華營建築集團控股有限公司

CR CONSTRUCTION GROUP HOLDINGS LIMITED

Stock Code: 1582

(Incorporated in the Cayman Islands with limited liability)

2021

Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. GUAN Manyu *(Chairman)*
Mr. LI Kar Yin *(Chief Executive Officer)*
Ms. CHU Ping
Mr. LAW Ming Kin
Mr. CHAN Tak Yiu

Non-Executive Director

Mr. YANG Haojiang

Independent Non-Executive Directors

The Honourable TSE Wai Chun Paul JP
Mr. LI Ka Fai David (retired on 25 June 2021)
Mr. HO Man Yiu Ivan
Mr. LAU Pak Shing (appointed on 2 July 2021)

COMPANY SECRETARY

Ms. LEUNG Suet Lun (resigned on 16 July 2021)
Mr. LAU King Ho (appointed on 16 July 2021)

AUTHORISED REPRESENTATIVES

Mr. LI Kar Yin
Ms. LAU King Ho

AUDIT COMMITTEE

Mr. LAU Pak Shing *(Chairman)*
The Honourable TSE Wai Chun Paul JP
Mr. HO Man Yiu Ivan

REMUNERATION COMMITTEE

The Honourable TSE Wai Chun Paul JP *(Chairman)*
Mr. LI Kar Yin
Mr. HO Man Yiu Ivan
Mr. LAU Pak Shing

NOMINATION COMMITTEE

Mr. HO Man Yiu Ivan *(Chairman)*
Mr. GUAN Manyu
Mr. LI Kar Yin
The Honourable TSE Wai Chun Paul JP
Mr. LAU Pak Shing

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

COMPLIANCE ADVISER

Rainbow Capital (HK) Limited
Room 5B
12/F Tung Ning Building
No. 2 Hillier Street
Sheung Wan
Hong Kong

LEGAL ADVISER

Slaughter and May
47th Floor
Jardine House
One Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
83 Des Voeux Road Central
Central
Hong Kong

Nanyang Commercial Bank Limited
151 Des Voeux Road Central
Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3–16, 32/F
Standard Chartered Tower
Millennium City 1
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

Corporate Information *(Continued)*

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

1582

COMPANY'S WEBSITE

https://www.cr-construction.com.hk

DATE OF LISTING

16 October 2019

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of CR Construction Group Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), I am pleased to present to the shareholders of the Company (the "**Shareholders**") the annual report of the Group for the year ended 31 December 2021 (the "**Reporting Period**").

Results

In 2021, the Group had been awarded 14 new projects, including 4 projects in Malaysia, with an aggregate original contract sum of approximately HK$4.4 billion. The revenue was approximately HK$4.9 billion, and the net profit were approximately HK$47.6 million. Through all obstacles and challenges, the Company made a new breakthrough amidst adversity. The Company not only successfully tapped into Malaysia through investments and mergers, but also continuously enhanced the diversification of construction business by wing the bidding of projects such as high-end residences, large-scale hotels and schools, as a result of which the Group's overall development continued its steady upward trend.

Review

In 2021, the COVID-19 pandemic (the "**Pandemic**") continued to cause an adverse impact on every aspect in the society, and the construction industry was hit hard. Facing the obstacles posed by the Pandemic, the Group has "normalized" the epidemic prevention and control measures, and always adhered to the Company's people-oriented mission, putting the health and safety of employees as the Group's priority. All employees worked together to fight against the Pandemic and made new breakthroughs under adversity. Meanwhile, the Group strives for perfection in project management, continuously deepens its brand building work, and insists on quality control amid epidemic prevention, enabling the projects to earn market recognition in the areas of quality, safety, and environmental protection. During the year, the Group won 4 rewards, including New Works Projects — Outstanding Contractor (Building) — Silver Award, in The Hong Kong Housing Authority "Quality Public Housing Construction and Maintenance Awards 2021" due to its outstanding performance in construction schedule, quality and safety control, professional team performance and the application of innovative technology. On the other hand, the diversified structure of the Group's construction business has been further improved, and its engagement in the public projects of Hong Kong government has been further expanded. CR Construction Company Limited, a subsidiary of the Group, was awarded the official license for New Works Projects Category (group 2) by the Hong Kong Housing Authority in September 2021, and successfully upgraded its trial qualification to official qualification for Maintenance Works Category (group 2) in December of the same year. The successful acquisition of the two official licenses from the Hong Kong Housing Authority has demonstrated the success of the Group's adherence to the high-quality development strategy.

By adhering to the brand building and people-oriented strategy and adopting normalized epidemic prevention and control measures, the Group effectively reduced the impact of Pandemic on all aspects of the Group's work. The continuous growth of employees has enabled the Group to maintain a steady development trend, further strengthen its market position, and continue to increase its profitability. The Group has been sustaining stable growth in the future by the continuous deployment of upstream and downstream industries which led to a solid foundation. While pursuing the economic growth, the Group also taking into account the sustainable development of environment, social and governance.

Chairman's Statement *(Continued)*

Prospects

Looking ahead to 2022, the continuous outbreak of the COVID-19 pandemic around the world, especially in Hong Kong, will still have a serious impact on the construction industry in Hong Kong. While the fact that the Hong Kong government has launched a number of development plans such as "Lantau Tomorrow" and "Northern Metropolis" to actively promote the construction of the Greater Bay Area also brings new opportunities for the construction industry. Facing the market environment with both challenges and opportunities, the Group will continue to adhere to its core strategic plan and focus on four areas. Firstly, we will further refine the talent work, strengthen recruitment, and formulate scientific training plans, so as to create a broader growth platform and a better promotion mechanism for employees. Secondly, adhering to the diversified development strategy, taking advantage of our parent company's state-owned enterprise background, and making full use of domestic and foreign resources, we will continue to intensify efforts to seek upstream and downstream development in the industry through project investment, mergers and acquisitions, and the establishment of companies in new sectors to cover the sectors it is not engaged in. Thirdly, we will further expand the overseas market. Specifically, we will focus on the development opportunities in the UK market from the newly acquired UK subsidiary in January 2022 while consolidating and developing the Malaysian market, so as to further expand the business sectors of the Group. Fourthly, actively responding to and implementing the development plans of "Lantau Tomorrow" and "Northern Metropolis" in the Government's Policy Address, we will seize the opportunity of obtaining two official licenses from the Hong Kong Housing Authority, vigorously develop the market for government public projects, and increase the business proportion of public projects, so as to fully assist the Hong Kong government and relevant public institutions to solve the housing problems and people's livelihood problems in Hong Kong, contributing to building a better Hong Kong.

Based on the above four aspects of the business layout, the Group will continue to adhere to its vision of "becoming a people-oriented and Hong Kong-based enterprise that promotes the construction industry forward" and strive to build a first-class construction enterprise with global competitiveness and continue to create greater value for the Shareholders.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation for the full support of all Shareholders, the wholehearted cooperation of business partners and the diligent work of the staff, we will commit and continue to do our best to achieve excellent results in the future.

Mr. Guan Manyu
Chairman and Executive Director

Hong Kong,
18 March 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.

The Prospects

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.

Principal Risks and Uncertainties

There are certain risks relating to the Group's operations which could harm its business, financial conditions and operating results. Some of the relatively material risks relating to the Group are summarised as follows:

Business risks

(i) the Group's revenue is mainly derived from projects which are not recurrent in nature and we are subject to the risks associated with competitive tendering process. There is no guarantee on the Group's continuous success in project tenders or quotation and the Group's sustainability and financial performance may be materially and adversely affected;

(ii) the Group operates under various registration, licenses and certifications and the loss of or failure to obtain or renew any or all of these registrations, licenses and/or certifications could materially and adversely affect the Group's business;

(iii) the Group determined the tender price based on the estimate construction time and costs which may deviate from the actual implementation of a project due to cost overruns and/or other related construction risks; and

(iv) failure to maintain safe construction sites and/or implement our safety management system may lead to the occurrence of personal injuries, property damages, fatal accidents or suspension of relevant licenses to operate.

Industry and market risks

(i) the construction industry is highly competitive. There are a significant number of industry players who provide similar services as ours; and

(ii) all of the Group's revenue was derived from projects located in Hong Kong and Malaysia. If Hong Kong or Malaysia experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on the construction industry in general, the Group's overall business and results of operations may be materially and adversely affected.

Operating Segment Information

During the Reporting Period, the Group has only one reportable operating segment, of which the Group engages in contract work as a main contractor or subcontractor, primarily in respect of building construction and RMAA works. Details of the segmental information of the Group is disclosed in Note 5 to the financial statements of this annual report.

Management Discussion and Analysis *(Continued)*

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 report. 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.

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.

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 discloseable and connected transaction of the Company under Chapter 14 and Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). To the best of the directors' knowledge, the Malaysian subsidiary of Target Company A has met the target net profit of HK$4,000,000 for the year ended 31 December 2021.

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$8.1 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).

Management Discussion and Analysis *(Continued)*

Contingent Liabilities

Details of the Group's contingent liabilities as at 31 December 2021 are set out in Note 27 to the financial statements of this annual report.

Save as disclosed in this annual report, the Group had no other contingent liabilities as at 31 December 2021.

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 (the "**Listing Date**"). 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 22 to the financial statements of this annual report.

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 in total HK$'000	Planned use of proceeds from the Listing Date to 31 December 2021 HK$'000	Actual use of proceeds from the Listing date to 31 December 2020 HK$'000	Actual use of proceeds from 1 January 2021 to 31 December 2021 HK$'000	Actual use of proceeds from the Listing date to 31 December 2021 HK$'000	Remaining Balance HK$'000
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	–
	97,667	97,667	54,815	42,852	97,667	–

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.

Directors and Senior Management

Directors

Executive Directors

Mr. GUAN Manyu ("Mr. Guan"), aged 44, is the chairman of our Board and an executive Director. He was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as an executive Director and the chairman of our Board on 5 September 2017. He is responsible for overall business development as well as financial and strategic planning of our Group. He is also chairman of the nomination committee of the Company (the "**Nomination Committee**").

Mr. Guan has approximately 21 years of experience in the construction industry. From August 1999 to August 2001, he worked for Zhejiang Construction Investment Group Co., Ltd. at which his last position was a foreman. In September 2001, he joined China Zhejiang Construction Group (H.K.) Limited as a project manager and was subsequently promoted to an assistant manager in March 2002, a deputy manager in March 2003 and a general manager in September 2007. Since April 2015, he has become the chairman of China Zhejiang Construction Group (H.K.) Limited. Mr. Guan joined our Group in January 2014 as a director of CR Construction Company Limited and has been concurrently serving as the chairman of CR Construction Company Limited since March 2015. He is a director of Mount Land Limited and CR Construction (Building) Company Limited. He is also the chairman and a director of China Zhejiang Construction Group (H.K.) Limited and a director of certain subsidiaries of Zhejiang Construction Investment Group Co., Ltd and China Zhejiang Construction Group (H.K.) Limited.

For Mr. Guan's interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), please refer to the section headed "Report of the Directors" in this annual report.

Mr. Guan obtained a bachelor of civil engineering in construction engineering from Zhejiang University in the People's Republic of China (the "**PRC**") in June 1999 and a master of science in civil infrastructural engineering and management from the Hong Kong University of Science and technology in November 2005.

Mr. Guan was admitted as a 1st class registered constructor (一級註冊建造師) in specialty of construction engineering in Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部) (formerly known as Ministry of Construction of the People's Republic of China (中華人民共和國建設部) in November 2007 and a senior engineer (高級工程師) in specialty of construction engineering in Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in December 2009.

Mr. LI Kar Yin ("Mr. Li"), aged 63, is an executive Director and has been the chief executive officer of the Company since 1 April 2020. He was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as an executive Director on 5 September 2017. He is mainly responsible for overall management of our business operation. He is also member of the Nomination Committee and the Remuneration Committee.

Mr. Li has approximately 38 years of experience in the construction industry. From July 1982 to January 1988, he worked for Langdon Every and Seah, an international construction cost consultancy firm, as a quantity surveyor. In January 1988, he joined our Group as a quantity surveyor of CR Construction Company Limited and was subsequently promoted to a senior quantity surveyor in January 1989, an assistant contracts manager in November 1992 and a contracts manager in April 1995. He has become a director of CR Construction Company Limited since October 2001 and is currently serving as a managing director of CR Construction Company Limited. He is also a director of Mount Land Limited and CR Construction (Building) Company Limited.

Mr. Li obtained a higher diploma in surveying and an advanced higher diploma in quantity surveying from Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1981 and November 1982 respectively. He, through distance learning, obtained a diploma in surveying (quantity surveying) and a postgraduate diploma in arbitration from the College of Estate Management (currently known as the University College of Estate Management) in the United Kingdom in September 1996 and April 2000 respectively.

Mr. Li was admitted as a member of the Hong Kong Institute of Surveyors in June 1998 and a member of the Chartered Institute of Arbitrators in July 2000.

For Mr. Li's interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), please refer to the section headed "Report of the Directors" in this annual report.

Ms. CHU Ping ("Ms. Chu"), aged 55, is an executive Director. She was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as an executive Director on 5 September 2017. She is mainly responsible for overall management of our business operation.

Ms. Chu has approximately 19 years of experience in the construction industry. In August 2001, she joined China Zhejiang Construction Group (H.K.) Limited as an accounting clerk and was subsequently promoted to a finance and administration officer in January 2003, a deputy manager in January 2008 and has been serving as a director of China Zhejiang Construction Group (H.K.) Limited since January 2014. She joined our Group in January 2014 as a director of CR Construction Company Limited and is concurrently serving as a deputy managing director of CR Construction Company Limited.

Ms. Chu, through distance learning, obtained a bachelor of laws from Jinan University in the PRC in January 2007.

For Ms. Chu's interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), please refer to the section headed "Report of the Directors" in this annual report.

Mr. LAW Ming Kin ("Mr. Law"), aged 66, is an executive Director. He was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as an executive Director on 5 September 2017. He is mainly responsible for overall management of our business operation.

Mr. Law has approximately 41 years of experience in the construction industry. From 1979 to June 1987, he worked for Shui On Construction Company Limited, a wholly-owned subsidiary of SOCAM Development Limited (stock code: 983), at which his last position was an assistant project manager. He joined our Group and worked for CR Construction Company Limited as a site agent from July 1987 to February 1989. From February 1989 to September 1995, he worked for subsidiaries of Tak Wing Group at which his last position was an acting general manager. From January 1996 to January 2006, he worked for Chun Wo Construction and Engineering Company Limited, a wholly-owned subsidiary of Asia Allied Infrastructure Holdings Limited (stock code: 711), as a senior project manager. From March 2006 to January 2009, he worked for Paul Y. Construction Ltd. at which his last position was a contracts manager. In January 2009, he joined our Group again as a project operation director of CR Construction Company Limited and was subsequently promoted to an assistant general manager in February 2015. Since July 2016, he has become a director of CR Construction Company Limited.

Mr. Law obtained a bachelor of science in civil engineering from The University of Calgary in Canada in June 1979.

For Mr. Law's interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), please refer to the section headed "Report of the Directors" in this annual report.

Directors and Senior Management *(Continued)*

Mr. CHAN Tak Yiu ("Mr. Chan"), aged 50, is an executive Director. He was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as an executive Director on 5 September 2017. He is mainly responsible for overall management of our business operation.

Mr. Chan has approximately 28 years of experience in the construction industry. From July 1992 to October 1993 and August 1994 to March 1999, he worked for Crownity Engineering Limited and its subsidiaries (namely Best Build Construction Co., Ltd. and Besco Engineering Ltd.) at which his last position was a construction manager. From March 1999 to January 2002, he worked for Square Construction Company Limited as a project manager. From January 2002 to May 2009, he worked for Chun Wo Construction and Engineering Company Limited, a wholly-owned subsidiary of Asia Allied Infrastructure Holdings Limited (stock code: 711), at which his last position was a deputy operation manager. In May 2009, he joined our Group and worked as a senior project manager of CR Construction Company Limited and was subsequently promoted to a project operation director and head of technical department concurrently in January 2012, an assistant general manager in February 2015. Since July 2016, he has been a director of CR Construction Company Limited.

Mr. Chan obtained a bachelor of science in construction management from South Bank University, London in the United Kingdom in July 1994 and a master of science in construction management from City University of Hong Kong in November 2000.

Mr. Chan was admitted as a member of The Australian Institute of Building in May 2005 and a member of The Chartered Institute of Building in January 2006. Mr. Chan was admitted as a fellow of The Hong Kong Institute of Construction Managers in April 2015.

For Mr. Chan's interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), please refer to the section headed "Report of the Directors" in this annual report.

Non-executive Director

Mr. YANG Haojiang ("Mr. Yang"), aged 39, is a non-executive Director. He was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as a non-executive Director on 5 September 2017. He is mainly responsible for providing strategic advice to our Group.

Mr. Yang has more than nine years of experience in the construction industry. In April 2010, he worked for Zhejiang Construction Investment Group Co., Ltd. as a research officer and was subsequently promoted to a senior project manager in January 2012 and an assistant manager in November 2014. Since September 2016, he has been serving as a deputy general manager in China Zhejiang Construction Group (H.K.) Limited.

Mr. Yang obtained a bachelor of information management and information system (信息管理與信息系統) from Zhejiang Gongshang University in the PRC in July 2005 and a master of business administration from University of Bridgeport in the United States in December 2007.

For Mr. Yang's interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), please refer to the section headed "Report of the Directors" in this annual report.

Directors and Senior Management *(Continued)*

Independent non-executive Directors

The Honourable TSE Wai Chun Paul JP ("Mr. Tse"), aged 63, was appointed as our independent non-executive Director on 17 September 2019. He is chairman of the Remuneration Committee, and a member of the audit committee and the Nomination Committee. He is responsible for providing independent judgement on our strategy, performance, resources and standard of conduct.

Mr. Tse has more than 33 years of experience in the legal field. He has worked as a barrister from October 1985 to July 1992 and as a solicitor from July 1992 to the present. From July 1992 to June 1993, he worked for Livasiri & Co. as an assistant solicitor. From July 1993 to January 1995, he worked for Terry Yeung & Lai, Solicitors as a consultant. From February 1995 to mid 1997, he worked for Wilfred K. H. Lam & Co. as a consultant. He founded Paul W. Tse, a solicitors firm in Hong Kong, in October 1997 and is currently a partner of Paul W. Tse.

Mr. Tse obtained a bachelor of commerce and a bachelor of laws from The University of New South Wales in Australia in April 1984 and in May 1984, respectively. He obtained a master of laws in Chinese and comparative law from The City University of Hong Kong in November 1999 and a postgraduate certificate in laws from The University of Hong Kong in September 1985.

Mr. Tse was called to the bar of New South Wales in July 1984. He was admitted as an advocate and solicitor in Singapore in February 1995. He was called to the bar in Hong Kong in October 1985. In September 1992, he was admitted as a solicitor in Hong Kong. He was also admitted as an associate member of The Australian Society of Certified Practising Accountants in March 1984 and a member of The Chartered Institute of Arbitrators in December 1999.

Mr. Tse was appointed as a Justice of the Peace by the Government in July 2011 and is currently a member of the Legislative Council of Hong Kong and a district councilor of the Wan Chai District Council.

Mr. LAU Pak Shing ("Mr. Lau"), aged 72, joined the Company as an independent non-executive Director on 2 July 2021. He is chairman of the Audit Committee, member of the Nomination Committee and the Remuneration Committee. Mr. Lau had been an executive director and a deputy managing director of China Resources Enterprise Limited since 1997 and March 2006, respectively before his retirement as the aforementioned positions with effect from 1 March 2010. He had also been an independent non-executive director of China Resources Land Limited (stock code: 1109) and executive directors of several listed companies in Hong Kong.

Mr. Lau graduated from Hong Kong Baptist University ("HKBU", formerly known as Hong Kong Baptist College) and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He had also been the chairman of the executive committee of Hong Kong Cold Storage Merchants Association Limited for many years. Mr. Lau has more than 40 years of experience in auditing, accounting, corporate finance, properties, godown and cold storage logistics business. He is currently a member of the Alumni Committee of the HKBU Foundation.

Mr. HO Man Yiu Ivan ("Mr. Ho"), aged 64, was appointed as our independent non-executive Director on 17 September 2019. He is chairman of Nomination Committee, and member of the Audit Committee and the Remuneration Committee. He is responsible for providing independent judgement on our strategy, performance, resources and standard of conduct.

Directors and Senior Management *(Continued)*

Mr. Ho has approximately 38 years of experience in the construction industry. From 1983 to 1986, he worked for the Housing Department of HKSAR Government as a graduate architect and later as an architect. From 1986 to 1987, he worked for Kumagai Design Ltd. Architects, Planners & Engineers as a project architect. From 1987 to 1989, he worked for Kumagai Gumi (HK) Ltd. at which his last position was a deputy project manager for the Bank of China Tower project. In September 1988, he served as a co-founder of Ivanho Architect Limited and, since then, has been serving as a director.

Mr. Ho obtained a bachelor of arts in architectural studies and a bachelor of architecture from the University of Hong Kong in November 1981 and November 1983 respectively. He was a vice president of Hong Kong Institute of Architects from 2017 to 2018 and a vice president (local affairs) of Hong Kong Institute of Urban Design from 2014 to 2018. He is currently a member of Harbourfront Commission (HC), chairman of the Hong Kong Task Force of Harbourfront Commission and the technical advisor (TA) of Development Bureau for Two-envelope Tender Arrangement for Site 3 of the New Central Harbourfront.

Senior Management

Mr. PAN Shujie ("Mr. Pan"), aged 57, is our chief operation officer and deputy general manager. Mr. Pan joined our Group in August 2020. He is mainly responsible for overseeing the overall operation of the Group.

Mr. Pan has over 30 years of experience in the construction industry. Mr. Pan worked China State Construction Group Limited in 1987 and was seconded to China State Construction International Holdings Limited from 1991 to until mid-2020. From August 2012 to August 2018, Mr. Pan was served as an executive director of China State Construction International Holdings Limited (stock code: 3311). Since August 2020, he joined our Group and has been serving as a chief operation officer and deputy general manager of CR Construction Company Limited.

Mr. Pan graduated from the Southeast University (formerly known as Nanjing Institute of Technology) and the University of Warwick (UK). He is a member of The Hong Kong Institute of Engineers and a member of The Chartered Institute of Building (UK). Mr. Pan has been appointed member of Construction Industry Council by Development Bureau of the Government of the Hong Kong Special Administrative Region since 2016.

Mr. LEE Yiu Pun ("Mr. Lee"), aged 54, is our project operation director. Mr. Lee joined our Group in August 2016. He is mainly responsible for projects operation and implementation of quality management.

Mr. Lee has approximately 28 years of experience in the construction industry. From July 1992 to September 1994, he worked for Sun Foo Kee Limited as an assistant quality manager. From September 1994 to January 2010, he worked for China Civil Engineering Construction Corporation at which his last position was an assistant general manager. From February 2010 to November 2011, he worked for International Group as a project manager. From December 2011 to November 2012, he worked for Hsin Chong Construction Company Limited, a wholly-owned subsidiary of Hsin Chong Group Holdings Limited (stock code: 404), at which his last position was a project manager. From November 2012 to September 2013, he worked for Chevalier Construction Company Limited, a subsidiary owned as to 99.67% by Chevalier International Holdings Limited (stock code: 25), as a senior project manager. From September 2013 to August 2016, he worked for Wecon Limited as a general manager. Since August 2016, he joined our Group and has been serving as a project operation director of CR Construction Company Limited.

Mr. Lee obtained a bachelor of science in building from City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1992 and a master of science in construction management from City University of Hong Kong in November 1998. Mr. Lee was admitted as a member of The Chartered Institute of Building in July 2003.

Mr. LAU Tat Shing Thomas ("Mr. Lau"), aged 47, is our project operation director. Mr. Lau joined our Group in July 2017. He is mainly responsible for projects operation and implementation of quality management.

Mr. Lau has approximately 23 years of experience in the construction industry. From July 1997 to January 1998, he worked for Driltech Ground Engineering Limited as an assistant engineer. From May 1998 to January 1999, he worked for Hui Hon Contractors Limited as an engineer. From January 1999 to April 2005, he worked for China Civil Engineering Construction Corporation at which his last position was a site engineer. From April 2005 to June 2017, he worked for China Zhejiang Construction Group (H.K.) Limited at which his last position was a project operation director. Since July 2017, he joined our Group and has been serving as a project operation director of CR Construction Company Limited.

Mr. Lau obtained a higher diploma in civil engineering from Hong Kong technical Colleges (currently known as The Hong Kong Institute of Vocational Education, a member of Vocational training Council) in June 1997, a higher diploma in engineering management from The Hong Kong Institute of Vocational Education in July 2003, a diploma in occupational health and safety from Li Ka Shing Institute of Professional and Continuing Education of the Open University of Hong Kong in May 2005, and a bachelor of engineering in civil engineering from Chu Hai College of Higher Education in Hong Kong in July 2008.

Mr. LI Kwok Woon Ricky ("Mr. Li KW"), aged 46, is our technical director. Mr. Li KW joined our Group in July 2017. He is mainly responsible for supervising and providing technical support to our Group's operation.

Mr. Li KW has approximately 23 years of experience in the construction industry. From June 1997 to April 1999, he worked for Cheung Wing & Associates as an assistant site engineer. From April 1999 to February 2002, he worked for PYPUN Engineering Consultants Ltd. at which his last position was a structural engineer. From March 2002 to July 2003, he worked for China Civil Engineering Corporation Limited as a structural engineer. From July 2003 to June 2004, he worked for Hsin Chong Construction (Macau) Ltd., a wholly-owned subsidiary of Hsin Chong Group Holdings Limited (stock code: 404), as a structural engineer. From June 2004 to April 2006, he worked for China Civil Engineering Construction Limited again as a site agent. From May 2006 to May 2014, he worked for Meinhardt (C&S) Ltd. at which his last position was a technical director. From June 2014 to June 2017, he worked for China Zhejiang Construction Group (H.K.) Limited as a technical director. Since July 2017, he joined our Group and has been serving as a technical director of CR Construction Company Limited.

Mr. Li KW obtained a bachelor of engineering in civil and structural engineering from The Hong Kong University of Science and technology in November 1997. He was admitted as a member of The Institution of Structural Engineers in November 2001, a member of The Hong Kong Institution of Engineers in March 2002 and a registered structural engineer under Buildings Ordinance Section 3 in Hong Kong in June 2014.

Ms. FANG Xuan ("Ms. Fang"), aged 50, is our finance director. Ms. Fang also serves as the Executive Vice Secretary General of The Hong Kong Chinese Enterprises Association Financial & Accounting Affairs Steering Committee.

Ms. Fang graduated from the University of Bolton with a bachelor of accountancy and is a fellow member of the Association of International Accountants (FAIA, CPA) and a member of CACFO. Ms. Fang obtained the Executive Master of Business Administration (EMBA) from The City University of Hong Kong. Ms. Fang obtained the certificate of Public Policy and Management (PPP) from the Tsinghua University, China, and completed 320 hours for training.

Ms. Fang has over 20 years of experience in the financial and treasury industry. From July 2000 to 2019, she worked for the finance department of Beijing Enterprises Holdings Limited (stock code: 392).

Ms. Fang joined our Group in August 2019 and has been involved in financial management, corporate finance, financial planning, treasury management of the Group.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the Reporting Period.

Corporate Governance Practices

The Company 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 and the Corporate Governance Report (the "**CG Code**") contained 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.

The Board

Responsibilities

The Board is responsible for the overall leadership of the Company, oversees the Company's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Company to the senior management of the Company. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated, and should not be performed by the same individual.

For the year Reporting Period and up to the date of the annual report, the chairman of the Board is Mr. Guan Manyu and the chief executive officer is Mr. Li Kar Yin.

The roles of the chairman and the chief executive officer remains separated with a clear division of responsibilities performed by different individuals to maintain their independence, accountability, well-balanced power and authority.

Board Composition

As at the date of this annual report, the Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors:

Mr. GUAN Manyu *(Chairman)*
Mr. LI Kar Yin
Ms. CHU Ping
Mr. LAW Ming Kin
Mr. CHAN Tak Yiu

Non-executive Director:

Mr. YANG Haojiang

Independent Non-executive Directors:

The Honourable TSE Wai Chun Paul JP
Mr. HO Man Yiu Ivan
Mr. LAU Pak Shing (appointed on 2 July 2021)
Mr. LI Ka Fai David (retired on 25 June 2021)

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

During the Reporting Period , the Board was in compliance with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of the Board), with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise except that during the period from 25 June 2021 (the date of the retirement of Mr. Li Kai Fai David as independent non-executive director) to 2 July 2021 (the date of the appointment of Mr. Lau Pak Shing as independent non-executive director).

According to Rule 3.10(1) of the Listing Rules, the Company is required to have at least three independent non-executive directors. According to Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive directors of the Company must have appropriate professional qualifications or accounting or related financial management expertise (the "Qualification"). According to Rule 3.21 of the Listing Rules, the Audit Committee of the Company must comprise a minimum of three members, and at least one of whom is an independent non-executive director who has the Qualification.

As disclosed in the announcement of the Company dated 14 May 2021, following the retirement of Mr. Li Ka Fai David as an independent non-executive director of the Company on 25 June 2021:

(a) the Company only had two independent non-executive directors, thus the number of independent non-executive directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules;

(b) there is no independent non-executive director of the Company who has the Qualification as required under Rule 3.10(2) of the Listing Rules;

(c) the Audit Committee did not have an independent non-executive director with the Qualification as required under Rule 3.21 of the Listing Rules; and

(d) the Audit Committee only had two members, thus the number of members fell below the minimum number required under Rule 3.21 of the Listing Rules.

On 2 July 2021, the Company appointed Mr. Lau Pak Shing as an independent non-executive director to fill up the vacancy of independent non-executive director with appropriate Qualification to meet the requirements set out in Rules 3.10 and 3.21 of the Listing Rules.

None of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

Board diversity policy

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and to enhance the quality of performance.

The Company recognises and embraces the benefit of having a diverse Board to enhance the quality of the Board's performance. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria.

Selection and recommendation of candidates will be based on the nomination procedures and the process and criteria adopted by the Nomination Committee and a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services, personal integrity and time commitments of the proposed candidates. The Company will take into account factors relating to the Company's own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has been delegated with the overall responsibility for implementation, monitoring and periodic review of our board diversity policy. Any revisions to the policy as recommended by the Nomination Committee will be submitted to the Board for consideration and approval.

Measurable objectives of the Board diversity policy and the progress on achieving the objectives

The measurable objectives

Objective 1:	Considering candidates for appointment as Directors from a wide pool of talents taking into account the culture and educational background, expertise and professional experience, skills, experience, knowledge, perspectives and other contributions that would complement the current needs of the Board.
Objective 2:	Reviewing annually whether the composition and structure of the Board is suitable for the overall development strategy of the Group based on its business operation and the developmental need to propose adjustment and implementation plans.

Progress on achieving the objectives

Objective 1:	Selection and appointment of the Directors of the Company should be in compliance with the requirements of the Board diversity policy and in line with the overall development strategy of the Group. From the Listing Date, the Nomination Committee will identify the candidates for directorships and recommend to the Board according to the Board diversity policy of the Company for any replacement of Director or an addition to the Board. The Board would also appoint suitable candidates for directorship based on the overall development of the Group and the Board diversity policy of the Company.
Objective 2:	The current arrangement and structure of the Board of the Company is appropriate for the development need of the existing business operation of the Group and is conducive for providing the Company with extensive valuable advice and supervision on decision-making. The Company will continually assess the diversity of the Board and objectively consider the composition and effectiveness of the Board for the 2022 financial year.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

The Company has received written annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all of them to be independent.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a director.

According to the information provided by the Directors, a summary of training received by the Directors for the Reporting Period is as follows:

Name of Directors	Nature of Continuous Professional Development Programs
Executive Directors	
Mr. GUAN Manyu	A, B, C
Mr. LI Kar Yin	B, C
Ms. CHU Ping	B, C
Mr. LAW Ming Kin	B, C
Mr. CHAN Tak Yiu	A, B, C
Non-executive Director	
Mr. YANG Haojiang	B, C
Independent Non-executive Directors	
The Honourable TSE Wai Chun Paul JP	A, C
Mr. HO Man Yiu Ivan	A, B, C
Mr. LAU Pak Shing	A, B, C

Notes:

A: Attending seminars and/or meetings and/or forums and/or briefings
B: Attending training relevant to the Company's business conducted by lawyers
C: Reading materials relevant to corporate governance, director's duties and responsibilities, Listing Rules and other relevant ordinances

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company. Pursuant to the agreement, they agreed to act as executive Directors for an initial term of three years with effect from the Listing Date.

The non-executive Director has entered into an appointment letter with the Company for an initial term of three years with effect from the Listing Date.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of two years with effect from 2021.

All the Directors and the Company are required to give three months' notice in writing to the other party for termination of the service agreement/appointment letter. All the Directors are appointed for a specific term and subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the amended and restated memorandum of association of the Company (the "**Articles of Association**").

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

In accordance with article 83(2) of the Articles of Association, subject to the articles and the law, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board.

In accordance with article 83(3) of the Articles of Association, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with article 83(7) of the Articles of Association, the Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall never be less than two.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

For the Reporting Period, the Board held four Board meetings, and one annual general meeting, The attendance record of each Director is set out below:

Directors	Board Meetings Attended/Eligible to attend	General Meetings Attended/Eligible to attend
Executive Directors		
Mr. GUAN Manyu *(Chairman)*	4/4	1/1
Mr. LI Kar Yin *(Chief Executive Officer)*	4/4	1/1
Ms. CHU Ping	4/4	1/1
Mr. LAW Ming Kin	4/4	1/1
Mr. CHAN Tak Yiu	4/4	1/1
Non-executive Director		
Mr. YANG Haojiang	4/4	1/1
Independent Non-executive Directors		
The Honourable TSE Wai Chun Paul JP	4/4	1/1
Mr. LI Ka Fai David (retired on 25 June 2021)	2/2	1/1
Mr. HO Man Yiu Ivan	4/4	1/1
Mr. LAU Pak Shing (appointed on 2 July 2021)	2/2	0/0

Pursuant to code provision A.2.7 of the CG Code, the chairman should hold meetings with independent non-executive Directors without the presence of other Directors at least annually. The Company held one meeting on 19 March 2021 in accordance 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 the 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.

For the Reporting Period, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

During the Reporting Period, the Board reviewed the terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee, the Board diversity policy, the dividend policy, the nomination policy and the shareholders communication policy of the Company.

Board Committees

Audit Committee

The Audit Committee comprises three members, namely Mr. Lau Pak Shing (Chairman), The Honourable Tse Wai Chun Paul JP and Mr. Ho Man Yiu Ivan, all of them are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

1. Being primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and considering any questions of its resignation or dismissal;

2. Monitoring integrity of the Group's financial statements, annual reports and accounts, half year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;

3. Reviewing the Group's financial controls, risk management and internal control systems; and

4. Discussing the risk management and internal control systems with management of the Group to ensure that the management of the Group has performed its duty to have effective systems. this discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function and to rectify any weaknesses that may be revealed from time to time.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company. During the Reporting Period, two meetings of the Audit Committee were held to discuss and consider the following matters:

- reviewed with the management and auditor of the Company the accounting principles and practices adopted by the Group, to discuss the unaudited interim financial statements for the six months ended 30 June 2021;
- planning meeting covering the engagement with external auditor, and the nature and scope of the audit and reporting obligations before the annual audit commences;
- reviewed annual results of the Company and its subsidiaries for the year ended 31 December 2020 as well as the audit report prepared by the Company's auditor relating to accounting issues and major findings in course of audit;
- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function), risk management systems and processes; and
- discussed the re-appointment arrangement of the Company's auditor and the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Company's Auditor.

The individual attendance record of each member of the Audit Committee is set out below:

Directors	Attended/Eligible to attend
Mr. LI Ka Fai David *(former Chairman)* (retired on 25 June 2021)	1/1
Mr. LAU Pak Shing *(Chairman)* (appointed on 2 July 2021)	1/1
The Honourable TSE Wai Chun Paul JP	2/2
Mr. HO Man Yiu Ivan	2/2

Nomination Committee

The Nomination Committee comprises five members, including three executive Directors namely Mr. Ho Man Yiu Ivan (Chairman), Mr. Guan Manyu, Mr. Li Kar Yin, and two independent non-executive Directors namely The Honourable Tse Wai Chun Paul JP and Mr. Lau Pak Shing.

The principal duties of the Nomination Committee include the following:

1. Reviewing the structure, size, composition (including the skills, knowledge and experience) and diversity (including but not limited to gender, age, cultural and educational background, or professional experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy;

2. Making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of the Group;

3. Identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorship; and

4. Assessing the independence of the independent non-executive Directors of the Company and reviewing the independent non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the corporate governance report of the Company.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held two meetings. The individual attendance record of each member of the Nomination Committee meeting is set out below:

Directors	Attended/Eligible to attend
Mr. HO Man Yiu *(Chairman)* (appointed as the Chairman from a member on 2 July 2021)	2/2
Mr. GUAN Manyu (former Chairman, appointed as a member on 2 July 2021)	2/2
Mr. LI Kar Yin	2/2
The Honourable TSE Wai Chun Paul JP	2/2
Mr. LI Ka Fai David (retired on 25 June 2021)	1/1
Mr. LAU Pak Shing (appointed on 2 July 2021)	0/0

The following is a summary of the work performed by the Nomination Committee for the Reporting Period:

— reviewed size, structure and composition of the Board and made recommendations to the Board on re-election of Directors;

— reviewed the Board diversity policy;

— reviewed the independence of the independent non-executive Directors; and

— discussed and reviewed the nomination policy.

Policy on Directors Nomination

The Group adopted a nomination policy (the "**Nomination Policy**") on 17 September 2019, summarised below:

Objectives

The Nomination Committee assists the Board in making recommendations to the Board on the appointment of Directors and succession planning for Directors. The Nomination Policy provides the key selection criteria and principles of the Nomination Committee in making any such recommendations.

Selection Criteria

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

(1) Character and integrity;

(2) Qualifications including professional qualifications, skills knowledge and experience that are relevant to the Company's business and corporate strategy;

(3) Willingness to devote adequate time to discharge duties as a Board member;

(4) The number of existing directorships and other commitments that may demand the attention of the candidate;

(5) Requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidates would be consider independent with reference to the independence guidelines set out in the Listing Rules;

(6) Board diversity policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(7) Such other perspectives appropriate to the Company's business.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles of Association and other applicable rules and regulations.

Nomination Procedures

In general, the Board shall have the ultimate responsibility for all matters relating to the selection, appointment and re-appointment of Directors. The process to identity potential candidates for the Board would be generally as follows:

(1) The Nomination Committee and/or Board identifies potential candidates based on the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) The Nomination Committee and/or the company secretary of the Company provides the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills, and experience other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) The Nomination Committee would make recommendations on the proposed candidate(s) and the terms and conditions of the appointment to the Board;

(4) The Nomination Committee should ensure the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an independent non-executive Director, the Nomination Committee and/or the Board obtains all information in relation proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee.

For retiring Directors subject to re-election, the Nomination Committee will review the overall contribution and service to the Company of the retiring Director including his/her attendance of Board meetings and, where applicable, general meetings of the Company, the level of participation and performance on the Board. The Nomination Committee will also review and determine whether the Director continues to meet the selection criteria and make recommendations to Shareholders of the Company in respect of the proposed re-election of Director at the general meeting of the Company.

The Nomination Policy will be reviewed on a regular basis.

Remuneration Committee

The Remuneration Committee comprises four members, including three independent non-executive Directors namely The Honourable Tse Wai Chun Paul JP (Chairman), Mr. Ho Man Yiu Ivan, Mr. Lau Pak Shing and one executive Director namely Mr. Li Kar Yin.

The principal duties of the Remuneration Committee include the following:

1. Making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. Making recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Group, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee shall consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group; and

3. Making recommendations to the Board on the remuneration of non-executive Directors.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

For the Reporting Period, the Remuneration Committee held two meetings. The individual attendance record of each member of the Remuneration Committee meeting is set out below:

Directors	Attended/Eligible to attend
The Honourable TSE Wai Chun Paul JP *(Chairman)* (appointed as the Chairman from a member on 2 July 2021)	2/2
Mr. LI Kar Yin	2/2
Mr. LAU Pak Shing (appointed on 2 July 2021)	0/0
Mr. HO Man Yiu Ivan	2/2
Mr. LI Ka Fai *(former Chairman)* (retired on 25 June 2021)	1/1

The following is a summary of the work performed by the Remuneration Committee for the Reporting Period:

— reviewed the remuneration of Directors and senior management; and

— made recommendations to the Board on the remuneration packages of individual Directors and senior management.

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 14 to 19 of this annual report, for the Reporting Period, are set out below:

Remuneration band (HK$)	Number of individuals
0 to 1,000,000	6
1,000,001 to 2,000,000	4
2,000,001 to 3,000,000	3
3,000,001 to 4,000,000	1

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the Reporting Period which give a true and fair view of the affairs of the Group's and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 98 to 103 of this annual report.

Risk Management and Internal Control

The Board is responsible for maintaining sound and effective internal control and risk management systems in order to safeguard the Group's assets and its Shareholders' interests and reviewing their effectiveness on an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee, acting on behalf of the Board, reviews the effectiveness of the Group's risk management and internal control systems on an on-going basis and reports to the Board on, at least, an annual basis. The management is responsible for designing, implementing and monitoring of the Group's risk management framework and internal control system. The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis.

The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Group from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis so as to identify, evaluate and manage significant risks in a timely manner.

In addition, the Company has engaged an independent internal control adviser to carry out a review on the internal control system and risk management system of the Group. The review involves all material monitoring aspects, including but not limited to finance, operation, compliance and risk management. The adviser has conducted analysis and independent assessment on the adequacy and the effectiveness of the internal control system and risk management of the Group, and has submitted the findings and recommendations to the Audit Committee and the Board.

The Group is aware of its obligation under the Securities and Futures Ordinance (the "**SFO**"), the Listing Rules and the overriding principle that inside information should be announced on a timely manner and conducts its affairs in strict compliance with the applicable laws and regulations prevailing in Hong Kong. The Group has established disclosure mechanism regarding the procedures of identifying inside information and preserving its confidentiality until proper dissemination with the Board's approval through the electronic publication systems operated by the Stock Exchange and the Company. Unauthorised access and use of inside information are strictly prohibited. Any potential inside information identified by senior management will be assessed, and where appropriate, will be escalated for the attention of the Board to resolve on further actions. The Board assesses the likely impact of any unexpected and significant event and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board has reviewed the effectiveness of the internal control and risk management systems of the Group for the Reporting Period, to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions are adequate. The review was conducted through discussions with the management of the Group, its external and internal auditors and the assessment performed by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects (if any).

Dividend Policy

The Group adopted a dividend policy (the "**Dividend Policy**") on 17 September 2019, summarised below:

The Group is committed to maintaining sufficient resources and flexibility to meet the Group's financial and operational requirements. At the same time, the Company continually seeks ways to enhance Shareholders' value to ensure sustainable long-term yields for Shareholders.

Under the Dividend Policy, the declaration and payment of dividends shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Group's financial results, future prospects and other factors, and subject to limitation of:

(1) the Articles of Association of the Company;

(2) the applicable restrictions and requirements under the laws of the Cayman Islands;

(3) actual and expected financial performance of the Group;

(4) retained earnings and distributable reserves of the Company and each of the other members of the Group;

(5) economic conditions and other internal or external factors that may have impact on the business or financial performance and position of the Group;

(6) business strategies of the Group, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;

(7) the current and future operations, liquidity and capital requirement of the Group;

(8) statutory and regulatory restrictions; and

(9) other factors that the Board deems appropriate.

Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders such interim and/or special dividends as it considers to be justified by the profits of the Group.

Under the Cayman Islands Companies Act and the Articles of Association, all of the Shareholders have equal entitlement to dividends and distributions. The Board shall have the right to review the Dividend Policy from time to time as it deems fit according to the financial and business development requirements of the Group.

Auditor's Remuneration

The remuneration for the audit and non-audit services provided by the Auditor to the Company for the Reporting Period was approximately as follows:

Type of Services	Amount (HK$)
Audit services	1,750,000
Non-audit services related to tax filing services	90,000
Total	1,840,000

Company Secretary

The company secretary supports the chairman, Board and Board committees by ensuring good information flow and Board policy and procedures are followed. The company secretary is responsible for ensuring the proper convening and conducting of the Board and Board Committees meetings, with the relevant notices, agenda, and the Board and Board Committees papers being provided to the Directors and the relevant Board Committees members respectively in a time manner before the meetings. The company secretary is responsible for keeping minutes of all the Board and Board Committees meetings. The Board and the Board Committees minutes are available for inspection by the Directors and the relevant Board Committees members.

Ms. Leung Suet Lun ("**Ms. Leung**") was the company secretary of the Company (the "**Company Secretary**") prior to her resignation. During the year ended 31 December 2021, Ms. Leung confirmed that she complied with training requirements under Rule 3.29 of the Listing Rules. Ms. Leung resigned as the Company Secretary with effect from 16 July 2021.

Mr. Lau King Ho ("**Mr. Lau**") has been appointed as the Company Secretary on 16 July 2021. Mr. Lau meets the qualification requirements for company secretary under Rule 3.28 of the Listing Rules. Mr. Lau who possesses the requisite qualification and experience of a company secretary as required under Rule 3.28 of the Listing Rules.

For the Reporting Period, Mr. Lau have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Communication with Shareholders and Investor Relations

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The Company's Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at https://www.cr-construction.com.hk, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each substantially separate issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. In accordance with article 58 of the Articles of Association, any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company at the headquarters of the Company in Hong Kong, specifying the shareholding information of the Shareholder(s), his/her/their contact details and the proposal regarding any specifying transaction/business and its supporting documents, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries together with his/her/their contact details, such as postal address, email or fax , either by post or by email, addressing to the Board or the secretary of the Company at the headquarters of the Company at Units 3–16, 32/F., Standard Chartered Tower, Millennium City 1, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong or at ir@czcgl.com.hk.

Change in Constitutional Documents

The Company adopted the Articles of Association on 17 September 2019, which has been effective from the Listing Date. For the Reporting Period, the Articles of Association did not have any change.

Environmental, Social and Governance Report

Contents

About this Report

CR Construction Group Holdings Limited (the "**Company**" together with its subsidiaries, hereinafter referred to as the "**Group**", "**CR**" or we or us) is delighted to publish the third Environmental, Social and Governance Report (the "**Report**") to summarise the Group's policies, measures, and performance on the key environmental, social and governance ("**ESG**") issues.

Reporting Period

The Report illustrates the overall performance of the Group regarding the environmental and social aspects from 1 January 2021 to 31 December 2021 (the "**Reporting Period**").

Reporting Scope and Boundary

The Report discloses related policies and initiatives for the core and material businesses namely provision of (i) building construction services; and (ii) repair, maintenance, alteration, and addition ("**RMAA**") works and services in Hong Kong and Malaysia.

The Report discloses key performance indicators ("**KPIs**") of the corporate office ("**Office**") and the representative project(s) ("**Project(s)**"), which contributed over 80% of the Group's total annual revenue. While the Report does not cover all the Group's operations, the Group aims to improve its internal data collection mechanism and gradually expand the scope of the disclosure.

Reporting Basis and Principles

The Report is prepared in accordance with the ESG Reporting Guide (the "**ESG Guide**") as set out in Appendix 27 to the Listing Rules and based on the four reporting principles — materiality, quantitative, balance and consistency:

- **"Materiality" Principle:**

  The Group determines material ESG issues by stakeholder engagement and materiality assessment. Details are explained in the section headed "Materiality Assessment".

- **"Quantitative" Principle:**

  Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- **"Balance" Principle:**

  The Report identifies the achievements and challenges faced by the Group.

- **"Consistency" Principle:**

  The Report is the third ESG Report of the Group. The Report will use consistent methodologies for meaningful comparisons in the following years unless improvements in methodology are identified.

The Report has complied with all "comply or explain" provisions and reported on selected recommended disclosures outlined in the ESG Reporting Guide.

The information contained herein is sourced from internal documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group's internal management systems. A complete content index is appended to the last section hereof for quick reference. The Report is prepared and published in both Chinese and English at the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.cr-construction.com.hk). In the event of contradiction or inconsistency between the Chinese version and the English version, the English version shall prevail.

Review and Approval

The board (the "**Board**") of directors of the Company (the "**Directors**") acknowledges its responsibility for ensuring the integrity of the ESG Report and to the best of their knowledge, this Report addresses all relevant material issues and fairly presents the ESG performance of the Group. The Board confirms that it has reviewed and approved the Report on 18 March 2022.

Feedback

The Group respects your view on the Report. Should you have any opinions or suggestions, you are welcome to share with the Group at info@czcgl.com.hk.

Board Statement

Dear Stakeholders,

We are pleased to present our third ESG Report of the financial year 2021 ("**FY 2021**").

We recognise that sustainability is increasingly important for business as the world today faces challenging issues, including but not limited to climate change, shortage of natural resources and undermining of human rights. Expectations for companies to take the initiative on sustainability becomes more demanding.

To achieve and maintain the highest standards in all aspects of our business activities, the Group has established social responsibility system with reference to ISO 26000:2010 Guidance on social responsibility to oversee ESG issues that are relevant to the Group. The Group's Corporate Social Responsibility ("**CSR**") Policy was established to formalise our sustainability practices regarding business ethics, workplace health and safety, environment, community engagement and stakeholder communication channels. We have set clear short-term and long-term sustainable development vision and goods to achieve ongoing emission reduction programs according to government requirements.

The Group implements a risk management framework guided by ISO 31000:2009 Risk Management to identify and manage any risks to our business. We have also approved and overseen the selection and identification of material ESG topics by the management. The Board of Directors regularly monitors and reviews the effectiveness of management, including reviewing the Group's ESG performance and adjusting corresponding action plans.

Based on our core business, we have developed various management systems to deliver our key performance in areas such as craftsmanship, health and safety stewardship, environmental and social responsibility. These management systems have been accredited and under constant review according to relevant International Standards ISO9001, OHSAS18001, ISO14001, ISO26000 and ISO31000 to keep abreast of the market.

As we continue our sustainability journey, performance indicators and targets that are material to our business will be progressively added, providing even more insights in our future reports. We will continue to strengthen our engagement with key stakeholders and improve our sustainability efforts and practices, to forge a long-term sustainable business.

Yours faithfully,
For and on behalf of the Board

Mr. Guan Manyu
Chairman and Executive Director
18 March 2022, Hong Kong

Governance Structure

The Board supports the Group's commitment to fulfilling its environmental and social responsibility and has overall responsibility for the Group's ESG strategy and reporting.

Board of Directors

- Oversees the ESG (including climate-related issues) strategies, policies, objectives and targets

Senior Management

- Advises and supports the Board on ESG matters, strategies, policies
- Overall management and monitoring of ESG performance and targets

Department Heads

- Implement ESG policies and related initiatives

The Board regularly reviews the Group's ESG performance and examines and approves the Group's annual ESG Report.

Stakeholder Engagement

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. The stakeholder engagement helps the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhances the ability to identify risk and strengthens important relationships. The Group communicates with different stakeholders through various channels, as shown below.

Stakeholder	Communication Channel
Government and regulatory agency	• Annual reports, interim reports, ESG reports and other public information • Supervision and inspection
Shareholder and investor	• Annual general meetings and other general meetings of shareholders • Company website • Press releases/announcements • Annual reports, interim reports, ESG reports and other public information
Employee	• Training • Meetings • Performance evaluation • Survey • Staff engagement and voluntary activities • Internal portal
Customer	• Fax, email and telephone • Meetings
Supplier/Subcontractor/Business Partner	• Meetings • Site visit • Survey • Training
Community and NGOs	• CSR programmes and voluntary activities • Sponsorship and donation • ESG Reports • Social media platforms e.g. Facebook page and LinkedIn page
Media	• Enquiry mailbox

Materiality Assessment

In preparing our ESG Report, we directly engaged with the following stakeholder groups as part of the materiality assessment process to identify and prioritise the issues to be covered in this Report that have significant impacts on the business and stakeholders.

Process

Stage 1 Identification

A selection of ESG issues that may reasonably be considered important for the Group and its stakeholders from various sources, including listing rules requirement, industry trends and internal policies. 28 issues were identified and grouped into 4 categories: Environment, Employment and Labour Practices, Operating Practices and Community.

Stage 2 Prioritisation

Conducted online surveys to rate the importance of each issue from the perspective of a stakeholder and the Group using a scale of 1 to 5.

Developed the materiality matrix based on the scores of the surveys, set the threshold for materiality (i.e. at a score of 50th percentile) and prioritised a list of sustainability issues.

Stage 3 Validation

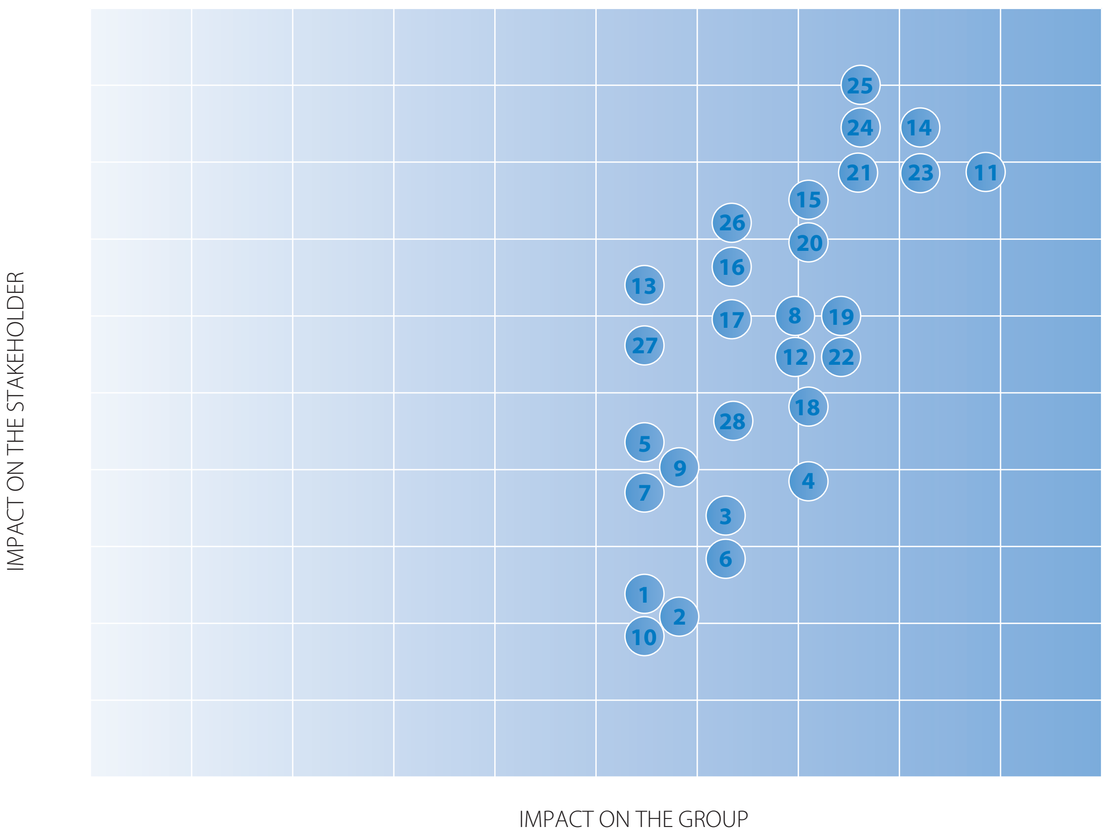
Management reviewed the materiality matrix and the threshold for materiality. ESG issues, with a score of 50th percentile or above from the perspective of a stakeholder and the Group, were prioritised as the most important sustainability issues for the Group to address and report on.

Materiality Matrix

Based on the materiality assessment results, we believe the most pertinent sustainability issues include the following:

Staff occupational health and safety	Employment practices	Business ethics	Quality of projects/ services
Safety of projects/ services	Customer satisfaction	Staff development and training	Customers' privacy and confidentiality
Environmental Regulation compliance	Diversity and equal opportunities	Compliance with regulations on marketing, product and service labelling	Intellectual property

Materiality Matrix



1 Air Emissions
2 Greenhouse gas ("**GHG**") Emissions
3 Effluents management
4 Waste management
5 Energy efficiency
6 Water efficiency
7 Use raw materials and packaging materials
8 Environmental Regulations Compliance
9 Land use, pollution and restoration
10 Climate change
11 Employment practices
12 Diversity and equal opportunities
13 Anti-discrimination
14 Staff occupational health and safety
15 Staff development and training
16 Prohibition of child labour and forced labour
17 Responsible supply chain management
18 Environmental friendliness on products or service purchased
19 Compliance with regulations on marketing, product and service labelling
20 Customers' privacy and confidentiality
21 Customer satisfaction
22 Intellectual property
23 Safety of Projects/services
24 Quality of Projects/services
25 Business ethics
26 Anti-corruption training for management and employees
27 Contributions to the society
28 Communication and connection with local community

Our Environment

The Group recognises the construction industry generates significant environmental impacts and uses a huge amount of resources. We aim to reduce the environmental impacts to the nature, as well as to play our part in mitigating global warming. We also adapt and resilient to climate change and the impacts of inevitable increases in extreme weather events.

We, therefore, do our best to engage with our stakeholders and the communities together with our colleagues via many different approaches, through education, training and green volunteer services. Through holding classes on environment, participating actively in local community events, conducting environmental-related emergency drills, visiting advanced green technology, installing new environmental devices, etc., green concept of our colleagues are strengthened and know-how in regulations compliance, energy savings both in workplace and at home, waste reduction and separation, green shopping, enhancing awareness in caring the community or public and helping in sustainable development are acquired.

In order to achieving and securing a sustainable future, the Group also advocates carbon reduction, and is committed to achieving sustainable operations. We have set clear emission reduction targets, compared with the 2019 baseline year, and strive to achieve the following targets:

- Reduction of air emission by 1.5% in 2024, 3% in 2026 and 5% in 2031;
- Reduction of energy consumption by 2% in 2024, 5% in 2026 and 8% in 2031;
- Reduce water consumption by 1% in 2024, 2% in 2026 and 4% in 2031; and
- Reduce waste disposal by 1.5% in 2024, 2.5% in 2026 and 4% in 2031.

Policies

- **Environmental Policy**

  Our Environmental Policy sets out our commitment to controlling and maintaining a high standard of environmental protection. Our goal is to support environmental protection and to prevent pollution in balance with socio-economic needs as well as to address the needs of a broad range of interested parties.

- **Waste Management Policy**

  Our Waste Management Policy sets out our commitment in reducing our impact on the environment by managing waste efficiently and sustainably.

- **Greenhouse Gas Management Policy**

  Our Greenhouse Gas Management Policy outlines our management approaches in reducing carbon dioxides and other greenhouse gas emissions.

- **Energy Management Policy**

  Our Energy Management Policy outlines our dedication in improving the performance by creating a customer-focused and continual improvement corporate culture through the adoption and implementation of an Energy Management System.

- **Environmental-related management systems**

  Our Environmental Management System, Energy Management System and Greenhouse Gas Management System have been independently certified against ISO14001:2015, ISO 50001: 2018 and ISO 14064:2006 respectively.

Environmental Compliance

Our Projects are subject to certain environmental requirements pursuant to the laws and regulations in Hong Kong, including but not limited to:

- Air Pollution Control (Construction Dust) Regulation;
- Air Pollution Control (Fuel Restriction) (Amendment) Regulation;
- Air Pollution Control (Open Burning) Regulation;
- Air Pollution Control (Non-Road Mobile Machinery) (Emission) Regulation;
- Air Pollution Control Ordinance (Cap. 311);
- Building Ordinance (Application to the New Territories) Ordinance (Cap. 121);
- Building Ordinance (Cap. 123);
- Dumping at Sea Ordinance (Cap. 466);
- Environmental Impact Assessment Ordinance (Cap. 499);
- Factories and Industrial Undertaking Ordinance (Cap. 59);
- Merchant Shipping (Prevention of Oil Pollution) Regulations;
- Noise Control Ordinance (Cap. 400);
- Public Cleansing and Prevention of Nuisances (Regional Council) By-Laws (Cap. 132);
- Public Cleansing and Prevention of Nuisances (Urban Council) By-Laws (Cap. 132BK);
- Public Health and Municipal Services Ordinance (Cap. 132);
- Summary Offences Ordinance (Cap. 228);
- Waste Disposal (Charges for Disposal of Construction Waste) Regulation;
- Waste Disposal (Chemical Waste) (General) Regulation;
- Waste Disposal Ordinance (Cap. 354);
- Water Pollution Control Ordinance (Cap. 358);

During the Reporting Period, to the best of our Directors' knowledge, there were seven confirmed conviction cases of non-compliance issues in environmental aspects, the conviction fine amounted to HK$79,000. Looking ahead, the Group will continue to closely monitor the compliance situation of the relevant environmental laws and regulations.

Environmental Impacts from Our Operations and Mitigation Measures

Owing to the wide variety of our Projects, each Project is required to develop a Project-specific Environmental Management Plan ("**EMP**"), overseen by the Project environmental management team. EMP details the mitigation measures to manage and control different on-site environmental impacts, including, but not limited to, air emission, noise, spillage or leakage, energy and material uses and wastes. Besides, some of our Projects also follow the requirements of the Building Environmental Assessment Method (BEAM Plus) for New Building, which is a green building initiative introduced by the Hong Kong Green Building Council. During the Reporting Period, Hong Kong Quality Assurance Agency ("**HKQAA**") has conducted regular surveillance checking and have confirmed that the Environmental Management System continues to fulfil the certification requirement of ISO 14001:2015.

Air Emissions

Dust is generated from construction activities and material transportation. We implement various mitigation measures to control dust generated from Projects and dark smoke from equipment or vehicles.

Dust Control for Projects

Activities	Key Control Measures
Demolition of Building	• Spray water or dust suppression chemical around the demolition works area • Enclose the structure being demolishing with impervious dust screens or sheeting • During the removal, wet the stockpile and its remaining dusty materials with water and clear them away from roads and streets
Scaffolding	• Provide dust screens, sheeting or netting to enclose the scaffolding from the ground floor level of the building up to the highest level of the building
Open Burning	• Strictly prohibit open burning of wastes, tyres, and other refuse on the site
Excavation or Resurfacing Work	• Cover excavated or stockpile dusty materials with impervious sheeting or spray them with water • Remove, backfill or reinstated all dusty material within 24 hours after the excavation or unloading
Site Entrance and Boundary	• Provide manual or automatic vehicle washing facilities at each designated vehicle exit point • Pave the road from washing facility to exit point with concrete, bituminous or hardcore • Hoarding shall be erected along sites boundary
Drilling, Cutting & Polishing	• Spray water or dust suppression chemicals during these processes
Vehicles	• Wash vehicles before leaving the construction site • Fully cover vehicle load with impervious sheeting if carrying with dusty materials before leaving the site

Dark Smoke Control for Equipment and Vehicles

We perform proper and scheduled maintenance for the equipment and vehicles to ensure they are in good condition and no excessive emission of dark smoke. Besides, equipment and vehicles which generates excessive dark smoke shall be prohibited to use and be repaired immediately. Engines of idling machines shall be switched off to prevent exhaust air emission.

We conduct regular dust concentration monitoring and audit during the construction period for specific Projects. The use of mobile vehicles is another major source of air emission, the air pollutant emissions from mobile vehicles are as follows:

Air Pollutant	Unit	2020	2021[1]
Nitrogen oxides (NO_x)	kg	165.04	**179.27**
Sulphur oxides (SO_x)	kg	0.45	**0.44**
Particulate matter (PM)	kg	13.39	**14.64**

Greenhouse Gas (GHG) Emissions

In response to the community's gradual concern on greenhouse gas ("**GHG**") emissions, climate changes and other related issues, the Group is committed to implementing and maintaining a high standard of GHG management. The implementation of ISO 14064:2006 GHG Accounting and Verification strengthens the Group's GHG emissions monitoring system. The GHG emissions[2] are as follows:

GHG Emission Scope	Unit	2020	2021
Scope 1[3]	tonnes CO_2-equivalent	593.55	**2,338.48**
Scope 2[4]	tonnes CO_2-equivalent	4,680.82 [5]	**1,435.05**
Total	tonnes CO_2-equivalent	5,274.37	**3,773.53**
Intensity	tonnes CO_2-equivalent per million HK$ revenue[6]	1.14	**0.77**

Scope 1 emission arising from diesel and petroleum consumption in our Projects contributed to around 62% of our total emissions, a drastic increase was noted due to significant increase in number and scale of our Projects. The total GHG emission has a decrease of around 28%. On the other hand, we managed to reduce the direct emission of GHG by decreasing the consumption of purchased electricity. The Group will continue to assess and disclose the GHG emissions data annually. The Group will continue to refine the data collection system and develop reduction strategy if appropriate based on the projection of data in the coming years.

1 The data covers emissions from petrol and diesel mobile consumption only. It is estimated based on "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange of Hong Kong.

2 The calculation of GHG emissions is made reference to the Guidelines to Account for and Report on GHG Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by the Environmental Protection Department, and the Electrical and Mechanical Services Department, the 2020 Sustainability Report published by the CLP Power Hong Kong Limited.

3 Scope 1 are direct emission from the business operations owned or controlled by the Group, such as emissions from diesel and petroleum burnt on site.

4 Scope 2: The "indirect energy" emissions from the internal purchased electricity consumption by the Group.

5 The GHG emission of Scope 2 was restated with updated calculation methodology.

6 The Group's annual revenue is approximately HK$4,875 million in 2021 and HK$4,646 million in 2020.

Climate Change

Climate Change is one of the biggest global challenges faced by the society nowadays, and we must act now for our climate and our communities. In recent years, extreme weather, such as strong winds and heavy rainfall, as well as tides and floods, have become the focus of news. Logistics and supply chains are particularly vulnerable. Heavy rainfall, rising tides, and floods can cause serious damage to assets such as buildings, warehouses, and goods in storage, resulting in financial losses. Although such incidents are beyond everyone's control, the Group believes that all stakeholders should work together to address climate change, which will also be regarded as one of the most significant risks to the world in the next five years.

The COVID-19 pandemic has presented many new challenges this year, but it has not changed our commitment to climate action. The pace of change has expedited around the world, underscoring the importance for us to accelerate its transition to a low-carbon economy.

The Group has further enhanced its disclosure in this year. The Group business units have also strengthened analyses on the risk and opportunities from climate change specific to their markets.

In response to the Paris Agreement, the Hong Kong Government issued the "Hong Kong's Climate Action Plan", and formulated various plans and actions, setting out the vision of "Zero-carbon Emissions, Liveable City, Sustainable Development". The government has determined to set medium-term goal as halving Hong Kong's total carbon emissions from 2005 levels before 2035. The Group understand that climate change may have significant impacts on our operations.

The Group essentially plans to respond to local government initiatives and follow local governments' emission reduction requirements. We aim to reduce GHG emissions by around 3% by 2027 and ensure the Group's GHG emissions will comply with the local requirements on or before 2030. Our target is to achieve carbon neutrality by 2050 in Hong Kong region and by 2060 in PRC. We are committed to continuously improving our energy efficiency, applying professional knowledge to improve on-site efficiency and maintain efficient management support, in order to safeguard the Group's reputation.

Over the years, we have been grasping different opportunities to expand our business, accelerate the transformation and make the Group smarter, more environmentally friendly, and safer for employees and users (such as automation, and utilizing digital platforms for online conference to reduce carbon footprint in transportation during the pandemic). These measures has made our facilities becoming more sustainable and fulfil our commitment to resource management and environmental protection.

Action on climate change

Action on climate change is embedded in the Group's business strategy and reflected in its governance and management processes. The index table below outlines where to find the core elements of how the Group responds to the climate change disclosure requirements in this Report.

Core element	The Group response
Governance	• Setup ESG Working Group and regular meeting • Integrate ESG topics (including climate-related issues) in corporate decision making
Strategy	• Understanding climate risks and identify risk and opportunities in low-carbon transition
Risk Management	• Compliance Department leading the Group to discuss about ESG risks • Preparing for the transition to a low-carbon economy • Preparing and setup measures to physical climate risks
Metrics and Targets	• Investing in transition enablers • Creating value in the low-carbon transition

The Group has identified a series of climate-related risks and opportunities relevant to our assets and services which are significant to us. These transition and physical risks are discussed in the sections below.

	Risks	Opportunities
Short term (0 – 1 year)	• Physical risks from extreme weather events • Securing the skills and capability required to implement climate strategy	• New services to help communities decarbonise • Technologies to enhance the performance of operation and energy efficiency
Medium term (5 years)	• Transition risks — Implementation of low-carbon policies for the operation • Transition risks — Supply and demand for certain commodities, products and services may change as climate related risks and opportunities are increasingly taken into account.	• Transitioning to low carbon economy market to meet government decarbonisation targets • Opportunities arising from transition enablers
Medium to long term (5+ years)	• Physical risks — workers are more likely to suffer from heat stroke due to increase in global temperature, insurance fees might increase • Transition risks — Potential new regulation and policies • Transition risks — Development and use of emerging technologies may increase the operational costs, and reduce the Groups' competitiveness • Transition risks — the Group reputation may be impacted due to changing customer or community perceptions of said the Group's contribution to or detraction from the transition to a lower-carbon economy. • Transition risks — The Group may not be able to keep up with the trend of digital transformation, which may impact the Group's business performance.	• Provide better working environment to workers and review their working hours, with better working conditions to facilitate the recruitment of workers • Transitioning to low carbon economy market to meet government decarbonisation targets • Opportunities arising from transition enablers • To work as a pioneer in the industry and build up the relevant reputations • To work as a pioneer in the industry to enhance internal communication, Project progress monitoring by utilising mobile application for the establishment of communication platform.

Physical climate risks have the potential to damage the integrity of the Group's assets or interrupt our service delivery directly. The Group has already set up a number of measures in place to enhance the reliance of its operations, including contingency plan for extreme weather or emergency conditions that cover our project sites.

Transition Risks have the potential to increase the operational cost and legal risk due to change of policy, technology development, digitalisation, relevant risk affected to supply and demand, and reputation due to public perceptions. The Group has already identified the relevant risks and continue to monitor the market and policy updates. The Group has also planned to invest according to the market needs and take this as an opportunity for long term development.

Over the years, a series of measures is planning to adopt/have been adopted to put in place along the Group's value chain helping the Group to be prepared for climate events. These measures are deployed for different geographies, taking into account the asset types, locations and relevancy. They are summarised in the table below:

Relevant part of the value chain	Relevant measures
Supply chain	Diversify materials supplies from multiple suppliers, sources and countries.
Operation	Monitor and inspect assets regularly — Maintenance of a Contingency Plan for all project sites' facilities To address extreme heat and increased temperature: — Maintain cooling equipment in good conditions — Review working hours of worker and provide better working environment to negotiate for lower insurance rates — Increase drinking fountains for employees and workers To address the risk of water shortage and drought: — To maintain water tank(s) in facilities if possible — Purchase drinking water with sufficient storage To address flooding risks: — Build protection walls for facilities and run-off water storage if possible — Deploy anti-flooding measures suitable for the assets, including drainage systems, flood gates and flood barriers, if necessary — Put in place additional coverage with tarps, grass planting and drainage works to avoid soil erosion if possible — For assets that are downstream of dams, we have flood extractors in place in case of flood water entering the project sites to prevent flooding, we will continually control and monitor river rate flow, and maintain regular communication with the local authority on its flood discharge schedule and flowrate if necessary To enhance business continuity: — Establish a typhoon response protocol and coordinating system, and conduct regular drills and post-typhoon reviews to ensure smooth execution of contingency plans — Utilise the emergency restoration system, enabling rapid construction of temporary masts that can shorten the restoration of power supply — Enhance the communication capacity of customer services, in particular post-incident customer communication

Investing transition enablers

Investment in a broad range of transition enablers is required to transform the business to low-carbon economy. The Group will plan to invest more resources to purchase Electric vehicles (EV) for the replacement of the old fossil fuels vehicles in future.

Our Path to 2050

The Group are prepared to address the threats climate change poses both to our business and to the communities that we serve. We are determined to deliver on our purpose to provide safe and reliable operations, and we are fully aware that our environmental responsibility has never been greater. The Group is ready to face this challenge and we will continually raise our ambitions, wherever possible, strengthening our targets at least every five years. Every one of us need to play our part and together we can speed up the pace of low carbon transition and create a low-carbon world for our future.

Waste Management

The Group acknowledges possible environmental impacts of waste generated during operations such as site clearance, excavation works, construction and fitting out works. The Group is committed to reduce the environmental impacts by an efficient and sustainable manner as stated in the Waste Management Policy. Each member of the Group, as well as subcontractors, should take reasonable steps to avoid any waste generation by well planning of the works. The following hierarchy of options should be considered on waste management:

- Reduce — Avoid generation of waste and discard materials in general;
- Re-use — Consider passing on waste materials and equipment to others before disposal;
- Recycle — Segregate waste for recycling from the waste on-site; and
- Disposal — Dispose of waste in compliance with statutory and regulatory regulations.

Wastes generation from our operations are as follows:

Waste	Handling Method	Unit	2020	2021
General refuse	Landfill	tonnes	5,724.49	**10,427.71**
Inert construction wastes	Reused	tonnes	33,415.43	**52,147.21**
Non-inert construction wastes	Recycled	tonnes	863.40	**3,928.98**
Paper	Recycled	tonnes	25.24	**12,907.00**
Total		**tonnes**	40,028.56	**79,410.90**
Intensity		**tonnes per million HK$ revenue[6]**	8.62	**16.29**

To the best of our Directors' knowledge, no significant amount of hazardous wastes was generated in our Projects and offices. There was around 98% of total waste increased by the end of the Reporting Period due to significant increase in number and scale of our Projects. Going forward, the Group will continue refining its wastes reduction measures and disclose relevant results where appropriate. The Group has appropriate goals and objectives set throughout the organisation and will seek continuous improvement in waste management performance by refining our waste reduction measures and initiatives. Adequate resources and appropriate facilities shall be provided to reduce waste arising from its operations and to implement good waste management practices.

Wastewater Treatment

Wastewater is generated from surface runoff and construction activities, such as boring, drilling, concreting, plastering, cleaning works, vehicles. The Group takes appropriate measures to avoid contamination and blockage of public drains and sewers. To control the surface runoff, we implement the following mitigation measures:

- Channels, earth bunds or sandbags are installed on-site to collect and direct the wastewater to silt removal facilities properly;
- Perimeter channels around the site boundary are constructed to collect or intercept the storm to prevent the water with sand runoff from the site to outside area;
- The exposed soil, stockpile are covered (e.g. by tarpaulin) to prevent run-off; and
- Manholes are covered properly or temporary sealed to prevent silt, construction materials or debris running into the drainage system.

To control the production of wastewater, we tend to minimise our water consumption whenever possible and reuse wastewater after sedimentation. Wastewater is pumped out to designated collection through sedimentation. To comply with the regulatory requirements, wastewater treatment facilities, such as sedimentation tanks or silt traps, are installed to handle general construction wastewater, while aerobic treatment tank or mobile toilets are installed for other sewage.

Wastewater monitoring and audit is carried out regularly, wastewater is sampled and tested by the international accredited testing laboratory to ensure the parameters complying with the requirements stipulated in the wastewater discharge license.

Noise Control

Noise is emanated from various construction activities, including but not limited to formwork erection, concreting, steel handling works, breaking works and operation of construction plant and equipment. Mitigating noise impact is also an important part of environmental management since most of our Projects are in urban areas. It may cause impacts and nuisances to the nearby communities. We implement the following noise mitigation measures in our Projects:

- Noisy works can only be carried out during normal permitted hours (07:00 to 19:00) and not on General Holiday or Sunday according to Noise Control Ordinance;
- Quieter plant and equipment are used to carry out related construction operations, such as the use of hand-held electric breaker, instead of using pneumatic breaker; and
- Movable noise barrier or enclosure are provided to screen off the direct noise from the source.

We conduct noise monitoring at designated spot to review and monitor the noise level to ensure the permissible Noise Level under each respective situation will not be exceeded. Besides, we establish compliant handling system and liaise with nearby communities closely in order to respond to any special needs or complaints from them immediately.

Energy Use and Efficiency

As stated in our Energy Management Policy, we aim to improve energy efficiency as a continuous improvement process. We strive for achieving the target through the following measures in both office and Projects:

- provide training;
- conduct inspections;
- conduct regular maintenance of plant;
- use more energy-efficient equipment as much as practicable;
- communicate via meetings;
- conduct energy monitoring regularly;
- turn off equipment not in use;
- ensure lighting and air conditioning of rooms are turned off after use/office hours; and
- purchase energy-saving office equipment where possible.

In 2021, diesel was the major source of our total energy consumption, while the rest of them were electricity and petroleum.

Energy Type	Unit	2020	2021
Diesel	Terajoules	8.00	**33.75**
Petroleum	Terajoules	0.64	**0.59**
Electricity	Terajoules	45.54	**13.96**
Total	**Terajoules**	54.18	**48.30**
Intensity	**Terajoules/million HK$ revenue[6]**	0.01	**0.01**

Water Use and Efficiency

Water is a precious resource. To reduce use of freshwater, the Group encourages to reuse and recycle wastewater at site Projects and Offices. We ensure there are no leaking faucets and report for repair if problems are found. We also reuse wastewater at Projects for water spraying or wheel washing when practicable. Water is supplied by the Water Suppliers Department, therefore, there is no issue in sourcing water.

Water Consumption	Unit	2020	2021
Total	m^3	45,862.00	**97,176.48**
Intensity	**m^3/million HK$ revenue[6]**	9.87	**19.93**

There was a drastic increase in water consumption by the end of the Reporting Period due to significant increase in number and scale of our Projects. Looking ahead, the Group will continue refining measures and evaluate the related results achieved if applicable.

Material Consumption

To mitigate the environmental impacts of material consumptions, we implement the following practices in site Projects and Office:

- Where possible, environmental friendly construction technology such as metal washing formwork/scaffolding, precast components are adopted to avoid waste generation;
- Strictly control the use and order of material, such as concrete, steel, solvent and paint to avoid surplus waste;
- Use of double-sided photocopying and email to reduce the consumption of paper; and
- Used printer cartridges, electrical equipment (e.g. computer and printer), where possible, are returned to an authorised collector for reuse.

Trees and Shrub Protection

During our construction process, vegetation nearby may be damaged. We develop practices for tree and shrub protection as follows:

- Installation of protective fencing to the trees and shrubs within the construction site with the instruction of architect or contract requirements;
- Trees and shrubs that may be damaged by mechanical equipment are fenced with appropriate material, such as timber pallet, to protect the trunk;
- Chemical, grease and petroleum are kept away from the root spread area and store property to prevent damage from accident spillage; and
- Tree crown located at dusty area are cleaned with shower periodically to allow normal plant's metabolism.

Our People

Talents are one of the critical success factors in our vision and ambition to hold a leading and reputable position in the industry and society. The quality of our staff is a determining factor for our success, and this holds true for both technical and support staff of all levels.

We consider human resources the most important asset and we put staff development on top of the list while fulfilling our Company's sustainability journey. To meet the needs of our sustainable growth and business development, we regularly assess our colleague's developmental needs to ensure everyone, including the top management, have the support to achieve their top potential and self-actualisation.

Policies

Our Employee Handbook sets out the details on remuneration, benefits, welfare, compensation, dismissal, recruitment, promotion, working hours, rest periods, equal opportunities, diversity and anti-discrimination.

Employment Management

Recruitment and Dismissal

The Group generally recruits our employees from the open market and by referrals. We intend to use our best effort to attract and retain appropriate and suitable personnel to work with us. We assess the availability of human resources continuously and will determine whether additional personnel are required to cope with our business development. The dismissal or voluntary termination of employees' contracts are enforced in accordance with the employment laws and regulations in Hong Kong and Malaysia.

Promotion

The Group recognises the importance of development and growth of employees. The promotion of employees is based on their performance. Performance appraisal is conducted regularly to evaluate employees' performance regarding safety, work attitude, technical skills, interpersonal skills, etc. For details, please refer to the section headed "Staff Development and Training".

Equal Opportunity, Diversity and Anti-discrimination

The Group is committed to providing a fair and equal working environment for all employees, ensure employees are treated equally in every aspect of their jobs. We are committed to provide a discrimination-free working environment. We will never tolerate any form of discrimination or harassment.

The Group recognises and embraces the benefits of having a diversified Board and workforce to enhance the quality of its performance. Board Diversity Policy is developed, and diversity is the value incorporated in the recruitment practices.

We never tolerate any discrimination or harassment based on gender, physical fitness, intelligence, race, age, sexual orientation, nationality, religion, family status, etc. It applies to all aspects in employments, including but not limited to recruitment, promotion, transfer, job assignment, rewards and benefits, training and development, suspension, etc.

Employment Profile

Workforce As at 31 December[7]	2020	2021
By Gender		
Male	491	**538**
Female	202	**202**
By Age Group		
Below 30	147	**156**
30 – 50	373	**416**
Over 50	173	**168**
By Employment Type		
Permanent	673	**703**
Contract	20	**37**
By Geographical Region		
Hong Kong	635	**685**
The Mainland China	0	**0**
Malaysia	58	**55**
Total	693	**740**

The Group strictly abides by related laws and regulations, including but not limited to:

- Employment Ordinance (Cap. 57);
- Employees' Compensation Ordinance (Cap. 282);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485);
- Sex Discrimination Ordinance (Cap. 480);
- Family Status Discrimination Ordinance (Cap. 527);
- Race Discrimination Ordinance (Cap. 602);
- Disability Discrimination Ordinance (Cap. 487);
- Minimum Wage Ordinance (Cap. 608),
- The Employees' Provident Fund Act (the EPF Act) of Malaysia,
- the Employment Act 1955 ("**Employment Act**") of Malaysia, and
- National Wages Consultative Council Act 2011[Act 732], Minimum Wages Order 2020 of Malaysia.

During the Reporting Period, to the best of our Directors' knowledge, the Group was not aware of any significant non-compliance case in this regard.

[7] It includes the employees of the Group only. Workers of the subcontractors are not included.

Employee Retention

Remuneration and Compensation

To attract and retain talents, the Group offers competitive remuneration package with a variety of benefits, including performance-based bonus, Mandatory Provident Fund Schemes or Employee Provident Fund Schemes, medical insurance, maternity allowance and staff care benefits.

Rest Period and Working Hours

All employees are entitled to Public or Statutory Holidays as announced in The Government of Hong Kong Special Administrative Region and the Government of Malaysia Gazette each year, as well as reasonable working hours and rest periods. In addition to those Holidays, employees are entitled to annual leave, sick leave, compensation leave, maternity/paternity leave, marriage leave, compassionate leave, birthday leave, etc.

Employee Activities

To create a friendly and caring working environment to our employees, the Company has launched different staff activities to cultivate self-confidence, sense of belongings and cohesion of employees. Departmental gatherings and events are also encouraged. In 2021, due to pandemic of COVID-19, we have tried our best to offer various benefits and activities for our employees with considering of epidemic prevention measures, such as bakery workshops, photo shooting competition, sports team routine training and a variety of sports events.

Employee Turnover

Turnover Rate	2020	2021
By Gender		
Male	25.5%	**37.0%**
Female	21.8%	**25.2%**
By Age Group		
Below 30	28.7%	**46.2%**
30 – 50	18.5%	**33.7%**
Over 50	34.1%	**22.6%**
By Geographical Region		
Hong Kong	25.0%	**32.1%**
The Mainland China	0.0%	**0.0%**
Malaysia	17.2%	**54.5%**
Overall	24.4%	**33.8%**

Health and Safety

Health care of employees is always the top priority and is one of the core values of the Company. We hold a series of online training and promotional activities on health and safety issues to reduce face to face contact under the pandemic situation and increasing the flexibility of learning. Keen participation in these activities from our staff creates an encouraging environment to inspire top management from our business partners to constantly review safety measures and to improve job site safety.

In addition, we provide employees with a comprehensive wellness program to promote and maintain health both in body and soul such as producing educational videos promoting hygiene, so that employees can remain cautious throughout the pandemic situation that they have to protect themselves by paying more attention on hygiene. We also developed our own mobile application to provide a platform for safety information sharing between Project sites. The Group also support the Government's measures on prevention of COVID-19 virus from spreading by sticking the QR codes at our Project sites under the "Leave Home Safe" scheme, providing convenience for employees and workers in the Project sites to record places that they have visited daily. To help our employees on preventing from COVID-19, we offer equipment for health protection to our employees including masks, mask covers, hand sanitizer, etc. reducing their financial burden on purchasing such equipment and ensuring the sufficiency of equipment for anti-pandemic measures in the long run. We have also held COVID-19 Prevention and Vaccination training for our employees to enhance their awareness of personal hygiene and well being which also helps to mitigate the risks of employees contracting the virus.

To enhance our image in the industry as well as bringing improvement into a broader perspective, we support respective governmental departments, trade unions and institutions in joining occupational health and safety promotion campaigns and participates various kinds of safety competitions amongst other business counterparts.

Policies

The Group has established internal policy to monitor, audit and review over safety and health performance.

1. *Safety and Health Policy*

   Safety and Health (S&H) at work is the Company's most important goal to achieve. Our Safety and Health Policy sets out our commitments and our safety performance goal.

2. *Occupational Health and Safety Management System*

   Our Occupational Health and Safety Management System has been independently certified against ISO45001:2018.

Occupational Measures

Owing to the wide variety of our Projects, each Project is required to develop the Project-specific Safety Plan, overseen by the Project environmental management team. It outlines the approaches to coordinate, manage and control the works in order to protect the safety, health and welfare of all workers and employees and the public engaged on the Project or affected by the operations. This is established to ensure that all statutory and contractual requirements are observed.

Our Progress

1. *Enhancing our safety management system*

   In order to improve the Group's safety management level, enhance the safety management system and meet the safety needs of customers and related parties, we standardise safety management activities and promote the awareness of production safety to ensure the safety of employees and workers by striving to avoid any accidents from happening. We have implemented the original safety management system by taking actions, in accordance with the ISO45001:2018 standard, as well as other applicable laws, regulations and requirements. We also educate the frontline foremen and ensure they have understood their safety responsibilities in accordance with the Safety Management Operation Manual. During the Reporting Period, the Group has updated the Safety and Health Policy. On the other hand, the Group has completed the optimisation of the safety management system, formulated and released the Group's safety management system documents, which involved planning, support, operation, control, emergency response management, performance evaluation and improvement of safety management work to enhance the safety culture and define the safety as well as relevant regulatory requirements. The Group has implemented the "Site Safety Management Evaluation System" by checking the document records, arrangements and implementation of the Site Safety Management System in order to make improvements to meet the requirements of relevant contracts, legislations and ISO 45001:2018. The management of the Group had conducted safety and environmental protection inspections on projects under construction to identify potential hazards, so as to achieve the project safety production and environmental protection indicators.

2. *Safety promotion activities*

   Proactively participate in the "Life First" site safety promotion activities organised by the Construction Industry Council, and organise site safety inspections and related safety activities for no less than five days.

3. *Strengthening on-site inspections*

   We conducted weekly inspections and surprise safety inspections monthly to monitor the safety performance of each Project site. Quarterly, our management and compliance department conducted comprehensive safety inspections.

4. *Emergency drills*

   We conducted several kinds of emergency drills at our Projects such as fire drill, first aid drill, typhoon and rainstorm drill to ensure our workers and employees are familiar with the emergency procedures.

5. *Safety training and education*

   We offered safety training and encouraged our employees to participate various activities and competitions relating to health and safety. Our employees participated in the Safety Quiz which is an annual event co-organised by Occupational Safety and Health Council and Labour Department. In order to ensure the sufficiency of first aiders to meet legal requirements and meet project needs, the Group has arranged relevant colleagues to participate in first aid courses provided by the Hong Kong Red Cross. Moreover, we conducted safety training for departments and senior management regularly to ensure all level of employees understand the importance of occupational safety.

   We also provide online education programs to improve safety awareness for our employees, supervisors and front-line workers. An in-house rule library with more than 70 workplace safety related topics is easily accessible via mobile devices, so that employees and workers can join the training without physical and time constraints.

6. *Making use of technology*

   To enhance our communication with employees, we make use of the online social platform. We frequently communicate various safety activities and message through instant messaging software. During the Reporting Period, we continue to implement and optimised the electronic permit to our working system, safety inspection as well as safety checklist through our safety mobile applications of CR Construction to ensure the effectiveness, efficiency and reliability of our safety management system.

7. *Health care for workers*

   We highly concern about the safety and health of our frontline workers. To demonstrate our care to the workers, our top management plays an active role in the caring programmes to build closer relationships amongst them. Various safety promotion activities have been rolled out to improve workers' safety and health consciousness, such as "Life First" on site safety promotion, "Safe Production Publicity and Consultation Day", and safety seminars between sites.

Safety Performance

Our Projects are subject to certain safety and health requirements pursuant to the laws in Hong Kong and Malaysia, including but not limited to:

- The Factories and Industrial Undertakings Ordinance (Cap. 59);
- The Dangerous Goods Ordinance (Section 6) (Cap. 295);
- The Occupational Safety and Health Ordinance (Cap. 509);
- The Occupational Safety and Health Act 1994; and
- The Factories and Machinery Act 1967

During the Reporting Period, there were 8 confirmed cases of non-compliance with the regulations under the Factories and Industrial Undertakings Ordinance (Cap. 59). We will continue our efforts to raise safety awareness amongst our stakeholders and to ensure that we learn from these incidents to prevent a reoccurrence.

	2019[8]	2020[8]	2021[8]
Number of reportable accidents	48	36	31
Number of fatalities	2	0	1
Fatalities rate per 1,000 employee and workers[9]	8.5	0	0.2
Lost days due to injuries	8,235	3,323.50	8,861

8 It includes Projects that are significantly material to the Group.

9 Fatality rate per 1,000 employees and workers = (Number of fatality/Daily average employees and workers) x 1,000.

Looking ahead, we strive to improve our safety management system. Our plans are as follows:

1. Continue to review our Safety and Health Policy and our safety targets regularly;
2. Continue to strengthen the Safety Incentive Scheme and enhance the safety requirements for frontline management and workers;
3. Remediation and follow-up actions for the safety issues identified and enhance our onsite management and site planning;
4. Launch a safety working experience scheme to invite frontline staff to participate in safety works to enhance the communication and understanding among departments;
5. For all high-risk work, we will conduct pre-work training and strengthen risk assessments as well as our inspection during the work;
6. Implementing of "Permit to Work" system; and
7. Encourage more colleagues to participate in safety competition and other activities as well as using more vivid ways to raise the employees' safety awareness.

Staff Development and Training

To meet the needs of our sustainable growth and business development, we regularly assess our colleagues' developmental needs to ensure everyone, including the top management, have the support to achieve their top potential and self-actualisation. We have held in-house training hosted by senior members of staff and guest speakers to deliver technical seminars tailored to suit our needs. We organise training with external teaching and professional institutions on technical and managerial skills, as well as pave career paths for the long-term professional development of staff through implementing the following trainings to various levels and disciplines of staff:

- Project-based mentor scheme;
- Engineering Graduate Training Scheme;
- Professional skills training and workshops; and
- Latest construction technologies.

Besides the above core technical skills, focused training and support scheme for graduates with related industry background, the Group provides employees with free online meeting software for colleagues to use during work and spare time, such as work meetings or online gatherings. In addition, the Group also provides sufficient space and anti-epidemic supplies to hold small social activities with the limitation of number of people set by the government and other epidemic prevention measures.

Career Development

We established individual labour contracts with each of our employees in accordance with the applicable labour laws. The remuneration package which we offer to employees includes salary, bonus and other cash subsidies.

The performance of our employees is reviewed twice a year for numerous purposes such as promotion appraisals, salary adjustments and determination of annual bonus. We intend to maintain our remuneration packages competitive to attract talented labour in the construction industry and retain existing staff members.

Learning and Development

We review the available human resources continuously and will determine whether additional personnel are proper to cope with our business development. To keep our employees abreast of new knowledge and skills, we organise training programmes for our employees, the programmes including safety and quality management, work procedure, Project analysis, the introduction of latest construction technology, latest update of the industry, etc. We introduce an online training platform that each department can share their training programme video and online guest talk on it. Staff can take the training at anytime and anywhere, while the Group can keep monitoring the learning process. We believe that the provision of opportunities to continuous learning and advanced training can both increase our staff member's competence and work efficiency; as well as enhance their job satisfaction and loyalty.

In order to enhance our new employees to familiarise with their respective job requirements and the relevant regulations and rules, they are required to attend orientation workshop upon job commencement. Also, our new employees are subject to a probation period of three months. Upon completion of the probation period, relevant supervisors will decide if permanent employment status will be granted to the new employees based on their performance.

The Group attach great importance to the quality of our construction management and sustainable development, we are also determined to develop our young talents. As at 31 December 2021, the Group had a total of 460 employees received training and offered a total of 1,232.94 training hours. The details are as follows:

Percentage of Employees Receiving Training[10]	2020	2021
By Gender		
Male	82.1%	**71.7%**
Female	87.1%	**55.0%**
By Employment Category		
Manager or above	86.6%	**31.7%**
Supervisor or above	93.8%	**65.1%**
Operator/Support Level	76.6%	**70.6%**
Overall	83.5%	**67.2%**

10 Percentage of trained employees = Total number of employees received training during the Reporting Period/Total number of employees.

Composition of Employees Received Training within Trained Employees Population in Percentage[11]	2020	2021
By Gender		
Male	69.6%	**77.7%**
Female	30.4%	**22.3%**
By Employment Category		
Manager or above	17.8%	**2.6%**
Supervisor or above	34.0%	**22.5%**
Operator/Support Level	48.2%	**74.9%**
Overall	100.0%	**100.0%**

Average Training Hours[12]	2020 hours/ employee	2021 hours/ employee
By Gender		
Male	9.4	**1.9**
Female	6.7	**1.6**
By Employment Category		
Manager or above	9.0	**0.5**
Supervisor or above	7.2	**1.7**
Operator/Support Level	9.3	**1.9**
Overall	8.6	**1.8**

Prohibition of Child and Forced Labour

The Group prohibits any form of discrimination and forced labour as stated in our CSR Policy. Human Resources and Administrative Officers inspect the original of a candidate's Hong Kong identity card and/or other documentary evidence showing that the candidate is lawfully employable in Hong Kong or Malaysia. The Group review its employment practices regularly to avoid child and forced labour. Despite that the Group has already established a set of procedures to mitigate the risks of employing child labour or forced labour, we are also committed to establishing contingency measures to counter any cases of child labour or forced labour if such cases arise. Human Resources and Administration Department will report to the management if any child or forced labour cases are discovered, department head or responsible staff of the project will carry out investigation to identify the reasons of the cases. Disciplinary actions will be taken according to the Group's policy if anyone is found to be responsible for the cases.

The Group strictly abides the Employment Ordinance. During the Reporting Period, to the best of Directors' knowledge, the Group was not aware of any significant non-compliance case relating to child labour and forced labour.

11 Composition of employees received training within trained employees population in percentage = Total Number of employees received training during the Reporting Period by types/Total population of employees trained.

12 Average training hours = Total training hours during the Reporting Period/Total number of employees.

Our Supply Chain

Responsible Supply Chain Management

The Group is committed to building lasting and constructive relationships with partners in its supply chain. The Group's Procurement Management Manual alongside with Employee Handbook and other internal guidelines specify our dedication to a fair, ethical, eco-conscious, transparent and competitive procurement process which requires all employees to observe the highest standards of business integrity and to comply with relevant laws and regulations.

Supplier and Subcontractor Engagement

- *Supplier*

  The suppliers of the Group mainly include (i) construction materials; (ii) machinery rental service; and (iii) other construction site services. The construction materials we purchased mainly included concrete and steel reinforcement bar. We conduct supplier evaluation for our new suppliers. Both potential and approved suppliers are shortlisted and reviewed from time to time with reference to criteria including, among others, (i) quality of materials, machinery or services provided; (ii) punctuality in delivery; (iii) reputation; (iv) environmentally friendly preferably materials/products supply and (v) safety management.

- *Subcontractor*

  We subcontract our on-site works to nominated subcontractors or our domestic subcontractors and are responsible for the site supervision, management of subcontractors and overall Project management. In relation to building construction works, we engage subcontractors by contract basis, or by trades of work in the Projects such that normally each subcontractor is only responsible for one trade of work and can decide if further subcontracting is necessary. Thus, we have not engaged any long-term agreements with our subcontractors. We reviewed and shortlisted subcontractors from time to time with reference to factors such as (i) recent performance of the subcontractor; (ii) resources and skills of the subcontractor; (iii) standard and certification of quality assurance systems implemented by the subcontractor; and (iv) possession of requisite licenses, permits and registrations for the subcontractor's service. It is our general practice to select and engage subcontractors from the internally approved list of subcontractors with reference to factors including specific requirements for the Project and price quotations.

Supplier and Subcontractor Profile

As at 31 December 2021, we have a total of 700 suppliers and 3,789 subcontractors. They are mainly from Hong Kong and Malaysia.

	Number of Suppliers	Number of Subcontractors
Mainland China	3	0
Malaysia	318	70
Hong Kong	379	3,719
Total	700	3,789

Supplier and Subcontractor Control and Monitoring

We monitor and review the performance of suppliers and subcontractors on our approved list on an ongoing basis through site inspection and risk assessment. We conduct performance appraisal for our approved suppliers and subcontractors. If the appraisal result is unsatisfactory, revaluation on supplier and subcontractor's performance are taken or suppliers and subcontractors might be removed from the approved list. We confirmed that the number of suppliers and subcontractors as stated are under our supply chain management practices as disclosed in this section.

Our Customer

Project and Service Quality

Quality Policy

Our Quality Policy sets out our commitment to implementing and maintaining a high-level quality management system with full compliance of applicable statutory requirements and contractual obligations as the minimum standards in each Project, ensuring that the specific requirements, objectives and contractual needs of the Projects are complied.

Quality Management System

To maintain consistent quality and safety of services for customers, the Group has established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015.

Our Project managers bear the responsibility to monitor the overall progress and quality of works undertaken by us and our subcontractors in light of the contract works delegated to them. It is the routine of our site supervisors to discuss quality issues with our subcontractors and give instructions to remedy any defects identified in their works. If any of our subcontractors cannot comply with our quality handbook or instructions to our satisfaction, we may issue a warning to them through site memo or even remove them from our approved list of subcontractors.

In addition, we also value the involvement of our customers in the quality control process. Prior to making payments, our customers inspect the quality of our works and our Project management team take note of their feedback and suggestions for improvements, hence, we can meet or exceed their expectations and requirements in future Projects.

Complaint Handling

We have our standard complaints handling procedures in place to provide guidelines for our employees on complaint handling. During the Reporting Period, there were 3 complaints received from the covered Projects, which were generally related to accumulation of waste nuisance at the surroundings of one of our construction sites. Our team responded to the complaints and follow-up actions were taken promptly such as arranging cleaning staff to clear any waste matters lying around the surroundings regularly and placing more rubbish bins for the workers at the construction site, minimising the influence on the locals due to mismanagement of waste.

Intellectual Property, Marketing and Labelling

The Group's business does not involve research and development, product packaging and labelling activities. Besides, the Group does not rely heavily on marketing and advertising. To the best of Directors' knowledge, the Group was not aware of any significant impact relating to intellectual property, advertising and labelling on its operations. We will closely monitor the business environment to identify any significant risks in this area.

Customer Privacy and Corporate Information Protection

The Group strives to protect the privacy of its customers, business partners and staff in the collection, processing and use of their business or personal data. The Group ensures company policies strictly follow Personal Data (Privacy) Ordinance (Cap.486) and Personal Data Protection Act 2010.

- **Employee Profile**

  The Employee Handbook has outlined the details of data collection and the uses of data. The employee file is property of the Group and should be used only when deemed necessary by the Human Resources and Administration Department. Only authorised personnel are permitted to access to the specific employee profile.

- **Company Information**

  Protection of confidential business information and trade secrets is of paramount importance to the Group's interests and success. The Group requires all employees to maintain the confidentiality of company information. For all documents and information belonging to the Group, every employee undertakes to return to the Group upon termination of employment with the Group.

Failure by any employee to comply with any confidentiality obligation may lead to disciplinary action, and in serious cases will be treated as gross misconduct. Special care should also be taken in the use of any personal data, including employees and customers' data.

During the Reporting Period, to the best of our Directors' knowledge, the Group was not aware of any significant non-compliance cases in this regard.

Business Ethics

The Group is committed to conducting its business with honesty and integrity and applying the highest standards and establishment of a corporate governance framework that will continue to disclose information openly and transparently beyond legal requirements.

Policies and Preventative Measures

Our commitments and values are guided by the Employee Handbook and supplemented by different policies and procedures. These policies and procedures are regularly reviewed and updated to ensure appropriate ethical business practices and behaviour as well as compliance with corporate and regulatory requirements.

- **Employee Handbook**

  Our Employee Handbook sets out principles for acting responsibly in the daily operation, including issues related to business ethics, conflicts of interest, bribery, environment, health and safety, and respect in the workplace.

- **Conflict of Interest Procedure**

  It is established to prevent, detect or deter inappropriate activity. Also, it regulates the Company's business activities and the professional behaviour of serving employees, safeguard the interests of the Company and customers, maintain a good professional image and professional ethics.

- **Anti-Fraud and Grievance Procedure**

  It is established to encourage the employees to express his concerns or suspicions that the Group has or may be involved in any misconduct, fraud or irregularity.

During the Reporting Period, the Group has arranged anti-corruption training for its directors and employees to enhance the awareness of anti-corruption, such as inviting external party to provide relevant seminars to us. The Group strictly abides by the laws and regulations relating to bribery, extortion, fraud and money laundering in Hong Kong and Malaysia, including the Prevention of Bribery Ordinance (Cap. 201) and the Malaysian Anti-Corruption Commission (Amendment) Act 2018. During the Reporting Period, to the best of our Directors' knowledge, the Group was not aware of any significant non-compliance cases or corruption related litigation cases in this regard.

Our Society

Community Investment

The Group is committed to active participation and support of initiatives that benefit the communities we are involved as stated in our CSR policy. The Group has been developing rapidly in recent years, and we feel the urge to take greater social responsibility.

Proactive community engagement

We actively support the communities in which we operate directly through our volunteer team. Our motto and spirit in volunteerism is — "It is more blessed to give than to receive". Our volunteer team aims at promoting social relationship and cohesion within the community, and to encourage the participation of individuals to help address community challenges and bring love and care to the needy. We encourage our employees and their family members, as well as working partners, to participate in volunteering services and contribute together.

Since the inception of a volunteer team, we have participated in over a wide variety of volunteering services such as scholarship sponsorship, fund raising, elderly visits, blood donation, flag-selling, recycling of red pockets activity sponsorship, Industry caring campaign against COVID-19, etc.. These services receive tremendous support from our colleagues and members of their families. By organising and participating in these volunteering services, we learnt, benefited from and achieved the following:

- demonstrate good corporate citizenship;
- contribute to a caring community;
- care for the socially vulnerable groups;
- increase employees' morale;
- building team spirit;
- respect others dignity; and
- enhance family harmony.

Environmental, Social and Governance Report *(Continued)*

Our contribution

During the Reporting Period, the Group has contributed HKD$517,900 in various areas, mainly on the concern of community needs.

	2020	**2021**
Total volunteering hours (hours)	291	**168**
Total donation amount (HKD)	558,300	**517,900**
Total number of staff volunteers	196	**79**

2021 Money Contribution by Focus Area

Awards and Recognitions

The Group's efforts have been recognised by a number of awards during the Reporting Period. The details are as follows:

Health and Safety

- **The 19th Hong Kong Occupational Safety & Health Award** — *Occupational Safety and Health Council, Labour Department, etc.*
    - OSH Promotion Award — Merit — CR Construction Co. Ltd.
- **Quality Public Housing Construction and Maintenance Awards 2021** — *Hong Kong Housing Authority*
    - New Works Projects — Outstanding Contractors (Fighting epidemic at sites) — Merit Award
    - Project team — Main Contract of Subsidised Sale Flats Development Project at On Muk Street Phase 1, Shek Mun, Sha Tin

Environmental Protection

- **Hong Kong Green Organisation Certification 2020** — *Environmental Campaign Committee*
    - Certificate of Recognition — Project teams
        1. Superstructure Main Contract (Tower) for the Proposed Composite Development at NKLI 6514 Kwun Tong Centre (Development Areas 2 & 3)
        2. Carcass Work Contract Proposed Residential Development at I.L 8949, 21, 23 & 25 Borrett Road, Hong Kong
- **The Hong Kong Institute of Real Estate Administrators Awards 2021** — *The Hong Kong Institute of Real Estate Administrators*
    - Green Building Planning Award — Project team
        — Proposed Office Development at No. 1 Hennessy Road, Hong Kong

Quality & Management

- **5-S Standard** — *Hong Kong 5S Association*
  - 5-S Standard Reorganisation — Project team
    - — Proposed Residential Development at Yau Tong Inland Lot No. 44
- **HKIBIM Award 2020** — *The Hong Kong Institute of Building Information Modelling*
  - Government Projects — Honourable Mention — Project team
    - — Main Contract of Subsidised Sale Flats Development Project at On Muk Street Phase 1, Shek Mun, Sha Tin
  - BIM Department — Merit — CR Construction Co. Ltd.
- **Quality Public Housing Construction and Maintenance Awards 2021** — *Hong Kong Housing Authority*
  - New Works Projects — Outstanding Contractors (Building) — Silver — Project team
    - — Main Contract of Subsidised Sale Flats Development Project at On Muk Street Phase 1, Shek Mun, Sha Tin
  - New Works Projects — Outstanding Contractors (Use of BIM at Construction Stage (Main Contractor) — Merit Award — Project team
    - — Main Contract of Subsidised Sale Flats Development Project at On Muk Street Phase 1, Shek Mun, Sha Tin
  - New Works Projects — Outstanding Workers — Hui Luen Dui
- **Silk Road Pearl Award of Zhejiang International Contracted Projects Industry** — *Zhejiang International Contractors Association*
  - Silk Road Pearl Award of Zhejiang International Contracted Projects Industry — Project team
    - — Main Contract Works for Hotel Development of China Resources Building, 26 Harbour Road, Wanchai
- **CIC Sustainable Finance Certification Scheme Pilot Project** — *Construction Industry Council*
  - Sustainability-Linked Loan — CR Construction Co. Ltd.

- **"Most Beautiful Builder" 2021 (2021年度「最美建設人」)** — *Department of Housing and Urban-Rural Development of Zhejiang Province*
    - "Most Beautiful Builder" — CR Construction Co. Ltd.
- **Silk Road Pearl Award of Zhejiang International Contracted Projects Industry** — *Zhejiang International Contractors Association*
    - Zhejiang International Contracted Projects Industry — Excellent Project Manager — Frankie Cheung
- **Happiness at Work Promotional Scheme** — *Promoting Happiness Index Foundation*
    - Happy Company 5 years+ — CR Construction Co. Ltd.
- **Caring Company Scheme Nomination 2021/22** — *The Hong Kong Council of Social Service*
    - 10 Years Plus Caring Company Logo — CR Construction Co. Ltd.
- **Good MPF Employer Award 2020-2021** — *Mandatory Provident Fund Schemes Authority*
    - Good MPF Employer Award 2020-2021 — CR Construction Co. Ltd.
    - MPF Support Award 2020-2021 — CR Construction Co. Ltd.
- **AIB Hong Kong Professional Excellence in Building Award 2021** — *Australia Institute of Building (AIB) Hong Kong Chapter*
    - Young Achiever of the Year — Certificate of Merit — Kelwin Shek
    - Commercial Construction — High Commendation — Project team and Elaine Leung
        — Main Contract for Proposed Hotel Development at TCTL38, Tung Chung, Lantau Island
    - Other Construction — Professional Excellence Award — Project team and Joe Tsui
        — Campus Development for The Open University of Hong Kong at Sheung Shing Street, Ho Man Tin

- **HKICM Construction Management Awards 2020** — *Hong Kong Institute of Construction Managers*
    - Excellent Construction Team (New Works) — Merit Award — Project team
        — Proposed Office Development at No. 1 Hennessy Road, Hong Kong
    - Construction Manager Award (New Works) — Grand Award — Wong Chung Yuen
        — Proposed Office Development at No. 1 Hennessy Road, Hong Kong
    - Site Manager Awards (New Works) — Merit Award — Johnny Chan
        — Proposed Office Development at No. 1 Hennessy Road, Hong Kong
    - Quantity Surveyor Award (New Works) — Merit Award — Tang Wai Shing
        — Proposed Office Development at No. 1 Hennessy Road, Hong Kong
    - Engineer Award (New Works) — Merit Award — Moria Chen
        — Proposed Office Development at No. 1 Hennessy Road, Hong Kong
    - Building Services Coordinator Award (New Works) — Merit Award — Sunset Chan
        — Main Contract Works for Hotel Development of China Resources Building, 26 Harbour Road, Wanchai
- **Young Lo Pan Award 2021** — *Hong Kong Lo Pan Kwong Yuet Tong*
    - Young Lo Pan Award — Merit — Lam See Long and Lee King Sing
    - Young Lo Pan Award — Alfred Lam
- **The CIOB (HK) Construction Manager of the Year Awards Hong Kong 2020** — *The Chartered Institute of Building (Hong Kong) (CIOB HK)*
    - Commendation (New Works and A&A Works Category) — Wong Chung Yuen
        — Proposed Office Development at No. 1 Hennessy Road, Hong Kong

Environmental, Social and Governance Reporting Guide Index

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
A. Environmental		
Aspect A1 Emissions		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment — Policies, Environmental Compliance
KPI A1.1	The types of emissions and respective emissions data	Our Environment — Environmental Impacts from Our Operations and Mitigation Measures — Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) Greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment — Environmental Impacts from Our Operations and Mitigation Measures — Greenhouse Gas (GHG) Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No significant hazardous waste produced.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment — Environmental Impacts from Our Operations and Mitigation Measures — Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Our Environment
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Our Environment — Environmental Impacts from Our Operations and Mitigation Measures — Waste Management

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
Aspect A2 Uses of Resources		
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	Our Environment — Policies
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment — Environmental Impacts from Our Operations and Mitigation Measures — Energy Use and Efficiency
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Our Environment — Environmental Impacts from Our Operations and Mitigation Measures — Water Use and Efficiency
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our Environment — Environmental Impacts from Our Operations and Mitigation Measures — Energy Use and Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our Environment — Environmental Impacts from Our Operations and Mitigation Measures — Water Use and Efficiency
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	It is not relevant to the Group's business.
Aspect A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Our Environment — Policies
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment — Environmental Impacts from Our Operations and Mitigation Measures

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
Aspect A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Our Environment — Environmental Impacts from Our Operations and Mitigation Measures — Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Our Environment — Environmental Impacts from Our Operations and Mitigation Measures — Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1 Employment		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People — Policies, Employment Management, Employee Retention
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Our People — Employment Management
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our People — Employee Retention

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
Aspect B2 Health and Safety		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People — Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Our People — Health and Safety
KPI B2.2	Lost days due to work injury.	Our People — Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our People — Health and Safety
Aspect B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People — Staff Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category	Our People — Staff Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our People — Staff Development and Training

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
Aspect B4 Labour Standards		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our People — Prohibition of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People — Prohibition of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No case discovered.
Operating Practices		
Aspect B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of supply chain.	Our Supply Chain — Responsible Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Our Supply Chain — Responsible Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Our Supply Chain — Responsible Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Our Supply Chain — Responsible Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferrable products and services when selecting suppliers, and how they are implemented and monitored.	Our Supply Chain — Responsible Supply Chain Management

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
Aspect B6 Product Responsibility		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Customer — Project and Service Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not relevant to the Group's business
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Our Customer — Project and Service Quality — Complaint Handling
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not material to the Group's business
KPI B6.4	Description of quality assurance process and recall procedures.	Our Customer — Project and Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our Customer — Customer Privacy and Corporate Information Protection
Aspect B7 Anti-corruption		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	No concluded case.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business Ethics

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
Community		
Aspect B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Society — Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Society — Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Society — Community Investment

Note 1: All general disclosures and KPIs under "Subject Area A. Environmental" and "Subject Area B. Social"are "comply or explain" provisions as set out in the ESG Guide.

Report of the Directors

The Board of Directors is pleased to present this Directors' report together with the audited consolidated financial statements of the Group for the Reporting Period.

Corporate Information and Listing

The Company was incorporated in the Cayman Islands on 20 July 2017 as an exempted company with limited liability under the laws of the Cayman Islands.

The Company's Shares were listed on the Main Board of the Stock Exchange on 16 October 2019.

Principal Activities

The principal activity of the Company is investment holding. The Group is a long established main contractor principally engaged in the provision of (i) building construction services and (ii) RMAA works in Hong Kong and Malaysia. An analysis of the principal activities of the Group during the Reporting Period is set out in the section headed "Management Discussion and Analysis" in this annual report.

Business Review

A fair review of the business of the Group as required pursuant to Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) including the description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Company's business is set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 13 of this annual report. These discussions form part of Directors' report. Moreover, the details of the financial risk management of the Group are disclosed in Note 32 to the financial statements.

Environmental, Social and Governance Report

The Group is committed to supporting environmental protection to ensure business development and sustainability. Please refer to the section headed "Environmental, Social and Governance Report" on pages 37 to 83 of this annual report for the details of our environmental, social and governance policies and performance during the Reporting Period.

Environmental Policies and Performance

Our Directors believe that it is essential for the Group to commit and maintain high standard of environmental protection in order to support environmental protection and to prevent pollution in balance with socio-economic needs as well as to address the needs of a broad range of interested parties. In the course of delivery of its services, the Group (i) focused on prevention of pollution, waste minimisation and resource conservation as critical considerations within our core management process; (ii) complied with applicable legal requirements and other requirements which relate to its environment aspects; and (iii) established, implemented and maintained the environmental management system and strive for continual improvement in environmental performance.

The Group had maintained minimal number of environmental-related non-compliance incidents. There were 7 conviction cases in 2021 of violating the relevant environmental laws and regulations. We will continue to implement our environmental policy to avoid any violation of applicable environmental-related laws or regulations.

Please refer to further disclosures on the environmental aspects in the Environmental, Social and Governance Report included in this annual report.

Results

The Group's profit for the Reporting Period and the Group's financial position as at that date are set out in the consolidated financial statements on pages 104 to 168 of this annual report.

Final Dividend

The Board recommends the payment of a final dividend of HK1.8 cents (2020: HK2.75 cents) per ordinary Share, totaling approximately HK$9.0 million in respect of the year ended 31 December 2021, to Shareholders whose names appear on the register of members at the close of business on 6 July 2022. This proposed final dividend is subject to the approval of the Company's Shareholders at the forthcoming annual general meeting.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 169 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

Use of Proceeds from Listing

Details of the use of net proceeds from Listing are set out on page 13 of this annual report.

Annual General Meeting

The AGM of the Company for the Reporting Period is scheduled to be held on Friday, 24 June 2022. A notice convening the AGM will be issued and dispatched to the Shareholders in due course according to the applicable laws, the Articles of Association and the Listing Rules.

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.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 1 to the financial statements.

Charitable Donation

Charitable donation made by the Group during the Reporting Period amounted to approximately HK$239,150 (2020: approximately HK$114,320).

Property, Plant and Equipment

Details of movements of the property, plant and equipment of the Group during the year are set out in Note 14 to the financial statements.

Share Capital

Details of movements in the share capital of the Company for the Reporting Period are set out in Note 24 to the financial statements.

Debenture

The Group did not issue any debenture during the Reporting Period (2020: Nil).

Equity-Linked Agreements

Save as disclosed under the Share Option Scheme, no equity-linked agreements were entered into or remained subsisting during the Reporting Period or as of the end of the year (2020: Nil).

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

Tax Relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in Note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 December 2021, in the opinion of the Directors, the reserves of the Company available for distribution to Shareholders under the Companies Law of the Cayman Islands amounted to approximately HK$420 million (2020: approximately HK$428 million).

Purchase, Sale or Redemption of Listed Securities of the Company

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

Bank and Other Borrowings

Details of bank and other borrowings of the Group as at 31 December 2021 are set out in Note 22 to the financial statements.

Compliance with the Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the Reporting Period, the Group in all material aspects complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the Reporting Period. The following table set out the relevant laws and regulations and the compliance measures taken by the Group:

Primary regulations	Key Scope	Compliance Measures
Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)	This Ordinance provides for registration and regulation of construction workers.	The Group complied with the Ordinance by employing or allowing the registered construction workers to carry out construction work on the construction sites.
Factories and Industrial Undertakings (Cap. 59 of the Laws of Hong Kong)	This Ordinance provides for the safety and health protection to workers in an industrial undertakings.	The Group had certain systemic non-compliance incidents of our Group in connection with the Ordinances during the Reporting Period
Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong)	This Ordinance provides for the safety and health protection to employee in workplaces.	The Group complied with the Ordinances by providing safety and health protection to employee in workplace during the Reporting Period.
Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong)	This Ordinance control emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources.	The Group complied with the Ordinance by devising and arranging methods of working and carry out the works in such a manner so to minimize dust impacts on the surrounding environment and provide the suitable training to ensure the methods are implemented by the experienced personnel.
Environmental Quality Act (EQA) of 1974(Act 127) of Malaysia	This Act relates to the prevention, abatement, control of pollution and enhancement of the environment from construction, industrial and commercial activities and other polluting sources.	The Group complied with the Act by devising and arranging methods of working and carry out the works in such a manner so to minimize dust impacts on the surrounding environment and provide the suitable training to ensure the methods are implemented by the experienced personnel.
Occupational Safety and Health Act 1994 of Malaysia	This Act provides for the safety and health protection to employee in workplaces.	The Group complied with the Act by providing safety and health protection to employee in workplace during the Reporting Period.
Factories and Machinery Act 1967 of Malaysia	This Act provides for the control of factories with respect to matters relating to the safety, health and welfare of person therein, the registration and inspection of machinery and for matters connected therewith.	The Group complied with the Act by having adequate control to inspect the machinery on the construction sites

Important Relationship with Major Stakeholders

The Group's primary stakeholder groups include its customers, subcontractors, suppliers, and employees.

Customers

The Group maintains active relationship with its customers to explore new business opportunities and is highly committed to delivering superior quality of services to its customers on time.

Subcontractors and Suppliers

The Group maintains a list of approved subcontractors (based on their track records, skills, present work load, price quotations and historical work quality) and suppliers (based on their prices, quality, past performance and capacity) and strives to establish long-term business relationship with them.

Employees

The Group recognised employees as valuable assets of the Group. The Group remunerated competitively, and provide training and development opportunities to employees which they can deliver the superior performance and achieve the corporate goal of the Group.

During the Reporting Period, there was no material dispute or argument between the Group and its customers, subcontractors, suppliers and employees.

Major Customers and Suppliers

For the Reporting Period, the Group's five largest customers in aggregate accounted for approximately 42.4% (2020: approximately 58.5%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 12.6% (2020: approximately 35.5%) of the Group's total revenue.

For the Reporting Period, the Group's five largest subcontractors in aggregate accounted for approximately 21.3% (2020: approximately 23.4%) of the total subcontracting cost of the Group and the largest subcontractor of the Group accounted for approximately 6.1% (2020: approximately 6.2%) of the Group's total subcontracting cost.

For the Reporting Period, the Group's five largest suppliers in aggregate accounted for approximately 48.0% (2020: approximately 22.0%) of the total purchases of construction materials of the Group and the largest supplier of the Group accounted for approximately 20.6% (2020: approximately 5.3%) of the Group's total purchases of construction materials.

None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers, suppliers and subcontractors during the Reporting Period.

Directors' Interests in Competing Business

During the Reporting Period, none of the Directors or any of their close associates (as defined under the Listing Rules) has any interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

Compliance with the Deed of Non-Competition

Zhejiang State-owned Capital Operation Company Limited, Zhejiang Construction Investment Group Co., Ltd., Zhejiang Construction Group (H.K.) Holdings Limited, China Zhejiang Construction Group (H.K.) Limited and CR Construction Investments Limited (the "**Controlling Shareholders**") had entered into the deed of non-competition in favour of the Company on 17 September 2019 (the "**Deed of Non-competition**"). Details of the Deed of Non-competition are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

The Company has received the annual confirmation from the Controlling Shareholders in respect of their compliance during the Reporting Period with the non-competition undertakings under the Deed of Non-competition issued to the Company in 2021.

The independent non-executive Directors have reviewed the compliance of each of the Controlling Shareholders with the undertakings in the Deed of Non-competition based on data and the confirmation provided or given by the Controlling Shareholders and as far as the independent non-executive Directors can ascertain, there has been no breach of the aforementioned undertakings during the Reporting Period.

Directors

The Directors who held office for the Reporting Period and up to the date of this annual report are as follows:

Executive Directors

Mr. GUAN Manyu (管滿宇) *(Chairman)*
Mr. LI Kar Yin (李嘉賢)
Ms. CHU Ping (朱萍)
Mr. LAW Ming Kin (羅明健)
Mr. CHAN Tak Yiu (陳德耀)

Non-executive Director

Mr. YANG Haojiang (楊昊江)

Independent Non-executive Directors

The Honourable TSE Wai Chun Paul JP (謝偉俊)
Mr. LI Ka Fai David (李家暉) (retired on 25 June 2021)
Mr. HO Man Yiu Ivan (何文堯)
Mr. LAU Pak Shing (劉百成) (appointed on 2 July 2021)

Changes to Information of Directors

There was no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the Reporting Period and up to the date of this annual report.

Confirmation of Independence of Independent Non-executive Directors

The Company has received written annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee of the Company has duly reviewed the independence of each of these Directors. The Company considered that all independent non-executive Directors are independent for the Reporting Period.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the ordinary Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out as follows:

Name of Director	Capacity/Nature of Interest	Number of ordinary Shares/ underlying Shares	Long/short position(1)	Approximate percentage of shareholding in the Company(2) (%)
Mr. GUAN Manyu	Beneficial owner	1,000,000	L	0.20
Mr. LI Kar Yin	Beneficial owner	1,000,000	L	0.20
Ms. CHU Ping	Beneficial owner	300,000	L	0.06
Mr. LAW Ming Kin	Beneficial owner	500,000	L	0.10
Mr. CHAN Tak Yiu	Beneficial owner	100,000	L	0.02
Mr. YANG Haojiang	Beneficial owner	500,000	L	0.10

Notes:

(1) The Letter "L" denotes the entity/person's long position in the Shares.

(2) As at 31 December 2021, the number of issued Shares of the Company was 500,000,000 Shares.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executives of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save for the Share Option Scheme, no arrangement has been made by the Company or any of its subsidiaries for any Director to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate, and no rights to any share capital or debt securities of the Company or any other body corporate were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised during or at the end of the Reporting Period.

Substantial Shareholders' Interest and Short Positions in the Shares and Underlying Shares

As at 31 December 2021, to the knowledge of the Directors, the following persons (other than the Director or chief executive of the Company) had an interest or a short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company maintained under Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares/ underlying Shares	Long/short position[3]	Approximate percentage of shareholding in the Company[4] (%)
Zhejiang State-owned Capital Operation Company Limited	Interest in a controlled corporation[1]	361,150,000	L	72.23
Zhejiang Construction Investment Group Co., Ltd. (formerly known as Dohia Group Co., Ltd.)	Interest in a controlled corporation[1]	361,150,000	L	72.23
Zhejiang Construction Group (H.K.) Holdings Limited	Interest in a controlled corporation[1]	361,150,000	L	72.23
China Zhejiang Construction Group (H.K.) Limited	Interest in a controlled corporation[1]	361,150,000	L	72.23
CR Construction Investments Limited	Beneficial owner[1]	361,150,000	L	72.23
Ning Shing (Holdings) Company Limited	Beneficial owner[2]	25,000,000	L	5.00

Notes:

(1) CR Construction Investments Limited directly holds 361,150,000 Shares in the Company. CR Construction Investments Limited is a wholly-owned subsidiary of China Zhejiang Construction Group (H.K.) Limited, which is in turn a wholly-owned subsidiary of Zhejiang Construction Group (H.K.) Holdings Limited. Zhejiang Construction Group (H.K.) Holdings Limited is a wholly-owned subsidiary of Zhejiang Construction Investment Group Co., Ltd. (formerly known as Dohia Group Co., Ltd.). Zhejiang State-owned Capital Operation Company Limited holds 37.90% interests in Zhejiang Construction Investment Group Co., Ltd. By virtue of the SFO, each of China Zhejiang Construction Group (H.K.) Limited, Zhejiang Construction Group (H.K.) Holdings Limited, Zhejiang Construction Investment Group Co., Ltd., and Zhejiang State-owned Capital Operation Company Limited is deemed to have an interest in the Shares held by CR Construction Investments Limited.

(2) Ning Shing (Holdings) Company Limited ("**Ning Shing**") directly holds 25,000,000 Shares of the Company. Ning Shing is a state-owned company wholly owned by the Ningbo Municipal Government established in Hong Kong in May 1995.

(3) The Letter "L" denotes the entity/person's long position in the Shares.

(4) As at 31 December 2021, the number of issued Shares of the Company was 500,000,000 Shares.

Save as disclosed above, as at 31 December 2021, the Directors have not been aware of any person (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register maintained under Section 336 of the SFO.

Directors' Service Contracts and Letters of Appointment

Each of the executive Directors has entered into a service contract with the Company for a term of three years from the listing date of the Company (i.e. 16 October 2019) and are subject to termination in accordance with their respective terms. The term of the service contracts may be renewed in accordance with the Articles of Association and the applicable rules of the Listing Rules.

The non-executive Director has entered into an appointment letter with the Company for a term of three years from the listing date of the Company (i.e. 16 October 2019).

Mr. Lau Pak Shing, an independent non-executive Director, has entered into a service contract with the Company for an initial term of 2 years commencing from 2 July 2021.

Mr. Ho Man Yiu, an independent non-executive Director, has entered into a service contract with the Company for a second term of 2 years commencing from 16 October, 2021.

The Honourable TSE Wai Chun Paul JP, an independent non-executive Director, has entered into a service contract with the Company for a second term of 2 years commencing from 16 October, 2021.

All the Directors and the Company are required to give three months' notice in writing to the other party for termination of the service agreement/appointment letter. All the Directors are appointed for a specific term and subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in this annual report, there was no transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, its subsidiaries and fellow subsidiaries was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year ended 31 December 2021.

Contracts of Significance

Save as disclosed in this annual report, none of the Company or any of its subsidiaries entered into any contracts of significance with the Controlling Shareholder(s) or any of its subsidiaries, nor was there any contracts of significance between the Company or any of its subsidiaries and the Controlling Shareholder or any of its subsidiaries in relation to provision of services for the Reporting Period.

Remuneration Policies

During the Reporting period, the remuneration policy for employees of the Group is determined based on their responsibilities, qualifications, performance, experience and seniority which are reviewed periodically.

The Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group are reviewed by the Remuneration Committee, approved by the Board and authorised by the Shareholders at the AGM of the Company, which is based on the Group's performance, the executives' respective contributions to the Group and comparable market practices.

Remuneration of Directors and Five Highest Paid Individuals

Details of the remuneration of the Directors and the five highest paid individuals of the Group for the Reporting Period are set out in Notes 9 and 10 to the financial statements.

Biographical Details of Directors and Senior Management

Biographical details of Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 14 to 19 of this annual report.

Share Option Scheme

The Company has adopted a share option scheme on 17 September 2019 to reward the participants defined thereunder for their contribution to the Group's success and to provide them with incentives to further contribute to the Group.

The following is a summary of the principal terms of the Share Option Scheme:

(i) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

(ii) Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board shall be entitled to, at its absolute discretion and on such terms as it deems fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for such number of Shares as the Board may determine in accordance with the terms of the Share Option Scheme.

(iii) Maximum number of Shares subject to options

The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 50,000,000 Shares (representing 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange). The overall limit on the number of Shares which shall be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme, and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable), shall not exceed 30% of the Shares in issue from time to time.

(iv) Limit for each participant

The total number of Shares issued, and to be issued, upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any twelve (12)-month period shall not exceed 1% of the Shares in issue.

(v) Option period

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(vi) Payment on acceptance of option offer

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

(vii) Subscription price

The subscription price shall be such price determined by the Board at its absolute discretion and notified to a participant in the offer at the time of the offer, and shall be at least the higher of: (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of the relevant option, which shall be a business day; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the relevant option (provided that, in the event that any option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (c) the nominal value of a Share on the date of grant of the relevant option.

(viii) Present status of the Share Option Scheme

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and up to the date of this annual report. As at 31 December 2021, the Company had no outstanding share option under the Share Option Scheme. As at 31 December 2021, the remaining life of the Share Option Scheme is approximately eight years. The Share Option Scheme will expire at the close of business on the business day immediately preceding the tenth anniversary of its adoption date.

Retirement Benefit Schemes

The Group operates a defined contribution mandatory provident fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Cap.485 of the Laws of Hong Kong) and the occupational retirement scheme (the "**ORSO Scheme**") under the Occupational Retirement Scheme Ordinance (Cap.426 of the Laws of Hong Kong).

The Group also operates a defined contribution Employees' Provident Fund scheme (the "**EPF Scheme**") under the Employees Provident Fund Ordinance 1951 in Malaysia.

The total retirement benefit scheme contributions made by the Group amounted to approximately HK$16.1 million for the Reporting Period (2020: approximately HK$14.0 million).

Details of the MPF Scheme and the ORSO scheme are set out in Note 3 to the financial statements.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Connected Transaction

During the Reporting Period, the Company conducted a one-off connected transaction.

Acquisition of Entire Issued Share Capital of Triumph Success Developments Limited

On 30 November 2020, the Company and China Zhejiang Construction Group (H.K.) Limited (中國浙江建設集團(香港)有限公司), one of the controlling shareholders of the Company, entered into a share purchase agreement, pursuant to which the Company has conditionally agreed to acquire and China Zhejiang Construction Group (H.K.) Limited has conditionally agreed to sell the entire issued share capital of Triumph Success Developments Limited for an aggregate consideration of HK$20,000,000, which is subject to certain consideration adjustment (the "**Acquisition**"). Triumph Success Developments Limited is the holding company of a Malaysian subsidiary which is principally engaged in building construction works in Malaysia.

The Directors consider that, taking into consideration the highly competitive market in Hong Kong and limited opportunities for further expansion in the Hong Kong market, the Acquisition will allow the Group to expand into Malaysia, which is a developing market with growth potential and benefits from the PRC's Belt and Road Initiative, and leverage on the expertise, experience and resources of Triumph Success Developments Limited in planning the development and management of construction works and projects in Malaysia, 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 its Shareholders in the long term.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but was less than 25%, the acquisition was subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The resolution approving the Acquisition was duly passed at the extraordinary general meeting held on 27 January 2021. All the conditions precedent under the sale and purchase agreement have been fulfilled and completion of the Acquisition took place on 28 January 2021. Upon completion of the Acquisition, Triumph Success Developments Limited has become a wholly-owned subsidiary of the Company. To the best of the directors' knowledge, the Malaysian subsidiary of Triumph Success Developments Limited has met the target net profit of HK$4,000,000 for the year ended 31 December 2021.

Acquisition of Entire Issued Share Capital of CR Construction (U.K.) Investments Company Limited and Continuing Connected Transactions in relation to consultancy agreements under Rule 14A.60 of the Listing Rules

On 30 January 2022, the Company and China Zhejiang Construction Group (H.K.) Limited (中國浙江建設集團(香港)有限公司) (the "**Seller**"), one of the controlling shareholders of the Company, entered into the Share Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire from the Seller and the Seller has conditionally agreed to sell to the Company the entire issued share capital of CR Construction (U.K.) Investments Company Limited at the Consideration of HK$9,200,000, which is subject to certain consideration adjustment (the "**UK Acquisition**"). CR Construction (U.K.) Investments Company Limited is the holding company of an UK subsidiary which is principally engaged in the provision of project management services to construction industry and the construction services in the United Kingdom.

The Directors consider that, taking into consideration the highly competitive market in Hong Kong, the UK Acquisition will allow the Group to expand into the United Kingdom, and leverage on the target group's expertise, experience and resources in planning the development and management of construction works and projects in 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 its Shareholders in the long term.

As all of the applicable percentage ratios in respect of the UK Acquisition are less than 5%, the UK Acquisition is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

All the conditions precedent under the sale and purchase agreement have been fulfilled and completion of the UK Acquisition took place on 30 January 2022. Upon completion of the UK Acquisition, CR Construction (U.K.) Investments Company Limited has become a wholly-owned subsidiary of the Company.

Prior the completion of the UK Acquisition, the UK Subsidiary entered into the 2018 Consultancy Agreement and the 2021 Consultancy Agreement with the Seller and an unincorporated joint venture owned as to 51% by the Seller, respectively in relation to the provision of project management services for the construction projects in the United Kingdom. Consequently, upon the Completion, the continuing transactions under the aforesaid consultancy agreements constitute continuing connected transactions of the Company under Chapter 14A.60 of the Listing Rules by virtue of the CR Construction (U.K.) Investments Company Limited becoming a wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated 30 January 2022 for further details of the UK Acquisition and the transactions under the consultancy agreements.

Related Party Transactions and Connected Transactions

Details of the related party transactions carried out in the normal course of business are set out in Note 29 to the financial statements of this annual report. Save as disclosed above, none of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance practices. Principal corporate governance practices adopted by our Company are set out in the section headed "Corporate Governance Report" on pages 20 to 36 of this annual report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued Shares, being the minimum percentage of public float as prescribed by the Stock Exchange and under the Listing Rules, was held by the public at all times during the Reporting Period and as at the date of this annual report.

Permitted Indemnity Provision

Pursuant to article 164(1) of the Articles of Association and subject to the applicable laws and regulations, every Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force during the Reporting Period.

The Company has taken out and maintained appropriate directors' and officers' liability insurance to provide appropriate coverage for the Directors and other officers of the Group for the Reporting Period.

Event after the Reporting Period

Details of the significant event of the Group after the Reporting Period is set out in Note 33 to the financial statements.

Audit Committee

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for the Reporting Period. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

Auditor

Ernst & Young was appointed as the Auditor for the Reporting Period. Ernst & Young shall retire at the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution will be proposed at the AGM for the re-appointment of Ernst & Young as the independent auditor of the Company.

On behalf of the Board
Mr. Guan Manyu
Chairman and Executive Director

Hong Kong,
18 March 2022

Independent Auditor's Report

Ernst & Young
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To the shareholders of CR Construction Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of CR Construction Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 104 to 168, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters *(Continued)*

Key audit matters	How our audit addressed the key audit matter
Revenue recognition for construction contracts For the year ended 31 December 2021, the Group recognised revenue from construction contracting businesses amounting to HK$4,875,373,000. The Group's revenue from construction contracts is recognised over time, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The revenue recognition involves the use of significant judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred, forecasting the costs to complete a contract, valuing contract variations, and estimating the expected successful claims percentages. Relevant disclosures are included in notes 4, 5 and 6 to the consolidated financial statements.	Our audit procedures to assess recognition of revenue from construction contracts included the following: • evaluating the significant judgements made by management, through an examination of project documentation, key contracts and variation orders; • discussing the status of projects under construction with management, finance, and technical personnel of the Group, in relation to significant judgements that impact the estimated total revenue and estimated total costs arising from variations to the original contracts; • testing the controls of the Group over its processes to record contract revenue and contract costs; • testing, on a sample basis, the contract costs incurred by checking to payment certificates issued by the Group to subcontractors, invoices from suppliers, and payment certificates issued by the architects employed by contract customers; and • checking the estimated total costs for satisfaction of the construction contracts to the subcontractors and suppliers' quotations, and comparing the actual costs incurred with the estimated total costs for satisfaction of the construction services to assess the status of the construction contracts on a sampling basis.

Key audit matters *(Continued)*

Key audit matters	How our audit addressed the key audit matter
Impairment assessment on trade receivables and contract assets As at 31 December 2021, the Group recorded gross trade receivables of HK$681,368,000 before impairment of HK$5,108,000 and gross contract assets of HK$1,750,514,000 before impairment of HK$4,546,000. The measurement on the Group's trade receivables and contract assets under the expected credit losses ("**ECL**") approach was estimated by management through the application of judgements and use of highly subjective assumptions, such as the repayment history, subsequent settlements after the end of the reporting period and management's industrial knowledge and experience. The impact of current economic factors and forward-looking factors specific to the debtors were also considered in management's assessment of the likelihood of recovery from customers. Relevant disclosures are included in notes 4, 16 and 17 to the consolidated financial statements.	Our audit procedures in relation to impairment assessment on trade receivables and contract assets included the following: • assessing and testing the Group's processes and controls relating to the monitoring of trade receivables and contract assets; • evaluating the methodologies, inputs and assumptions used by management in their impairment assessment and their calculation of the impairment allowance under the ECL approach; • understanding and discussing with management for their judgements, historical loss pattern and basis of judgements used on such data under the ECL approach and understanding management's assessment about the overdue receivables or amounts in dispute; • assessing the impairment allowance as at the end of the reporting period, taking into account factors such as the payment history, the subsequent settlements of the trade receivables and the subsequent transfers of contract assets to trade receivables, and other relevant information; and • evaluating the historical default rates and assumptions made for current economic conditions and forward-looking information.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report *(Continued)*

Auditor's responsibilities for the audit of the consolidated financial statements

(Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report *(Continued)*

Auditor's responsibilities for the audit of the consolidated financial statements

(Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ching Man.

Ernst & Young
Certified Public Accountants
Hong Kong
18 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 (Restated) HK$'000
REVENUE	*6*	**4,875,373**	4,646,407
Contract costs		**(4,698,367)**	(4,435,247)
Gross profit		**177,006**	211,160
Other income	*6*	**1,178**	1,830
Administrative expenses		**(102,251)**	(87,628)
Other operating expenses, net		**(4,250)**	(10,055)
Finance costs	*8*	**(11,715)**	(14,472)
PROFIT BEFORE TAX	*7*	**59,968**	100,835
Income tax expense	*11*	**(12,416)**	(11,694)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**47,552**	89,141
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**(2,490)**	(228)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(2,490)**	(228)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**45,062**	88,913
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*13*	**HK9.51 cents**	HK17.83 cents

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 HK$'000	2020 (Restated) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**23,987**	22,756
Right-of-use assets	15(a)	**61,626**	29,477
Prepayments and deposits	18	**8,261**	5,834
Deferred tax assets	23	**428**	–
Total non-current assets		**94,302**	58,067
CURRENT ASSETS			
Contract assets	16	**1,745,968**	1,745,264
Trade receivables	17	**676,260**	610,044
Prepayments, deposits and other receivables	18	**28,069**	49,728
Tax recoverable		**336**	166
Cash and cash equivalents	19	**64,495**	121,851
Total current assets		**2,515,128**	2,527,053
CURRENT LIABILITIES			
Trade and retention payables	20	**1,111,839**	989,799
Other payables and accruals	21	**716,162**	782,018
Interest-bearing bank borrowings	22	**130,000**	80,000
Amounts due to an intermediate holding company	29(b)(i)	**2,825**	2,819
Loans from an intermediate holding company	29(b)(ii)	**20,089**	135,700
Lease liabilities	15(b)	**20,870**	15,836
Tax payable		**5,610**	742
Total current liabilities		**2,007,395**	2,006,914
NET CURRENT ASSETS		**507,733**	520,139
TOTAL ASSETS LESS CURRENT LIABILITIES		**602,035**	578,206
NON-CURRENT LIABILITIES			
Provision	21	**7,000**	4,000
Lease liabilities	15(b)	**37,635**	14,301
Deferred tax liabilities	23	**–**	1,317
Total non-current liabilities		**44,635**	19,618
Net assets		**557,400**	558,588
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	24	**5,000**	5,000
Reserves	25	**552,400**	553,588
Total equity		**557,400**	558,588

ON BEHALF OF THE BOARD
Li Kar Yin
Director

ON BEHALF OF THE BOARD
Guan Manyu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Notes	Share capital HK$'000	Share premium# HK$'000 (note 25(a))	Merger reserve# HK$'000 (note 25(b))	Capital reserve# HK$'000 (note 25(c))	Statutory reserve# HK$'000	Asset revaluation reserve# HK$'000	Exchange fluctuation reserve# HK$'000	Retained profits# HK$'000	Total equity HK$'000
			Attributable to equity holders of the Company							
At 1 January 2021, as previously reported (audited)		**5,000**	**429,257**	**(140,785)**	**12,071**	**12**	**13**	**–**	**271,850**	**577,418**
Acquisition of subsidiaries under common control	*2.1*	**–**	**–**	*****	**–**	**–**	**–**	**7**	**(18,837)**	**(18,830)**
At 1 January 2021 (restated)		**5,000**	**429,257**	**(140,785)**	**12,071**	**12**	**13**	**7**	**253,013**	**558,588**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**47,552**	**47,552**
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operation		**–**	**–**	**–**	**–**	**–**	**–**	**(2,490)**	**–**	**(2,490)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(2,490)**	**47,552**	**45,062**
Final 2020 dividend	*12*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,750)**	**(13,750)**
Interim 2021 dividend	*12*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,500)**	**(12,500)**
Acquisition of subsidiaries under common control	*2.1*	**–**	**–**	**(20,000)**	**–**	**–**	**–**	**–**	**–**	**(20,000)**
At 31 December 2021		**5,000**	**429,257**	**(160,785)**	**12,071**	**12**	**13**	**(2,483)**	**274,315**	**557,400**

Consolidated Statement of Changes in Equity *(Continued)*

	Notes	Share capital HK$'000	Share premium# HK$'000 *(note 25(a))*	Merger reserve# HK$'000 *(note 25(b))*	Capital reserve# HK$'000 *(note 25(c))*	Statutory reserve# HK$'000	Asset revaluation reserve# HK$'000	Exchange fluctuation reserve# HK$'000	Retained profits# HK$'000	Total equity HK$'000
		Attributable to equity holders of the Company								
At 1 January 2020, as previously reported (audited)		5,000	429,257	(140,785)	12,071	12	13	–	220,070	525,638
Acquisition of subsidiaries under common control	*2.1*	–	–	*	–	–	–	235	(18,698)	(18,463)
At 1 January 2020 (restated)		5,000	429,257	(140,785)	12,071	12	13	235	201,372	507,175
Profit for the year (restated)		–	–	–	–	–	–	–	89,141	89,141
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operation (restated)		–	–	–	–	–	–	(228)	–	(228)
Total comprehensive income/(loss) for the year (restated)		–	–	–	–	–	–	(228)	89,141	88,913
Final 2019 dividend		–	–	–	–	–	–	–	(25,000)	(25,000)
Interim 2020 dividend	*12*	–	–	–	–	–	–	–	(12,500)	(12,500)
At 31 December 2020 (restated)		5,000	429,257	(140,785)	12,071	12	13	7	253,013	558,588

* These items had amounts of less than a thousand.

\# These reserve accounts comprise the consolidated reserves of HK$552,400,000 (31 December 2020 (restated): HK$553,588,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 (Restated) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**59,968**	100,835
Adjustments for:			
Finance costs	*8*	**11,715**	14,472
Interest income	*6*	**(113)**	(383)
Gain on disposal of items of property, plant and equipment, net	*7*	**–**	(35)
Gain on modification of leases	*7*	**(364)**	(52)
Depreciation of property, plant and equipment	*7*	**7,546**	6,338
Depreciation of right-of-use assets	*7*	**17,197**	15,716
Impairment of trade receivables, net	*7*	**1,337**	8,807
Impairment of contract assets	*7*	**2,859**	1,134
		100,145	146,832
Increase in contract assets		**(5,469)**	(146,746)
Increase in trade receivables		**(208,775)**	(185,856)
Decrease/(increase) in prepayments, deposits and other receivables		**19,176**	(6,074)
Increase/(decrease) in trade and retention payables		**123,783**	(138,192)
Increase in amounts due to an intermediate holding company		**616**	38
Increase/(decrease) in other payables and accruals	*26(a)(ii)*	**(65,540)**	245,280
Cash used in operations		**(36,064)**	(84,718)
Interest element on lease liabilities		**(808)**	(1,093)
Interest paid		**(4,995)**	(6,953)
Hong Kong profits tax paid		**(9,293)**	(26,565)
Overseas tax paid		**(176)**	(30)
Net cash flows used in operating activities		**(51,336)**	(119,359)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**113**	383
Purchases of items of property, plant and equipment	*14*	**(8,793)**	(8,052)
Receipt of government grants for property, plant and equipment	*14*	**–**	993
Proceeds from disposal of items of property, plant and equipment		**–**	35
Acquisition of subsidiaries under common control	*2.1*	**(20,000)**	–
Net cash flows used in investing activities		**(28,680)**	(6,641)

Consolidated Statement of Cash Flows *(Continued)*

	Notes	2021 HK$'000	2020 (Restated) HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement of loan balances with an intermediate holding company	*26(a)(iii)/26(b)*	**22,536**	43,929
New bank loans	*26(b)*	**2,005,000**	2,045,000
Repayment of bank loans	*26(b)*	**(1,955,000)**	(1,965,000)
Principal portion of lease payments	*26(b)*	**(17,613)**	(14,982)
Interest paid		**(5,912)**	(6,426)
Dividend paid	*12*	**(26,250)**	(37,500)
Net cash flows from financing activities		**22,761**	65,021
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(57,255)**	(60,979)
Cash and cash equivalents at beginning of year		**121,851**	182,856
Effect of foreign exchange rate changes, net		**(101)**	(26)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**64,495**	121,851
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**64,495**	121,851

Notes to Financial Statements

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. During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were 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.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CR Construction (Building) Company Limited	Macau	MOP25,000	–	100	Building construction services
CR Construction Company Limited	Hong Kong	HK$269,500,000	–	100	Building construction services and investment holding
CR Construction Development Limited	BVI	US$1	100	–	Investment holding
CR Construction Technology Investment Limited	BVI	HK$100	100	–	Investment holding
CR Engineering Company Limited.	Hong Kong	HK$10,000	–	100	Building construction services
CR Engineering Investment Limited	BVI	HK$100	100	–	Investment holding
CR Sea (Malaysia) Sdn. Bhd.	Malaysia	RM1,000,000	–	100	Building construction services
CR TECH Company Limited.	Hong Kong	HK$10,000	–	100	Building construction
Mount Land Limited	Hong Kong	HK$52	–	100	Building construction services and investment holding
Triumph Success Developments Limited	BVI	HK$20,000,000	100	–	Investment holding

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 was 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.

2.1 Acquisition under common control *(Continued)*

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 HK$'000	Acquisition of TS HK$'000	Consolidation adjustment HK$'000	As restated HK$'000
REVENUE	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
OTHER COMPREHENSIVE LOSS				
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)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	–	(228)	–	(228)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	89,280	(367)	–	88,913

2.1 Acquisition under common control (Continued)

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

	As previously reported HK$'000	Acquisition of TS HK$'000	Consolidation adjustment HK$'000	As restated HK$'000
NON-CURRENT ASSETS				
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
Total non-current assets	57,253	814	–	58,067
CURRENT ASSETS				
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
Total current assets	2,334,973	192,080	–	2,527,053
CURRENT LIABILITIES				
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
Total current liabilities	1,795,190	211,724	–	2,006,914
NET CURRENT ASSETS/(LIABILITIES)	539,783	(19,644)	–	520,139
TOTAL ASSETS LESS CURRENT LIABILITIES	597,036	(18,830)	–	578,206
NON-CURRENT LIABILITIES				
Provision	4,000	–	–	4,000
Lease liabilities	14,301	–	–	14,301
Deferred tax liabilities	1,317	–	–	1,317
Total non-current liabilities	19,618	–	–	19,618
Net assets/(liabilities)	577,418	(18,830)	–	558,588
EQUITY				
Share capital	5,000	*	*	5,000
Reserves	572,418	(18,830)	*	553,588
Total equity/(deficiency in assets)	577,418	(18,830)	–	558,588

* These items had amounts of less than a thousand.

Notes to Financial Statements *(Continued)*

31 December 2021

2.1 Acquisition under common control *(Continued)*

Effect on the consolidated statement of financial position as at 1 January 2020

	As previously reported HK$'000	Acquisition of TS HK$'000	Consolidation adjustment HK$'000	As restated HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	21,423	613	–	22,036
Right-of-use assets	3,751	583	–	4,334
Prepayments and deposits	1,519	71	–	1,590
Total non-current assets	26,693	1,267	–	27,960
CURRENT ASSETS				
Contract assets	1,569,973	28,131	–	1,598,104
Trade receivables	384,094	45,177	–	429,271
Prepayments, deposits and other receivables	46,005	1,871	–	47,876
Tax recoverable	–	134	–	134
Pledged deposits	26,338	–	–	26,338
Cash and cash equivalents	150,798	5,720	–	156,518
Total current assets	2,177,208	81,033	–	2,258,241
CURRENT LIABILITIES				
Trade and retention payables	1,123,797	1,885	–	1,125,682
Other payables and accruals	533,821	6,476	–	540,297
Amounts due to an intermediate holding company	–	2,767	–	2,767
Loans from an intermediate holding company	–	88,842	–	88,842
Lease liabilities	2,202	597	–	2,799
Tax payable	15,955	–	–	15,955
Total current liabilities	1,675,775	100,567	–	1,776,342
NET CURRENT ASSETS/(LIABILITIES)	501,433	(19,534)	–	481,899
TOTAL ASSETS LESS CURRENT LIABILITIES	528,126	(18,267)	–	509,859
NON-CURRENT LIABILITIES				
Provision	–	196	–	196
Lease liabilities	1,513	–	–	1,513
Deferred tax liabilities	975	–	–	975
Total non-current liabilities	2,488	196	–	2,684
Net assets/(liabilities)	525,638	(18,463)	–	507,175
EQUITY				
Share capital	5,000	*	*	5,000
Reserves	520,638	(18,463)	*	502,175
Total equity/(deficiency in assets)	525,638	(18,463)	–	507,175

* These items had amounts of less than a thousand

2.1 Acquisition under common control *(Continued)*

Effect on the consolidated statement of cash flows for the year ended 31 December 2020

	As previously reported HK$'000	Acquisition of TS HK$'000	Consolidation adjustment HK$'000	As restated HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	100,974	(139)	–	100,835
Adjustments for:				
Finance costs	14,371	101	–	14,472
Interest income	(376)	(7)	–	(383)
Gain on disposal of items of property, plant and equipment	(35)	–	–	(35)
Gain on modification of leases	(51)	(1)	–	(52)
Depreciation on property, plant and equipment	6,103	235	–	6,338
Depreciation of right-of-use assets	14,614	1,102	–	15,716
Impairment of trade receivables, net	6,218	2,589	–	8,807
Impairment of contract assets	514	620	–	1,134
	142,332	4,500	–	146,832
Increase in contract assets	(116,600)	(30,146)	–	(146,746)
Increase in trade receivables	(104,506)	(81,350)	–	(185,856)
Decrease/(increase) in prepayments, deposits and other receivables	(6,134)	60	–	(6,074)
Increase/(decrease) in trade and retention payables	(195,870)	57,678	–	(138,192)
Increase in an amount due to an intermediate holding company	–	38	–	38
Increase in other payables and accruals	241,298	3,982	–	245,280
Cash used in operations	(39,480)	(45,238)	–	(84,718)
Interest element on lease liabilities	(1,057)	(36)	–	(1,093)
Interest paid	(6,888)	(65)	–	(6,953)
Hong Kong profits tax paid	(26,565)	–	–	(26,565)
Overseas taxes paid	–	(30)	–	(30)
Net cash flows used in operating activities	(73,990)	(45,369)	–	(119,359)

2.1 Acquisition under common control (Continued)

Effect on the consolidated statement of cash flows for the year ended 31 December 2020 (Continued)

	As previously reported HK$'000	Acquisition of TS HK$'000	Consolidation adjustment HK$'000	As restated HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	376	7	–	383
Purchases of items of property, plant and equipment	(8,039)	(13)	–	(8,052)
Receipt of government grants for property, plant and equipment	993	–	–	993
Proceeds from disposal of items of property, plant and equipment	35	–	–	35
Net cash flows used in investing activities	(6,635)	(6)	–	(6,641)
CASH FLOWS FROM FINANCING ACTIVITIES				
Movement of loan balances with an intermediate holding company	–	43,929	–	43,929
New bank loans	2,045,000	–	–	2,045,000
Repayment of bank loans	(1,965,000)	–	–	(1,965,000)
Principal portion of lease payments	(13,877)	(1,105)	–	(14,982)
Interest paid	(6,426)	–	–	(6,426)
Dividend paid	(37,500)	–	–	(37,500)
Net cash flows from financing activities	22,197	42,824	–	65,021
NET DECREASE IN CASH AND CASH EQUIVALENTS	(58,428)	(2,551)	–	(60,979)
Cash and cash equivalents at beginning of year	177,136	5,720	–	182,856
Effect of foreign exchange rates changes, net	–	(26)	–	(26)
CASH AND CASH EQUIVALENTS AT END OF YEAR	118,708	3,143	–	121,851
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows	118,708	3,143	–	121,851

2.2 Basis of preparation

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.

These 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.

2.3 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	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

2.4 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 these financial statements.

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

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 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
5 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

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.4 Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. Summary of significant accounting policies

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

3. Summary of significant accounting policies *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. Summary of significant accounting policies *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Plant and machinery	10% to 20%
Furniture and fixtures	10% to 20%
Computers and software	20%
Motor vehicles	33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. Summary of significant accounting policies *(Continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 5 years
Plant and machinery	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

3. Summary of significant accounting policies *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3. Summary of significant accounting policies *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. Summary of significant accounting policies *(Continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

3. Summary of significant accounting policies *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and retention payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, amounts due to an intermediate holding company and loans from an intermediate company.

Subsequent measurement

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

3. Summary of significant accounting policies (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. Summary of significant accounting policies *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. Summary of significant accounting policies *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grants are related to income, the grant is deducted in reporting the related expense.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Construction services and RMAA services

Revenue from construction contracts and RMAA revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contracts and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

(i) provides all of the benefits received and consumed simultaneously by the customer; or

(ii) creates and enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. Summary of significant accounting policies *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

Construction services and RMAA services (Continued)

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation of a construction contract and RMAA services is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

(i) direct measurements of the value transferred by the Group to the customer; or

(ii) the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

For construction contracts and RMAA services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced and thus the Group satisfies a performance obligation and recognises revenue over time.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease term.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3. Summary of significant accounting policies *(Continued)*

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relates. Other contract costs are expensed as incurred.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance and a defined contribution retirement scheme (the "**ORSO Scheme**") under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate in the schemes.

Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The ORSO Scheme operates in a similar way to the MPF Scheme, except that when an employee left the ORSO Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group will be reduced by the relevant amount of the forfeited employer contributions.

The assets of the MPF Scheme and ORSO Scheme are held separately from those of the Group in independently administered funds.

The Group's subsidiary which operates in Malaysia make contributions to the Employee Provident Fund (the "EPF" scheme), a defined contribution pensions scheme in Malaysia. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the EPF Scheme.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. Summary of significant accounting policies *(Continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rate prevailing at the end of the reporting period and their statements of profit or loss is translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rate for the year.

4. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group has applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(a) *Determining the progress of the construction contracts*

Revenue from construction contracts is measured in accordance with progress towards complete satisfaction of the performance obligations. The progress is determined based on direct measurements of the value of units delivered or surveys of work performed or based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction contracts. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred, direct measurements of the value of units delivered or surveys of work performed, valuing contract variations, claims and potential liquidated damages and forecasts in relation to costs to complete.

(b) *Determining the method to estimate variable consideration and assessing the constraint for construction services*

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group has determined that the expected value method is the appropriate method to be used in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

4. Significant accounting judgements and estimates *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 17 and 16 to the financial statements, respectively.

Variable considerations for claims to customers

The Group estimates variable considerations for claims to be included in the transaction price for the provision of construction services.

The Group estimates the expected successful claims percentages by using the historical claims data including historical experiences with the same or current customer of a similar profile, historical experience for claims of a similar nature, profitability of the head contracts of the customers and economic conditions. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to the historical successful claims pattern will impact the expected successful claims percentages estimated by the Group.

The Group updates its assessment of expected successful claims every two months. Estimates of expected successful claims are sensitive to changes in circumstances and the Group's past experience regarding negotiation of claims may not be representative of the actual outcome in the future.

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
		(Restated)
	HK$'000	HK$'000
Hong Kong	**4,628,290**	4,491,782
Malaysia	**247,083**	154,625
	4,875,373	4,646,407

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

(b) Non-current assets

	2021	2020
		(Restated)
	HK$'000	HK$'000
Hong Kong	**86,877**	53,548
Malaysia	**1,371**	814
	88,248	54,362

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
		(Restated)
	HK$'000	HK$'000
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	2020
		(Restated)
	HK$'000	HK$'000
Revenue from contracts with customers		
Building construction	**4,100,520**	4,136,083
RMAA	**774,853**	510,324
	4,875,373	4,646,407

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021	2020
		(Restated)
	HK$'000	HK$'000
Geographical markets		
Hong Kong	**4,628,290**	4,491,782
Malaysia	**247,083**	154,625
	4,875,373	4,646,407

	2021	2020
		(Restated)
	HK$'000	HK$'000
Timing of revenue recognition		
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	2020
		(Restated)
	HK$'000	HK$'000
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	**112,039**	120,071

6. Revenue and other income *(Continued)*

Revenue from contracts with customers *(Continued)*

(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 (Restated)
	HK$'000	HK$'000
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
	11,817,944	11,763,617

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 (Restated)
	HK$'000	HK$'000
Other income		
Interest income	**113**	383
Gross rental income	**–**	648
Others	**1,065**	799
	1,178	1,830

7. Profit before tax

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

	Notes	**2021** **HK$'000**	2020 (Restated) HK$'000
Contract costs		**4,698,367**	4,435,247
Depreciation of property, plant and equipment	*14*	**7,546**	6,338
Less: Amount included in contract costs		**(3,166)**	(1,800)
Amount included in administrative expenses		**4,380**	4,538
Depreciation of right-of-use assets		**17,197**	15,716
Less: Amount included in contract costs	*15(d)*	**(5,267)**	(3,918)
Amount included in administrative expenses	*15(d)*	**11,930**	11,798
Lease payments not included in the measurement of lease liabilities		**41,512**	31,775
Less: Amount included in contract costs	*15(d)*	**(41,150)**	(31,572)
Amount included in administrative expenses	*15(d)*	**362**	203
Employee benefit expense (including directors' remuneration *(note 9)*):			
Salaries, allowances and benefits in kind		**374,610**	326,822
Pension scheme contributions		**16,070**	13,990
		390,680	340,812
Less: Amount included in contract costs		**(329,966)**	(274,962)
Amount included in administrative expenses		**60,714**	65,850
Auditor's remuneration		**2,342**	2,040
Government grants *(note)*		**–**	(32,951)
Impairment of trade receivables, net*	*17*	**1,337**	8,807
Impairment of contract assets*	*16*	**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*		**102**	64

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)
	HK$'000	HK$'000
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
	11,715	14,472

9. Directors' and chief executive's remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 HK$'000	2020 HK$'000
Fees	**1,196**	1,200
Other emoluments:		
Salaries, allowances and benefits in kind	**8,577**	8,505
Performance related bonuses	**2,606**	1,704
Pension scheme contributions	**431**	420
	11,614	10,629
	12,810	11,829

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 HK$'000	2020 HK$'000
The Honourable Tse Wai Chun Paul JP	**300**	300
Mr. Li Ka Fai David	**146**	300
Mr. Ho Man Yiu Ivan	**300**	300
Mr. Lau Pak Shing	**150**	–
	896	900

Mr. Li Ka Fai David retired as an independent non-executive director of the Company on 25 June 2021 and Mr. Lau Pak Shing was appointed as an independent non-executive director of the Company on 2 July 2021.

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

9. Directors' and chief executive's remuneration *(Continued)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2021					
Executive directors:					
Mr. Guan Manyu	**–**	**580**	**904**	**84**	**1,568**
Mr. Li Kar Yin	**–**	**2,960**	**878**	**246**	**4,084**
Ms. Chu Ping	**–**	**664**	**224**	**18**	**906**
Mr. Law Ming Kin	**–**	**2,200**	**300**	**5**	**2,505**
Mr. Chan Tak Yiu	**–**	**2,173**	**300**	**78**	**2,551**
	–	**8,577**	**2,606**	**431**	**11,614**
Non-executive director:					
Mr. Yang Haojiang	**300**	**–**	**–**	**–**	**300**
	300	**8,577**	**2,606**	**431**	**11,914**

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2020					
Executive directors:					
Mr. Guan Manyu	–	557	228	–	785
Mr. Li Kar Yin	–	2,986	680	246	3,912
Ms. Chu Ping	–	638	216	18	872
Mr. Law Ming Kin	–	2,157	290	78	2,525
Mr. Chan Tak Yiu	–	2,167	290	78	2,535
	–	8,505	1,704	420	10,629
Non-executive director:					
Mr. Yang Haojiang	300	–	–	–	300
	300	8,505	1,704	420	10,929

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

10. Five highest paid employees

The five highest paid employees during the year included three directors (2020: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2020: two) non-director highest paid employees for the year are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries, allowances and benefits in kind	**6,905**	4,007
Performance related bonuses	**492**	210
Pension scheme contributions	**–**	18
	7,397	4,235

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HK$2,000,001 to HK$3,000,000	**–**	2
HK$3,000,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$5,000,000	**1**	–
	2	2

11. 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 **HK$'000**	2020 (Restated) HK$'000
Current — Hong Kong		
Charge for the year	**14,171**	11,415
Overprovision in prior years	**(10)**	(63)
Deferred *(note 23)*	**(1,745)**	342
Total tax charge for the year	**12,416**	11,694

11. Income tax *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2021		2020 (Restated)	
	HK$'000	**%**	HK$'000	%
Profit before tax	**59,968**		100,835	
Tax at the statutory tax rates	**10,215**	**17.0**	16,627	16.5
Lower tax rate enacted by local authority	**(165)**	**(0.3)**	(165)	(0.2)
Adjustments in respect of current tax of previous years	**(10)**	**(0.1)**	(63)	(0.1)
Income not subject to tax	**(1,019)**	**(1.7)**	(7,243)	(7.2)
Expenses not deductible for tax	**2,021**	**3.5**	1,573	1.6
Tax losses not recognised	**2,414**	**4.0**	965	1.0
Tax losses utilised	**(1,040)**	**(1.7)**	–	–
Tax charge at the Group's effective rate	**12,416**	**20.7**	11,694	11.6

The Group has estimated tax losses arising in Hong Kong of approximately HK$19,654,000 (2020: HK$5,426,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Macau and Malaysia of approximately HK$1,812,000 (2020: HK$1,806,000) and HK$3,593,000 (2020 (restated): HK$7,925,000) that will expire in three years and seven years, respectively, for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and, in the opinion of the directors of the Company, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

12. Dividend

	2021	2020
	HK$'000	HK$'000
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	**9,000**	13,750
	21,500	26,250

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

13. 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.

14. Property, plant and equipment

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computers and software HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2021						
At 31 December 2020 and 1 January 2021:						
Cost	**11,821**	**22,321**	**6,253**	**17,338**	**6,601**	**64,334**
Accumulated depreciation	**(11,821)**	**(12,914)**	**(3,238)**	**(9,317)**	**(4,288)**	**(41,578)**
Net carrying amount	**–**	**9,407**	**3,015**	**8,021**	**2,313**	**22,756**
At 1 January 2021, net of accumulated depreciation	**–**	**9,407**	**3,015**	**8,021**	**2,313**	**22,756**
Additions	**–**	**5,933**	**28**	**2,448**	**384**	**8,793**
Depreciation provided during the year *(note 7)*	**–**	**(3,157)**	**(623)**	**(2,736)**	**(1,030)**	**(7,546)**
Exchange realignment	**–**	**–**	**(5)**	**(5)**	**(6)**	**(16)**
At 31 December 2021, net of accumulated depreciation	**–**	**12,183**	**2,415**	**7,728**	**1,661**	**23,987**
At 31 December 2021:						
Cost	**11,821**	**28,254**	**6,275**	**19,778**	**6,967**	**73,095**
Accumulated depreciation	**(11,821)**	**(16,071)**	**(3,860)**	**(12,050)**	**(5,306)**	**(49,108)**
Net carrying amount	**–**	**12,183**	**2,415**	**7,728**	**1,661**	**23,987**
31 December 2020 (restated)						
At 1 January 2020						
Cost	11,817	18,836	6,196	16,225	4,457	57,531
Accumulated depreciation	(11,262)	(11,259)	(2,616)	(6,756)	(3,602)	(35,495)
Net carrying amount	555	7,577	3,580	9,469	855	22,036
At 1 January 2020, net of accumulated depreciation	555	7,577	3,580	9,469	855	22,036
Additions	–	4,125	55	1,463	2,409	8,052
Receipt of government grants for property, plant and equipment *(note (a))*	–	(640)	–	(353)	–	(993)
Depreciation provided during the year *(note 7)*	(555)	(1,655)	(620)	(2,558)	(950)	(6,338)
Exchange realignment	–	–	–	–	(1)	(1)
At 31 December 2020, net of accumulated depreciation	–	9,407	3,015	8,021	2,313	22,756
At 31 December 2020:						
Cost	11,821	22,321	6,253	17,338	6,601	64,334
Accumulated depreciation	(11,821)	(12,914)	(3,238)	(9,317)	(4,288)	(41,578)
Net carrying amount	–	9,407	3,015	8,021	2,313	22,756

14. Property, plant and equipment (Continued)

Note:

(a) In the prior year, government grants of HK$993,000 have been received for the purchase of certain items of property, plant and equipment, provided by the HKSAR Government under the Construction Innovation and Technology Fund ("**CITF**"). As a condition of receiving the fund, the Group has undertaken not to dispose of the related plant and machinery within the next twelve months from the date of purchase. There are no other unfulfilled conditions or contingencies attached to these grants. The Group deducted the grant from the carrying amount of the assets and released it to profit or loss by way of a reduced depreciation charge.

15. Leases

The Group as a lessee

The Group has lease contracts for buildings and plant and machinery and other equipment used in its operations. Leases for buildings generally have lease terms between 2 and 5 years while plant and machinery generally have lease terms between 2 and 3 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings HK$'000	Plant and machinery HK$'000	Total HK$'000
At 1 January 2020 (restated)	3,773	561	4,334
Additions	40,712	1,809	42,521
Depreciation charge	(14,771)	(945)	(15,716)
Modification of leases	(1,664)	–	(1,664)
Exchange realignment	11	(9)	2
At 31 December 2020 (restated) and 1 January 2021	28,061	1,416	29,477
Additions	31,367	1,463	32,830
Depreciation charge	(15,721)	(1,476)	(17,197)
Modification of leases	16,531	–	16,531
Exchange realignment	(10)	(5)	(15)
At 31 December 2021	60,228	1,398	61,626

15. Leases *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities	
	2021	2020 (Restated)
	HK$'000	HK$'000
Carrying amount at 1 January	**30,137**	4,312
New leases	**29,830**	42,521
Modification of leases	**16,167**	(1,716)
Accretion of interest recognised during the year	**808**	1,093
Payments	**(18,421)**	(16,075)
Exchange realignment	**(16)**	2
Carrying amount at 31 December	**58,505**	30,137
Analysed into:		
Current portion	**20,870**	15,836
Non-current portion	**37,635**	14,301

(c) The maturity analysis of lease liabilities is as follows:

	31 December 2021			31 December 2020 (Restated)		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Lease liabilities	**1.7–3.6**	**2022**	**20,870**	1.8–3.6	2021	15,836
Non-current						
Lease liabilities	**1.7–3.5**	**2023–2025**	**37,635**	1.8–3.5	2022–2023	14,301
			58,505			30,137

15. Leases *(Continued)*

The Group as a lessee *(Continued)*

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 HK$'000	2020 (Restated) HK$'000
Interest on lease liabilities	**808**	1,093
Depreciation charge of right-of-use assets (included in administrative expenses)	**11,930**	11,798
Depreciation charge of right-of-use assets (included in contract costs)	**5,267**	3,918
Expense relating to short-term leases (included in administrative expenses)	**362**	203
Expense relating to short-term leases (included in contract costs)	**41,150**	31,572
Gain on modification of leases (included in other operating expenses, net)	**(364)**	(52)
Total amount recognised in profit or loss	**59,153**	48,532

(e) The total cash outflow for leases is disclosed in note 26(c) to the financial statements.

16. Contract assets

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

16. Contract assets *(Continued)*

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:

	2021	2020
		(Restated)
	HK$'000	HK$'000
Within one year	**1,026,339**	1,121,323

(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:

	2021	2020
		(Restated)
	HK$'000	HK$'000
Due within one year	**429,882**	424,071
Due after one year	**289,747**	199,870
	719,629	623,941

16. Contract assets *(Continued)*

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 17.

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

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

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 (HK$'000)	**1,750,514**	1,746,974
Expected credit losses (HK$'000)	**4,546**	1,711

17. Trade receivables

	2021	2020
		(Restated)
	HK$'000	HK$'000
Trade receivables	**681,368**	613,915
Impairment	**(5,108)**	(3,871)
	676,260	610,044

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:

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

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

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

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.

17. Trade receivables *(Continued)*

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

		Past due				
	Current	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
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.

18. Prepayments, deposits and other receivables

	2021	2020
		(Restated)
	HK$'000	HK$'000
Prepayments	**9,086**	7,416
Deposits and other receivables	**27,244**	48,146
	36,330	55,562
Less: Non-current prepayments and deposits	**(8,261)**	(5,834)
	28,069	49,728

Deposits and other receivables mainly represent rental deposits and insurance claims receivables. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

Notes to Financial Statements *(Continued)*

31 December 2021

19. Cash and cash equivalents

	2021 HK$'000	2020 (Restated) HK$'000
Cash and bank balances	**64,495**	121,851

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

20. Trade and retention payables

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

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 HK$'000	2020 (Restated) HK$'000
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
	519,025	460,587

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 works 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.

21. Other payables, accruals and provision for reinstatement

	Notes	**2021** **HK$'000**	2020 (Restated) HK$'000
Contract liabilities	*(a)*	**14,096**	–
Other payables		**10,912**	16,836
Accruals		**690,961**	764,983
Provision for reinstatement	*(b)*	**7,193**	4,199
		723,162	786,018
Non-current portion		**(7,000)**	(4,000)
Current portion		**716,162**	782,018

Other payables are non-interest-bearing and there are generally no credit terms.

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2021 **HK$'000**	31 December 2020 (Restated) HK$'000	1 January 2020 (Restated) HK$'000
Short-term advances received from customers			
Construction services	**14,096**	–	–

Contract liabilities include short-term advances received to render construction services. The increase in contract liabilities in 2021 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of the year.

(b) The movement in the provision for reinstatement during the year is as follows:

	Provision for reinstatement HK$'000
At 31 December 2020 (restated) and 1 January 2021	4,199
Addition	3,000
Exchange realignment	(6)
At 31 December 2021	7,193

Pursuant to the terms of the respective tenancy agreements entered into by the Group, the Group is required to return its leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The provision for reinstatement costs was estimated based on certain assumptions and estimates made by the Group's management with reference to quoted prices and/or other available information. The assumptions and estimates are reviewed on an ongoing basis and revised as appropriate.

22. Interest-bearing bank borrowings

	31 December 2021			31 December 2020		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
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 HK$'000	2020 HK$'000
Analysed into:		
Bank loans repayable:		
On demand	**130,000**	80,000

Note:

(a) All borrowings were in Hong Kong dollars.

23. Deferred tax

The movements in deferred tax during the year are as follows:

	Impairment of trade receivables and contract assets HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 January 2020	(543)	1,518	975
Deferred tax charged to profit or loss during the year *(note 11)*	27	315	342
At 31 December 2020 and 1 January 2021	(516)	1,833	1,317
Deferred tax credited to profit or loss during the year *(note 11)*	(519)	(1,226)	(1,745)
At 31 December 2021	(1,035)	607	(428)

There are no income tax consequences attached to the payment of dividends by the Company to its shareholders.

24. Share capital

	2021 HK$'000	2020 HK$'000
Authorised:		
10,000,000,000 (2020: 10,000,000,000) ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
500,000,000 (2020: 500,000,000) ordinary shares of HK$0.01 each	**5,000**	5,000

25. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 106 to 107 of the financial statements.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the deemed consideration for the reorganisation, capitalisation issue and share offer in prior years.

(b) Merger reserve

The balance of the merger reserve represents the following:

(i) the difference between the paid-up share capital of TS and the consideration payable pursuant to the Acquisition; and

(ii) the difference between the aggregate of the paid-up share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange therefor pursuant to the reorganisation in prior years.

(c) Capital reserve

The capital reserve represents the contribution from an intermediate holding company with respect to the consideration for the acquisition of a subsidiary in prior years.

26. Notes to the consolidated statement of cash flows

(a) Major non-cash transactions

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$29,830,000 and HK$29,983,000, respectively (2020 (restated): HK$42,521,000 and HK$42,521,000) and non-cash lease modifications resulting in an increase in right-of-use assets and lease liabilities of HK$16,531,000 and HK$16,167,000, respectively (2020 (restated): decrease of HK$1,664,000 and HK$1,716,000), in respect of lease arrangements for buildings and plant and machinery.

(ii) During the year, the provision for reinstatement cost of HK$3,000,000 (2020: Nil) was included in additions of right-of-use assets and other payables and accruals.

(iii) As at the Acquisition Date, CRS, TS and CZH entered into the Deed of Assignment and Settlement, whereby certain trade receivables of CRS amounting 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). Further details are disclosed in note 2.1 to the consolidated financial statements.

26. Notes to the consolidated statement of cash flows *(Continued)*

(b) Changes in liabilities arising from financing activities

	Loans from an intermediate holding company HK$'000	Interest-bearing-bank borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2020 (restated)	88,842	–	4,312
New bank borrowings	–	2,045,000	–
Repayment of bank borrowings	–	(1,965,000)	–
Changes from financing cash flows	43,929	–	(14,982)
New leases	–	–	42,521
Modification of leases	–	–	(1,716)
Interest expense	–	–	1,093
Interest paid classified as operating cash flows	–	–	(1,093)
Exchange realignment	2,929	–	2
At 31 December 2020 (restated) and 1 January 2021	135,700	80,000	30,137
New bank borrowings	–	2,005,000	–
Repayment of bank borrowings	–	(1,955,000)	–
Changes from financing cash flows	22,536	–	(17,613)
Partial settlement of loans pursuant to the Deed of Assignment and Settlement *(note 2.1)*	(137,682)	–	–
New leases	–	–	29,830
Modification of leases	–	–	16,167
Interest expense	–	–	808
Interest paid classified as operating cash flows	–	–	(808)
Exchange realignment	(465)	–	(16)
At 31 December 2021	20,089	130,000	58,505

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 **HK$'000**	2020 (Restated) HK$'000
Within operating activities	**41,512**	31,775
Within financing activities	**17,613**	14,982
	59,125	46,757

27. Contingent liabilities

(a) As at 31 December 2021, performance bonds of approximately HK$1,416,475,000 (2020: HK$1,064,180,000) 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.

28. Commitments

The Group had the following capital commitments at the end of each reporting period:

	2021 **HK$'000**	2020 HK$'000
Contracted, but not provided for:		
Computers and software	**1,923**	504

29. Related party transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2021 **HK$'000**	2020 (Restated) HK$'000
Expenses recharged by an intermediate holding Company *(note)*	**3,026**	2,033

Note: The expenses paid on behalf of the Group by an intermediate holding company consisted of staff costs and other administrative expenses. All administrative expenses were determined based on actual costs incurred.

29. Related party transactions (Continued)

(b) Outstanding balances with an intermediate holding company:

	Notes	**2021** **HK$'000**	2020 (Restated) HK$'000
Amounts due to an intermediate holding company	*(i)*	**2,825**	2,819
Loans from an intermediate holding company	*(ii)*	**20,089**	135,700

Notes:

(i) The amounts due to the intermediate holding company of HK$2,825,000 (2020 (restated): HK$2,819,000) are unsecured, interest-free and repayable on demand.

(ii) As at 31 December 2020, the loans from the intermediate holding company of RM70,618,000 (restated), equivalent to approximately HK$135,700,000, were unsecured, interest-free and repayable on demand.

As at 31 December 2021, the loan from the intermediate holding company represents the remaining loan balance of RM10,759,000, equivalent to approximately HK$20,089,000, after netting off the assignment of trade receivables of approximately RM71,770,000, equivalent to approximately HK$137,682,000, in accordance with the Deed of Assignment and Settlement as part of the Acquisition of TS. The balance is unsecured, interest-free and is repayable subject to the terms and Repayment Conditions set out in the Deed of Assignment and Settlement. Further details are disclosed in note 2.1 to the consolidated financial statements.

(c) Other transactions with related parties

As at 31 December 2020, an intermediate holding company arranged its bank to provide a guarantee to the Group's bank to issue a performance bond on behalf of the Group of RM14,690,000 (restated), equivalent to approximately HK$28,228,000, to one of the Group's customers as security for the due performance and observance of the Group's obligation under a construction contract entered into between the Group and the customer. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sums stipulated in such demand. The Group's intermediate holding company will then become liable to compensate such banks accordingly. The guarantee was released during the current year.

(d) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group for the year represented the directors' emoluments as disclosed in note 9 to the financial statements.

30. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2021	2020
		(Restated)
	HK$'000	HK$'000
Trade receivables	**676,260**	610,044
Financial assets included in prepayments, deposits and other receivables	**27,244**	48,146
Cash and cash equivalents	**64,495**	121,851
	767,999	780,041

Financial liabilities

	Financial liabilities at amortised cost	
	2021	2020
		(Restated)
	HK$'000	HK$'000
Trade and retention payables	**1,111,839**	989,799
Financial liabilities included in other payables and accruals	**635,037**	729,196
Interest-bearing bank borrowings	**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	**58,235**	30,137
	1,958,025	1,967,651

31. Fair value and fair value hierarchy of financial instruments

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, amounts due to an intermediate holding company and loans from an intermediate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non-current deposits and retention payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and approximated to their carrying amounts.

32. Financial risk management objectives and policies

The Group's principal financial instruments include trade receivables, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, trade and retention payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, amounts due to an intermediate holding company and loans from an intermediate holding company.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases and loans from an intermediate holding company denominated in currencies other than the Group's functional currency. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following tables demonstrate the sensitivity at the end of the reporting period to reasonably possible changes in the RM exchange rates, with all other variables held constant, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit after tax**	**Increase/ (decrease) in equity***
	%	HK$'000	HK$'000
2021			
If Hong Kong dollar weakens against RM	**5**	**(213)**	**–**
If Hong Kong dollar strengthens against RM	**(5)**	**213**	**–**
2020			
If Hong Kong dollar weakens against RM	5	(7)	–
If Hong Kong dollar strengthens against RM	(5)	7	–

* Excluding retained profits

32. Financial risk management objectives and policies *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise financial assets included in prepayments, deposits and other receivables and cash and cash equivalents, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group had certain concentrations of credit risk as the trade and retention receivables in terms of the following percentages were due from the Group's largest external customer and the Group's five largest external customers out of the Group's total trade receivables:

	2021	2020
	%	%
		(Restated)
Due from the Group's largest external customer	**14**	19
Due from the Group's five largest external customers	**51**	64

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

The Group has applied the simplified approach to providing for impairment for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporates forward-looking information.

All of the current portions of the other receivable balances are expected to be recovered or recognised as expenses within one year.

32. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs HK$'000	Lifetime ECLs Simplified approach HK$'000	Total HK$'000
Contract assets*	–	1,750,514	1,750,514
Trade receivables*	–	681,368	681,368
Financial assets included in prepayments, deposits, and other receivables			
— Normal**	27,244	–	27,244
Cash and cash equivalents			
— Not yet past due	64,495	–	64,495
	91,739	2,431,882	2,523,621

As at 31 December 2020 (restated)

	12-month ECLs HK$'000	Lifetime ECLs Simplified approach HK$'000	Total HK$'000
Contract assets*	–	1,746,975	1,746,975
Trade receivables*	–	613,915	613,915
Financial assets included in prepayments, deposits, and other receivables			
— Normal**	48,146	–	48,146
Cash and cash equivalents			
— Not yet past due	121,851	–	121,851
	169,997	2,360,890	2,530,887

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 17 and 16 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

32. Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of funds generated from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK$'000	**Less than 1 year HK$'000**	**More than 1 year HK$'000**	**Total HK$'000**
As at 31 December 2021				
Trade and retention payables	**–**	**699,032**	**419,710**	**1,118,742**
Financial liabilities included in other payables and accruals	**61**	**634,976**	**–**	**635,037**
Interest-bearing bank borrowings	**130,000**	**–**	**–**	**130,000**
Amounts due to an intermediate holding company	**2,825**	**–**	**–**	**2,825**
Loans from an intermediate holding company	**–**	**20,089**	**–**	**20,089**
Lease liabilities	**–**	**21,762**	**38,621**	**60,383**
	132,886	**1,375,859**	**458,331**	**1,967,076**

	On demand HK$'000	Less than 1 year HK$'000	More than 1 year HK$'000	Total HK$'000
As at 31 December 2020 (restated)				
Trade and retention payables	–	857,426	136,186	993,612
Financial liabilities included in other payables and accruals	61	729,135	–	729,196
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	–	16,075	14,530	30,605
	218,580	1,602,636	150,716	1,971,932

32. Financial risk management objectives and policies (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. 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. The gearing ratios as at the end of the reporting periods were as follows:

	2021 **HK$'000**	2020 (Restated) HK$'000
Trade and retention payables	**1,111,839**	989,799
Other payables and accruals	**723,162**	786,018
Interest-bearing bank borrowings	**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	**58,505**	30,137
Less: Cash and cash equivalents	**(64,495)**	(121,851)
Net debt	**1,981,925**	1,902,622
Equity attributable to equity holders of the Company	**557,400**	558,588
Capital and net debt	**2,539,325**	2,461,210
Gearing ratio	**78%**	77%

33. 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)**").

33. Event after the reporting period *(Continued)*

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.

34. Comparative amounts

As further explained in note 2.1 to the consolidated financial statements, certain comparative amounts have been restated as a result of the adoption of merger accounting for the common control combination taking place during the year.

35. Statement of financial position of the company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 **HK$'000**	2020 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**330,285**	310,285
CURRENT ASSETS		
Prepayments	**271**	213
Amounts due from subsidiaries	**244,493**	125,998
Cash at banks	**2,975**	608
Total current assets	**247,739**	126,819
CURRENT LIABILITIES		
Amounts due to a subsidiary	**52,821**	3,816
Interest-bearing bank borrowings	**100,000**	–
Total current liabilities	**152,821**	3,816
NET CURRENT ASSETS	**94,918**	123,003
TOTAL ASSETS LESS CURRENT LIABILITIES	**425,203**	433,288

35. Statement of financial position of the company *(Continued)*

	2021 HK$'000	2020 HK$'000
NET ASSETS	**425,203**	433,288
EQUITY		
Share capital	**5,000**	5,000
Reserves *(note)*	**420,203**	428,288
Total equity	**425,203**	433,288

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	429,257	(125)	429,132
Profit for the year and total comprehensive income for the year	–	36,656	36,656
Final 2019 dividend declared	–	(25,000)	(25,000)
Interim 2020 dividend	–	(12,500)	(12,500)
At 31 December 2020 and 1 January 2021	429,257	(969)	428,288
Profit for the year and total comprehensive income for the year	–	18,165	18,165
Final 2020 dividend declared	–	(13,750)	(13,750)
Interim 2021 dividend	–	(12,500)	(12,500)
At 31 December 2021	429,257	(9,054)	420,203

36. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 18 March 2022.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out below:

Results

	Year ended 31 December				
	2021	2020 *(Note)* (Restated)	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**4,875,373**	4,646,407	4,833,853	4,813,860	3,141,390
Gross profit	**177,006**	211,160	211,978	185,460	165,960
PROFIT BEFORE TAX	**59,968**	100,835	71,754	77,046	73,239
Income tax expense	**12,416**	11,694	13,236	13,615	14,346
PROFIT FOR THE YEAR	**47,552**	89,141	58,518	63,431	58,893
Attributable to equity holders of the Company	**47,552**	89,141	58,518	63,431	58,893

Assets and Liabilities

	As at 31 December				
	2021	2020 *(Note)* (Restated)	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,609,430**	2,585,120	2,203,901	2,028,615	1,809,132
Total liabilities	**2,052,030**	2,026,532	1,678,263	1,685,467	1,499,030

Note: The financial information for the year ended 31 December 2020 has been restated to reflect the effect of adoption of merger accounting for common control acquisition during the year ended 31 December 2021. The financial information for the three years ended 31 December 2019, 2018 and 2017 has not been adjusted.

Where the English and the Chinese texts conflict, the English text prevails.