,000,000) ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid: 500,000,000 (2020: 500,000,000) ordinary shares of HK\$0.01 each	<u>5,000</u>	<u>5,000</u>

## 17. EVENT AFTER THE REPORTING PERIOD

On 30 January 2022, the Company entered into a share purchase agreement (the “**Share Purchase Agreement (UKI)**”) with CZH, pursuant to which the Group agreed to purchase the entire issued share capital of CR Construction (U.K.) Investments Company Limited (“**UKI**”), a company incorporated in the British Virgin Islands (the “**Acquisition (UKI)**”). The Acquisition (UKI) is considered to be a business acquisition under common control as the Company and UKI are both under the common control of CZH. The Acquisition (UKI) was completed on 30 January 2022 (the “**Acquisition Date (UKI)**”).

The consideration payable under the Share Purchase Agreement (UKI) for the Acquisition (UKI) was HK\$9,200,000, payable at the Acquisition Date (UKI). The consideration shall be adjusted by the consideration adjustment (the “**Consideration Adjustment (UKI)**”) if the audited net profit of CR Construction (U.K.) Company Limited (“**CRUK**”), the British subsidiary of UKI, is less than HK\$1,500,000 for the year ending 31 December 2022.

As at the Acquisition Date (UKI), UKI, CRUK and CZH entered into a deed of assignment and settlement (the “**Deed of Assignment and Settlement (UKI)**”), whereby certain trade receivables of CRUK amounting to HK\$20,978,687 were assigned to CZH as full settlement of the shareholder’s loans between CRUK (as borrower) and CZH (as lender).

Further details of the Share Purchase Agreement (UKI), the Consideration Adjustment (UKI) and the Deed of Assignment and Settlement (UKI) are set out in the announcement of the Company dated 30 January 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is one of the leading building contractors in Hong Kong and principally acts as a main contractor in building construction works and repair, maintenance, alteration and addition (“RMAA”) works across the public and private sectors in Hong Kong and Malaysia.

The building construction services provided by the Group primarily consist of building works for new buildings, including residential, commercial and industrial buildings, while the Group’s RMAA works include the general upkeep, maintenance, improvement, refurbishment, alteration and addition of existing facilities and components of buildings and their surroundings.

As at 31 December 2021, the Group had 37 projects on hand with an aggregate original contract sum of approximately HK\$17.4 billion, which includes projects in progress and projects that have been awarded to the Group but not yet commenced. As at 31 December 2020, excluding the projects from the acquisition of Triumph Success Developments Limited, the Group had 27 projects on hand with an aggregate original contract sum of approximately HK\$15.9 billion.

During the Reporting Period, the Group had been awarded 14 new projects with an aggregate original contract sum of approximately HK\$4.4 billion and had completed 10 projects with an aggregate original contract sum of approximately HK\$4.1 billion. The acquisition of Triumph Success Developments Limited has led to an addition of 6 projects on hand with an original contract sum of approximately HK\$1.2 billion to the Group.

In early 2022, the Group successfully executed 4 letters of acceptance relating to 1 building construction contract with original contract sum of approximately HK\$204.0 million and 3 RMAA contracts with aggregate original contract sum of approximately HK\$35.0 million. Nevertheless, the Directors believe that the Group still faces fierce competition in tendering for building construction and RMAA contracts, and the Group will continue to strengthen its market position by implementing the business strategies, including but not limited to further expanding its building construction works and RMAA works business, strengthening the manpower, enhancing information technology and adhering to prudent financial management to ensure sustainable growth and capital sufficiency of the Group.

The emergence of the more contagious but less virulent Omicron COVID-19 variant towards the end of 2021 has continued to hamper the local economy. The Hong Kong government imposed the strict distancing measures that may have disrupted normal economic activities in the city and further delay some of our construction tender bidding process. The pandemic-induced downturn will occur in the first half of the 2022.

Since there are still many construction development going in Hong Kong, the Group expected a minimal negative impact on the Group's business. In addition, the Group expects that the construction business will be rebounded in the second half of 2022, and which in turns increase the numerous construction business opportunities.

In an effort to serve our commitment to creating shareholder value and driving sustainable growth, the Group will continuously pursue more construction business opportunities.

## **FINANCIAL REVIEW**

### **Revenue**

The total revenue of the Group increased by approximately HK\$229.0 million or approximately 4.9% from approximately HK\$4,646.4 million for the year ended 31 December 2020 to approximately HK\$4,875.4 million for the Reporting Period.

- *Building Construction Works*

The revenue generated from the building construction works slightly decreased by approximately HK\$35.6 million or approximately 0.9% from approximately HK\$4,136.1 million for the year ended 31 December 2020 to approximately HK\$4,100.5 million for the Reporting Period.

- *RMAA Works*

The revenue generated from the RMAA works increased by approximately HK\$264.6 million or approximately 51.9% from approximately HK\$510.3 million for the year ended 31 December 2020 to approximately HK\$774.9 million for the Reporting Period. The increase was mainly attributable to new projects and an existing project which had substantial work progress during the Reporting Period.

## **Contract Costs**

The Group's contract costs primarily consisted of subcontracting costs, material costs, direct staff costs and site overheads. The contract costs of the Group increased by approximately HK\$263.2 million or approximately 5.9% from approximately HK\$4,435.2 million for the year ended 31 December 2020 to approximately HK\$4,698.4 million for the Reporting Period. Such increase was in line with the increase in revenue and was mainly attributable to the increase in material costs and direct staff costs which was partly offset by the decrease in subcontracting cost and site overheads during the Reporting Period.

## **Gross Profit and Gross Profit Margin**

The gross profit of the Group decreased from approximately HK\$211.2 million for the year ended 31 December 2020 to approximately HK\$177.0 million for the Reporting Period. The Group's gross profit margin was approximately 4.5% and 3.6% for each of the two years ended 31 December 2020 and 2021, respectively, representing a decrease of approximately 0.9 percentage point.

- *Building Construction Works*

The gross profit of building construction works was approximately HK\$140.8 million for the Reporting Period, representing a decrease of approximately HK\$72.8 million from approximately HK\$213.6 million for the year ended 31 December 2020. The gross profit margin decreased from approximately 5.2% for the year ended 31 December 2020 to approximately 3.4% for the Reporting Period. The decrease in gross profit and gross profit margin was mainly due to the increase in subcontracting fees for contract works for projects which were close to completion or were practically completed during the Reporting Period.

- *RMAA Works*

The gross profit of RMAA works was approximately HK\$36.2 million for the Reporting Period, representing an increase of approximately HK\$38.6 million from the gross loss of approximately HK\$2.4 million for the year ended 31 December 2020. The gross profit margin increased by approximately 5.2 percentage points from approximately -0.5% for the year ended 31 December 2020 to approximately 4.7% for the Reporting Period. The increase in the gross profit and gross profit margin for the Reporting Period was mainly due to additional cost incurred for variation orders for a project during the prior period, while the respective revenue was only certified during the Reporting Period.

## **Other Income**

The other income of the Group decreased by approximately HK\$0.6 million, from approximately HK\$1.8 million for the year ended 31 December 2020 to approximately HK\$1.2 million for the Reporting Period. The decrease was mainly attributable to the decrease in rental income and interest income which was partly offset by the increase in service fee for consultancy services provided in relation to construction.

## **Administrative Expenses**

Administrative expenses of the Group increased from approximately HK\$87.6 million for the year ended 31 December 2020 to approximately HK\$102.3 million for the Reporting Period. The increase was mainly due to the receipt of wage subsidies under the Employment Support Scheme (“ESS”) which was deducted in reporting the related expense in 2020.

## **Other Operating Expenses, net**

The other operating expenses of the Group decreased by approximately HK\$5.8 million, from approximately HK\$10.1 million for the year ended 31 December 2020 to approximately HK\$4.3 million for the Reporting Period. The decrease was primarily due to the decrease in impairment on trade receivables.

## **Finance Costs**

The finance costs of the Group decreased from approximately HK\$14.5 million for the year ended 31 December 2020 to approximately HK\$11.7 million for the Reporting Period. The decrease was mainly due to the decrease in interest on bank loans, lease liabilities and the discounted amounts of retention payables arising from the passage of time as a result of the decrease in average interest rates.

## **Income Tax Expense**

The income tax expense increased by approximately HK\$0.7 million, or representing approximately 6.0%, from approximately HK\$11.7 million for the year ended 31 December 2020 to approximately HK\$12.4 million for the Reporting Period. The increase was primarily attributable to an increase in profit before tax by excluding the non-taxable items. The effective tax rates were approximately 11.6% and 20.7% for each of the two years ended 31 December 2020 and 2021, respectively. The lower effective tax rate in 2020 was mainly due to the wage subsidies under ESS which was non-taxable.

## **Net Profit and Adjusted Net Profit**

The profit for the year of the Group decreased by approximately HK\$41.5 million, or approximately 46.6%, from approximately HK\$89.1 million for the year ended 31 December 2020 to approximately HK\$47.6 million for the Reporting Period. The Group's net profit for the Reporting Period was approximately HK\$47.6 million as compared to approximately HK\$56.2 million for the year ended 31 December 2020 after the adjustment for the government grants for wage subsidies. The adjusted net profit margin for the two years ended 31 December 2020 and 2021 were approximately 1.2% and 1.0%, respectively.

If excluding the restatement resulted from the acquisition of Triumph Success Developments Limited, the previously reported net profit and net profit margin after the adjustment for the government grants for wage subsidies of the Group would amount to approximately HK\$56.3 million and 1.3% for the year ended 30 December 2020, respectively.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had a total of 740 employees as at 31 December 2021 (31 December 2020: 693). Total staff costs of the Group (excluding the Directors' remuneration) for the Reporting Period were approximately HK\$377.9 million (2020: approximately HK\$329.0 million). If excluding the restatement resulted from the acquisition of Triumph Success Developments Limited, the Group had a total of 635 employees as at 31 December 2020, and total staff costs of the Group (excluding the Directors' remuneration) for the year ended 31 December 2020 were approximately HK\$321.6 million. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees. The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary, bonus and other cash subsidies system. The Group conducts review on salary adjustment, discretionary bonuses and promotions based on the performance of each employee twice a year. The emoluments of the Directors and the senior management are decided by the Board with reference to the recommendation from the remuneration committee of the Company, having considered factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company provides introductory training at the time when members of our staff first join us and thereafter regular on-the-job training, depending on the staff's role. In addition, it is our policy to provide training to our staff on an as-needed basis to enhance their technical and industry knowledge. During the Reporting Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

The Company has adopted a share option scheme (the “**Share Option Scheme**”) as an incentive to the Directors and eligible employees. No share option has been granted, exercised, expired or lapsed under the Share Option Scheme since its adoption and up to the date of this announcement. The Company may grant options in respect of up to 50,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 50,000,000 Shares from time to time) to the participants under the Share Option Scheme. The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OF SUBSIDIARIES**

### **Acquisition of a target company in Malaysia**

On 30 November 2020, the Company and China Zhejiang Construction Group (H.K.) Limited (the “**Seller**”), one of the controlling shareholders of the Company, entered into the share purchase agreement (the “**Share Purchase Agreement I**”), pursuant to which the Company has agreed to acquire and the Seller has agreed to sell the entire issued share capital of Triumph Success Developments Limited (the “**Target Company A**”) for an aggregate consideration of HK\$20.0 million. The Target Company A had a Malaysian subsidiary, which was principally engaged in building construction works in Malaysia. The said acquisition constituted a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The resolution of the abovementioned connected transaction was duly passed at the extraordinary general meeting of the Company held on 27 January 2021. All the conditions precedent under the Share Purchase Agreement I have been fulfilled, the completion took place on 28 January 2021 and the Target Company A has become a wholly-owned subsidiary of the Company since then.

### **Acquisition of a target company in the United Kingdom**

On 30 January 2022, the Company and the Seller entered into the share purchase agreement (the “**Share Purchase Agreement II**”), pursuant to which the Company has agreed to acquire and the Seller has agreed to sell the entire issued share capital of CR Construction (U.K.) Investment Company Limited (the “**Target Company B**”) for an aggregate consideration of HK\$9.2 million. The Target Company B had a British subsidiary, which was principally engaged in the provision of (i) project management services to construction industry; and (ii) the construction services in the United Kingdom. The said acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

All the conditions precedent under the Share Purchase Agreement II have been fulfilled, the completion took place on 30 January 2022 and the Target Company B has become a wholly-owned subsidiary of the Company since then.

The Company considers that the aforesaid acquisitions were an opportunity for the Group to expand construction business into Malaysia and the United Kingdom, which are developing markets with growth potential and benefits. The acquisitions will allow the Group to leverage on the expertise, experience and resources of the Target Company A and the Target Company B in planning the development and management of construction works and projects in Malaysia and the United Kingdom, thereby diversifying the Group's business risk geographically and enlarging the business scale, revenue and customer base of the Group, which will benefit the Company and the Shareholders in the long term.

### **CAPITAL EXPENDITURE**

During the Reporting Period, the Group invested approximately HK\$8.8 million (2020: approximately HK\$8.0 million) on acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources.

### **CAPITAL COMMITMENTS**

The Group had capital commitments of approximately HK\$1.9 million as at 31 December 2021 (2020: approximately HK\$0.5 million).

### **CONTINGENT LIABILITIES**

Save as disclosed below, the Group had no other contingent liabilities as at 31 December 2021:

- (a) As at 31 December 2021, performance bonds of approximately HK\$1,416.5 million (2020: approximately HK\$1,064.2 million) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work.

At the end of the reporting period, the directors do not consider it is probable that such claim will be made against the Group.

- (b) In the ordinary course of the Group's construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or of the Group's subcontractors in accidents arising out of and in the course of their employment. At the end of the reporting period, the directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

## **FOREIGN EXCHANGE EXPOSURE**

The Group operates in Hong Kong and Malaysia and most of the transactions denominated in Hong Kong Dollars and Malaysian ringgit. The Group currently does not have a foreign currency hedging policy. However, the Board closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should that need arise.

## **GEARING RATIO**

As at 31 December 2021, the gearing ratio of the Group, which is calculated by dividing net debt with the total capital plus net debt, was approximately 78.0% (2020: approximately 77.3%). Net debt includes trade and retention payables, other payables and accruals, interest-bearing bank borrowings, amounts due to an intermediate holding company, loans from an intermediate holding company and lease liabilities, less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company.

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

During the Reporting Period, the Group maintained a healthy liquidity position, with working capital financed mainly by internal resources and interest-bearing bank borrowings.

As at 31 December 2021, the Group reported net current assets of approximately HK\$507.7 million, as compared with approximately HK\$520.1 million as at 31 December 2020. As at 31 December 2021, the Group's cash and cash equivalents were approximately HK\$64.5 million, representing a decrease of approximately HK\$57.4 million as compared to approximately HK\$121.9 million as at 31 December 2020.

The Shares of the Company were successfully listed on the Stock Exchange on 16 October 2019. There has been no change in the capital structure of the Group since then.

## **DEBTS AND CHARGE ON ASSETS**

The Group had interest-bearing bank borrowings of approximately HK\$130.0 million as at 31 December 2021 (2020: HK\$80.0 million). Analysis of the maturity profile of the interest-bearing bank borrowings of the Group as at 31 December 2021 and 31 December 2020 is set out in the note 15 to the consolidated financial information of this announcement.

Borrowings were denominated in Hong Kong dollars and interests on borrowings were mainly charged at floating rate. The Group did not employ any financial instrument for hedging purpose during the Reporting Period. However, the Group pays vigilant attention to monitor interest rate risks and exchange rate risks continuously and cautiously.

## **TREASURY POLICY**

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Group's liquidity and financing requirements are frequently reviewed. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group may from time to time consider appropriate new business opportunities as and when appropriate, in order to enhance its Shareholders' value. Save as disclosed herein, there was no specific plan for material investments or capital assets as at 31 December 2021.

## USE OF PROCEEDS

The Shares were successfully listed on the Stock Exchange on the Listing Date. The net proceeds, after deducting related underwriting commission and listing expenses, were approximately HK\$97.7 million. The net proceeds from the Listing Date to 31 December 2021 (the “**Relevant Period**”) were utilised as follows:

	Planned use of proceeds from the Listing Date to 31 December 2021 <i>HK\$'000</i>	Planned use of proceeds from the Listing Date to 31 December 2021 <i>HK\$'000</i>	Actual use of proceeds from the Listing date to 31 December 2020 <i>HK\$'000</i>	Actual use of proceeds from 1 January 2021 to 31 December 2021 <i>HK\$'000</i>	Actual use of proceeds from the Listing date to 31 December 2021 <i>HK\$'000</i>	Remaining Balance <i>HK\$'000</i>
Financing the upfront costs of potential new projects	85,263	85,263	42,669	42,594	85,263	-
Strengthen manpower	7,814	7,814	7,814	-	7,814	-
Enhancing information technology system	4,590	4,590	4,332	258	4,590	-
	<u>97,667</u>	<u>97,667</u>	<u>54,815</u>	<u>42,852</u>	<u>97,667</u>	<u>-</u>

During the Relevant Period, the Group has fully utilised approximately HK\$85.3 million, HK\$7.8 million and HK\$4.6 million for financing the upfront costs of potential new projects, strengthening manpower and for enhancing information technology system, respectively.

## DIVIDEND

The Board recommended the payment of a final dividend of HK1.8 cents (2020: HK2.75 cents) per Share for the year ended 31 December 2021. The proposed dividend will be payable on or before Thursday, 28 July 2022, subject to the approval of the Shareholders at the forthcoming 2022 Annual General Meeting (“**AGM**”) of the Company to be held on Friday, 24 June 2022.

## **CLOSURE OF THE REGISTER OF MEMBERS**

### **(a) For determining the entitlement to attend and vote at the AGM**

The register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, during which period no transfers of Shares shall be effected. In order to qualify for attending and voting at the AGM to be held on Friday, 24 June 2022, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 20 June 2022.

### **(b) For determining the entitlement to the proposed final dividend**

The register of members of the Company will also be closed from Friday, 1 July 2022 to Wednesday, 6 July 2022, both days inclusive, in order to determine the entitlement of the Shareholders who are entitled to receive the final dividend, during which period no transfers of Shares shall be effected. In order to qualify for the entitlement of final dividend, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 30 June 2022.

## **CORPORATE GOVERNANCE PRACTICES**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance since the Listing Date.

The Company has complied with all applicable code provisions of the CG Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## **AUDIT COMMITTEE**

The Board has established the audit committee which is chaired by an independent non-executive Director, Mr. Lau Pak Shing, and consists of the other two independent non-executive Directors, The Honourable Tse Wai Chun Paul JP and Mr. Ho Man Yiu Ivan. The primary duties of the audit committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor; approve the remuneration and terms of engagement of the external auditor; monitor integrity of the Group's financial statements, annual reports and accounts, half year reports; and review the Group's financial controls, risk management and internal control systems.

The audit committee of the Company had, together with the management and external auditor of the Company, reviewed the accounting principles and policies adopted by the Group, risk management and internal controls, financial reporting matters and annual results of the Group for the year ended 31 December 2021.

## **SUBSEQUENT EVENT**

Save as disclosed above, as at date of this announcement, there is no significant event that requires additional disclosures or might affect the Group after the Reporting Period.

## **SCOPE OF WORK OF THE COMPANY'S AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other 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, to the amounts set out in the Group's 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.

## **ANNUAL GENERAL MEETING**

The forthcoming AGM of the Company will be held on Friday, 24 June 2022 and the notice of the AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

**PUBLICATION OF THE ANNUAL RESULTS AND 2021 ANNUAL REPORT ON  
THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<https://www.cr-construction.com.hk>), and the annual report of the Group for the year ended 31 December 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board  
**CR Construction Group Holdings Limited**  
**Guan Manyu**  
*Chairman*

Hong Kong, 18 March 2022

*As at the date of this announcement, the Company has five executive directors, namely Mr. Guan Manyu, Mr. Li Kar Yin, Ms. Chu Ping, Mr. Law Ming Kin, Mr. Chan Tak Yiu; one non-executive director, namely Mr. Yang Haojiang; and three independent non-executive directors, namely The Honourable Tse Wai Chun Paul JP, Mr. Ho Man Yiu Ivan and Mr. Lau Pak Shing.*