Central Holding Group Co. Ltd.
中環控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1735

2021
Annual Report

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Zhuyun *(Chairman and Chief Executive Officer)*
Mr. Li Menglin

Non-executive Directors

Mr. Qiao Xiaoge
Ms. Zhu Yujuan

Independent non-executive Directors

Dr. Li David Xianglin
Mr. Wang Wenxing
Dr. Zhou Chunsheng

AUDIT COMMITTEE

Mr. Wang Wenxing *(Chairperson)*
Mr. Qiao Xiaoge
Dr. Li David Xianglin

REMUNERATION COMMITTEE

Dr. Li David Xianglin *(Chairperson)*
Ms. Zhu Yujuan
Dr. Zhou Chunsheng

NOMINATION COMMITTEE

Mr. Yu Zhuyun *(Chairperson)*
Mr. Wang Wenxing
Dr. Zhou Chunsheng

SENIOR MANAGEMENT

Mr. Yu Zhuyun *(Chief Executive Officer)*
Mr. Che Kean Tat *(Vice President and Chief Financial Officer)*
Mr. Qin Ning *(Chief Legal and Operating Officer)*

COMPANY SECRETARY

Mr. Lam Ka Tsun *(appointed on 1 April 2022)*
Ms. Hung Yuen Yuen *(appointed on 2 December 2021 and resigned on 1 April 2022)*
Ms. Li Sin Ching *(resigned on 2 December 2021)*

AUTHORISED REPRESENTATIVES

Mr. Yu Zhuyun
Mr. Lam Ka Tsun *(appointed on 1 April 2022)*
Ms. Hung Yuen Yuen *(appointed on 2 December 2021 and resigned on 1 April 2022)*
Ms. Li Sin Ching *(resigned on 2 December 2021)*

REGISTERED OFFICE IN CAYMAN ISLANDS

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office 5509, 55th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Tung & Co
Office 1601, 16/F, LHT Tower
31 Queen's Road Central
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F
148 Electric Road
North Point
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

COMPANY WEBSITE

www.chghk.com

STOCK CODE

1735

Chairman's Statement

責任源自內心

YU Zhuyun
Chairman

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Central Holding Group Co. Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I would like to present to our shareholders (the "**Shareholders**") the annual report of the Group for the year ended 31 December 2021 (the "**Reporting Year**").

REPORTING YEAR REVIEW

In 2021, Covid-19 pandemic continued to impact the community and business globally including Hong Kong and China Mainland. The construction business environment in which the Group operates in Hong Kong continued to be subject to social distancing measures and occasional lockdown at construction sites. The Group's superstructure and construction gross profit and gross profit margin was under pressure from low bidding price on the tenders, which in turn affect the business performance of the Group.

In 2021, the Group has successfully expanded its construction business in a diverse range of related businesses in the PRC, such as buildings, constructions works and construction materials supplies, property development, property management, food and beverage ("**F&B**") supply chain, health and wellness business, and provision of smart logistics and information system. Satisfactory performance was recorded during the Reporting Year.

With the synergic and effectiveness of related chain of business in China, the Group has maintained a good business momentum throughout the Reporting Year. Revenue increased by approximately 191%, from approximately HK$373.5 million for the nine months ended 31 December 2020 (the "**Previous Reporting Period**") to approximately HK$1,086.2 million for the Reporting Year. Earnings Before Interest, Taxes, Depreciation and Amortization ("**EBITDA**") for the Reporting Year amounted to a profit of approximately HK$92.3 million, which representing an increase of 1,164% compared with a profit of approximately HK$7.3 million for the Previous Reporting Period. The Group reported a net profit for the Reporting Year of approximately HK$60.3 million, while the Group reported a net loss of approximately HK$0.65 million for the Previous Reporting Period.

We will continuously look for attractive growth opportunities in China and elsewhere that will drive the financial returns for shareholders in the long term.

Chairman's Statement

OUTLOOK

China aims to reach the CO emissions peak before 2030 and achieve carbon neutrality before 2060. Prior to setting such goal, China had already invested heavily in energy conservation and emission reduction, and now it's ramping up efforts to achieve the timeline. A deep transformation of the energy system through a combination of decarbonizing power generation, electrifying end-use sectors, and switching to low-carbon fuels will not just generate health co-benefits but are actually essential for long-term air quality improvements, better public health and the country's Beautiful China vision.

Carbon neutrality and zero emissions are reshaping investment in unprecedented ways. In the next three decades, the investment scale required to achieve carbon neutrality in China will be more than RMB100 billion, which will bring huge development opportunities for green energy investment.

We seek to the green buildings and new green energy business opportunities in order to obtain higher returns for shareholders. The Group is also committed to respond to the national policies with the concept of carbon neutrality, to cultivate the green buildings and new green energy under the Group's existing business foundation of construction and building works, devoted to contribute to the development of ecological habitat industry, striving to create a low-carbon, energy-saving, ecological and environmentally friendly and clean living environment.

We will continue to strive for sustainable income and balanced growth, and achieve sustainable gains for our Shareholders. We will keep reviewing the working capital level on an on-going basis in order to achieve our objectives and, at the same time, be mindful of the regulatory reporting and compliance requirements.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to our Shareholders, customers, business associates and subcontractors for your continuous support. I would also like to send my warmest thanks to all our management and staff members for your hard work and dedication during the Reporting Year.

YU Zhuyun
Chairman
Hong Kong, 25 April 2022

Management Discussion and Analysis

BUSINESS REVIEW

The Directors are of the view that the construction business environment in which the Group operates in Hong Kong has become tough and the Group's superstructure and construction gross profit and gross profit margin will continue to be under pressure due to low bidding price on the tenders, which will in turn affect the business performance of the Group. The Group will be prudent in managing construction business operations and evaluating business development opportunities in Hong Kong to diversify the revenue sources and therefore the Group can minimise possible exposure to the uncertainties in the Hong Kong market.

During the Reporting Year, the Group has successfully expanded its construction business in a diverse range of related businesses in the PRC, such as buildings, constructions works and construction materials supplies, property development, property management, F&B supply chain, health and wellness business, and provision of smart logistics and information system. Satisfactory performance was recorded during the Reporting Year.

As at 31 December 2021, the Group has six main segments, which are (i) foundation works, superstructure building works and construction materials supplies; (ii) property development and investment properties business; (iii) properties management; (iv) F&B supply chain; (v) health and wellness services; and (vi) smart logistic and information technology development. We seek to achieve synergistic value amongst the segments in order to obtain higher returns and greater business opportunities.

Building works, constructions and materials supplies

Property development and investment properties

Property management

F&B supply chain

Health and wellness services

Smart logistic and information technology

Foundation works, superstructure building works and construction materials supplies

During the Reporting Year, the revenue from the foundation works, superstructure building works and construction materials supplies segment was approximately HK$684.2 million (Previous Reporting Period: approximately HK$308.5 million), which accounted for approximately 63.0% (Previous Reporting Period: approximately 82.6%) of the Group's total revenue. The increase was mainly due to additional construction and building works of Huai Yuan Project and Liquan Project in the PRC and strong growth in sales volume of construction materials during the Reporting Year.

Property development and investment properties business

Quzhou — Rural and wellness Project

During the Reporting Year, the revenue from the property development and investment properties segment was approximately HK$85.8 million (Previous Reporting Period: Nil), which accounted for approximately 7.9% (Previous Reporting Period: Nil) of the Group's total revenue. The increase was mainly due to the completion of bungalow project in Quzhou City, which was launched for sale during the Reporting Year.

The total site area of the project is approximately 27,920 sq.m, and the gross floor area ("**GFA**") thereof is approximately 37,356 sq.m.. The condominium and hotel has been completed in end of 2021, and the Group intends to hold a total gross floor area of approximately 18,599 sq.m for hotel leasing to generate rental income in the future.

Property management services

Property management services include security, cleaning, greening, gardening, repair and maintenance in the PRC. As at 31 December 2021, GFA under property management services provided by the Group was approximately 2.45 million sq.m. (Previous Reporting Period: approximately 1.81 million sq.m) and the revenue from the property management business segment was approximately HK$40.4 million (Previous Reporting Period: HK$5.9 million), which accounted for approximately 3.7% (Previous Reporting Period: 1.6%) of the Group's total revenue.

Food and Beverage Supply Chain

F&B supply chain includes supply chain services of agriculture products, frozen meat and other F&B materials. As at 31 December 2021, the revenue from F&B supply chain segment was approximately HK$93.1 million (Previous Reporting Period: Nil), which accounted for approximately 8.6% (Previous Reporting Period: Nil) of the Group's total revenue.

Health and wellness services

Health and wellness business includes supplying of healthcare products, green food and beauty products. During the Reporting Year, the revenue in health and wellness business was approximately HK$176.1 million (Previous Reporting Period: HK$58.5 million), which accounted for approximately 16.2% (Previous Reporting Period: 15.7%) of the Group's total revenue.

Smart logistic and information system

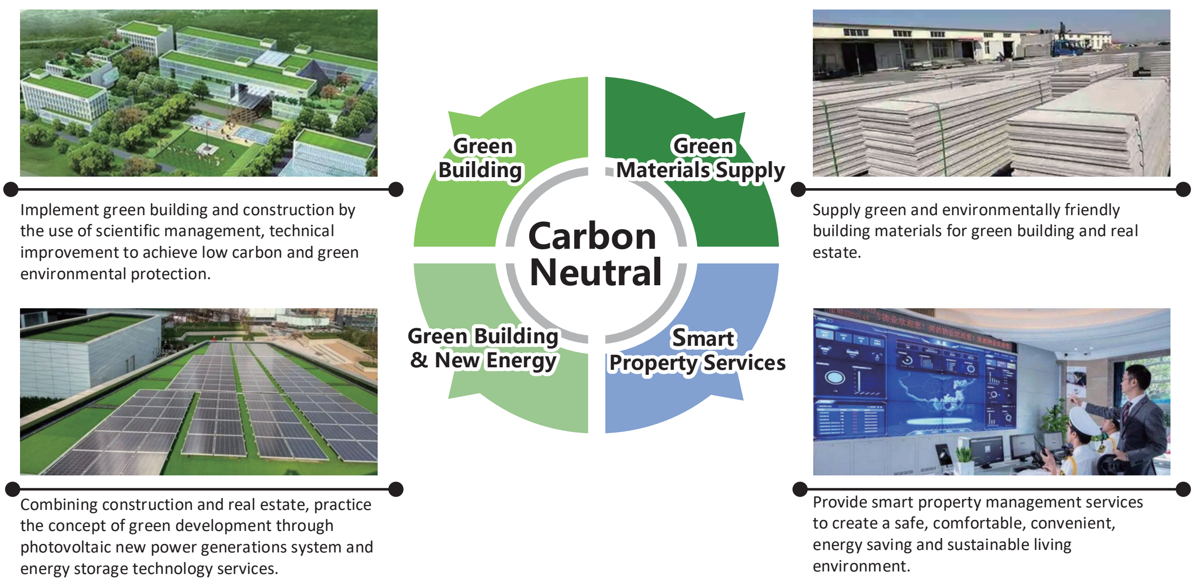
During the Reporting Year, the revenue in smart logistic and information system segment was approximately HK$6.6 million (Previous Reporting Period: HK$0.6 million), which accounted for approximately 0.6% (Previous Reporting Period: 0.2%) of the Group's total revenue.

FUTURE PLANS AND PROSPECTS

China aims to reach the CO_2 emissions peak before 2030 and achieve carbon neutrality before 2060. Prior to setting such goal, China had already invested heavily in energy conservation and emission reduction, and now it's ramping up efforts to achieve the timeline. A deep transformation of the energy system through a combination of decarbonising power generation, electrifying end-use sectors, and switching to low-carbon fuels will not just generate health co-benefits but are actually essential for long-term air quality improvements, better public health and the country's Beautiful China vision.

Carbon neutrality and zero emissions are reshaping investment in unprecedented ways. In the next three decades, the investment scale required to achieve carbon neutrality in China will be more than RMB100 billion, which will bring huge development opportunities for green energy investment.

We seek to the green buildings and new green energy business opportunities in order to obtain higher returns for shareholders. The Group is also committed to respond to the national policies with the concept of carbon neutrality, to cultivate the green buildings and new green energy under the Group's existing business foundation of construction and building works, devoted to contribute to the development of ecological habitat industry, striving to create a low-carbon, energy-saving, ecological and environmentally friendly and clean living environment.



Furthermore, the Group also aims to generate long-term value for our shareholders (the "**Shareholders**") through the strategic investment and pre-IPO investment in high growth industries with future investment potential, including but not limited to metaverse online gaming, photovoltaic and low carbon industry, new energy battery charging and robotics industry. The Group believes that the strategic investment could expand the Group's business opportunity and broaden its income sources.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Reporting Year amounted to approximately HK$1,086.2 million, i.e. about 191% more than that of approximately HK$373.5 million for the Previous Reporting Period. The improvement was primarily due to the combined effect of: (i) net increase in revenue from the foundation works, superstructure building works and construction materials supplies segment which amounted to approximately HK$684.2 million, which was driven by strong growth in sales volume of construction materials and new construction and building works of Huai Yuan Project ("懷遠") and Liquan Project ("臨泉") in the PRC during the Reporting Year (Previous Reporting Period: HK$308.5 million); (ii) increase in revenue from the property development segment which amounted to approximately HK$85.8 million (Previous Reporting Period: Nil) as a result of new launch of bungalows for sale under the Rural and wellness Project in Quzhou, the PRC; (iii) increase in revenue from the health and wellness segment which amounted to approximately HK$176.1 million (Previous Reporting Period: HK$58.5 million), and (iv) increase in revenue from property management segment accounted for approximately HK$40.4 million as a result of acquisition of a property management company on 10 November 2020.

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Foundation works, superstructure building works and construction materials supplies	**684,219**	308,528
Property development	**85,769**	–
Property management	**40,370**	5,867
F&B supply chain	**93,149**	–
Health and wellness	**176,139**	58,500
Smart logistic and information system	**6,590**	632
	1,086,236	373,527

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Year amounted to approximately HK$51.8 million, representing an increase of approximately 896% as compared with the Previous Reporting Period. The increase was mainly due to the increase in revenue as a result of higher profit margin in the new launch of bungalows for sale under the Rural and wellness Project in Quzhou, the PRC.

Other Income and Gains/(Loss)

The Group's other income and gains/(loss) for the Reporting Year amounted to approximately HK$41.4 million, representing an increase of approximately 1,194% compared with approximately HK$3.2 million for the Previous Reporting Period. The increase was mainly attributable to the combined effect of: (i) waiver of repayment obligation for a loan and (ii) operating lease income from machinery and equipment for the Reporting Year as compared with the Previous Reporting Period.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Reporting Year amounted to approximately HK$47.2 million, representing an increase of approximately 30.0% compared with approximately HK$36.3 million for the Previous Reporting Period. The increase was mainly due to the costs for the recruitment of new staff and office rental expenses as a result of development of new business segments during the Reporting Year.

Income Tax Expense

The Group's income tax expense has increased by approximately 329% from approximately HK$4.5 million for the Previous Reporting Period to approximately HK$19.3 million for the Reporting Year. Such increase was mainly due to the deferred tax expenses on land appreciation tax of investment properties of approximately HK$4.5 million and tax expenses of PRC enterprise of approximately HK$14.8 million.

Net Profit

The Group reported a net profit for the Reporting Year of approximately HK$60.3 million, while the Group reported a net loss of approximately HK$0.65 million for the Previous Reporting Period. The turnaround from net loss to net profit was primarily attributable to (i) an increase in revenue; (ii) an increase in gross profit margin; (iii) the launch of bungalows for sale under the Rural and wellness Project in Quzhou, the PRC; (iv) waiver of repayment obligation for a loan and (v) a fair value gain on investment properties through profit and loss, for the Reporting Year as compared with the corresponding period in 2020.

Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA")

Non-HKFRS measures are to supplement the Group's financial results which are presented in accordance with HKFRSs. EBITDA is used as an additional financial measure. The Group believes that non-HKFRS measures provide useful information to investors and others to understand and evaluate the Group's consolidated results for the purpose of comparison across accounting periods and with those of our peer companies.

The following table sets forth the Group's non-HKFRSs financial data for the Reporting Year and the Previous Reporting Period:

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Profit/(loss) for the year/period	**60,286**	(652)
Interest income	**(97)**	(108)
Finance costs	**3,413**	76
Taxation	**19,253**	4,529
Depreciation	**9,422**	3,473
EBITDA	**92,277**	7,318

EBITDA for the Reporting Year amounted to a profit of approximately HK$92.3 million, representing an increase of approximately 1,164% as compared with a profit of approximately HK$7.3 million for the Previous Reporting Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Reporting Year, the Group funded its liquidity and capital requirements primarily through capital contributions and cash inflow generated from operating activities.

As at 31 December 2021, the Group had cash and bank balances of approximately HK$50.4 million (Previous Reporting Period: approximately HK$53.8 million). The decrease was mainly due to the payment for the new development and investment properties project in Quzhou City, Zhejiang, the PRC.

As at 31 December 2021, the share capital and equity attributable to owners of the Company amounted to approximately HK$2.6 million and HK$230.0 million, respectively (Previous Reporting Period: approximately HK$2.6 million and HK$162.4 million, respectively).

The current ratio remained at 1.2 times during the Reporting Year (Previous Reporting Period: 1.2 times).

Gearing Ratio

The gearing ratio of the Group, calculated as total borrowings divided by total share capital and reserves, was approximately 49.0% as at 31 December 2021 (31 December 2020: 5.1%).

Foreign Exchange Risk

The Group mainly operates in Hong Kong and PRC in 2021. Accordingly, all operating transactions and revenue are settled in Hong Kong dollars and Renminbi, subjecting the Group to foreign exchange risk. The Group has actively taken various measures to manage foreign exchange risk since 2021.

Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associates Companies

Save as disclosed in this annual report, during the Reporting Year, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.

EMPLOYEES

The Group had 468 employees (including full-time and casual employees who are paid on a daily basis) as at 31 December 2021 (Previous Reporting Period: 382). Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave for the Reporting Year amounted to approximately HK$49.7 million (Previous Reporting Period: approximately HK$30.1 million). The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and job training programs, salary increment and discretionary bonuses may be awarded to employees upon approval by the Board according to the Group's operating results, individual performance and market situation.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2021 and 2020.

CONTINGENT LIABILITIES

Our subsidiaries are involved in a number of potential claims relating to employees' compensation cases and personal injuries claims as well as summonses for safety-related incidents in the ordinary course of business as at the date of this report. The Directors considered that the possibility of any outflow in settling (i) the potential personal injury claims were remote as these claims were well covered by insurance; and (ii) the summonses will be insignificant to the business of the Group. Accordingly, no provision for the contingent liabilities in respect of the potential personal injury claims and the summonses is necessary after due consideration of each case.

USE OF PROCEEDS FROM THE LISTING

On 8 July 2021, the Board resolved to change the use of the remaining unutilised net proceeds (the "**Net Proceeds**") from the initial public offering ("**the Listing**"). For details of such change, please refer to the announcement of the Company dated 8 July 2021.

The below table sets out the use of the Net Proceeds and the unutilised amount as at 31 December 2021:

	Original use of the Net Proceeds HK$'000	**Revised use of the Net Proceeds** HK$'000	**Actual use of the Net Proceeds as at 31 December 2021** HK$'000	**Unutilised amount as at 31 December 2021** HK$'000	**Expected timeline**
Hiring of additional staff	11,600	11,600	6,342	5,258	End of 2022
Acquisition of additional machinery and equipment	54,900	43,900	34,102	9,798	End of 2022
General working capital	7,000	18,000	7,000	11,000	End of 2022
Total	**73,500**	**73,500**	**47,444**	**26,056**	

The Net Proceeds that were not applied immediately have been placed in the short-term demand deposits with licensed banks in Hong Kong as at the date of this report.

Management Discussion and Analysis

SIGNIFICANT EVENTS

The board lot size for trading in the shares of the Company on The Stock Exchange of Hong Kong Limited changed from 2,000 shares to 1,000 shares on 30 November 2021.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has occurred during the Reporting Year and up to the date of this report.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Reporting Year (Previous Reporting Period: Nil).

EVENTS AFTER THE REPORTING YEAR

There was no significant event after the Reporting Year and up to the date of this report.

Biographies of Directors and Senior Management

Biographical details of the Directors and Senior Management are set out as follows:

EXECUTIVE DIRECTORS

Mr. Yu Zhuyun (余竹雲), aged 49, has been an executive Director and the chairman of the Board (the "**Chairman**") since October 2019, and was appointed as the chief executive officer (the "**CEO**") in April 2020. Mr. Yu is an entrepreneur with over 15 years of experience primarily in the property development and investment industry in the PRC. He founded Anhui Central Holding Group Co., Ltd.* (安徽中環控股集團有限公司) ("**Anhui Central**") in 2004, which has now developed into a diversified enterprise engaging in a variety of businesses, including real estate development, commercial property leasing, environmentally friendly construction, cultural and creative business, smart logistics and trade development, as well as health and wellness business in the PRC. He is currently serving as the chairman of the board of directors of Anhui Central.

Mr. Yu is a standing committee member of the All-China Youth Federation (中華全國青年聯合會), a council member of the China Society for Promotion of the Guangcai Program (中國光彩事業促進會), a council member of the China Young Volunteers Association (中國青年志願者協會), a standing council member of the China Mergers & Acquisitions Association (中國併購公會), the vice president of the Anhui Federation of Industry and Commerce (安徽省工商業聯合會), a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議安徽省委員會), the vice president of the Anhui Youth Federation (安徽省青年聯合會), a standing council member of the Anhui Overseas Friendship Association (安徽省海外聯誼會), and the honorary president of the Anhui Federation of Overseas Chinese Entrepreneurs (安徽省僑商聯合會).

Mr. Yu obtained a Master of Business Administration from Hong Kong Baptist University in November 2007. He further obtained an Executive Master of Business Administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2013.

Mr. Li Menglin (李夢琳), aged 65, has been an executive Director since April 2020. Mr. Li has extensive experience in the banking and financial services sectors in the PRC. During the period from April 1998 to September 2017, he held various senior positions at the Anhui provincial branch of the Industrial and Commercial Bank of China, including the president of Anqing branch, chief of the education department, chief manager of real estate financing department, head of stock reform office, chief manager of company services II department, and manager and senior manager of small-sized enterprises financing department. From September 2017 to July 2019, he served as the chairman of the board and the president of Anhui Xin'an Bank* (安徽新安銀行), and has been serving as a consultant of Anhui Xin'an Bank since June 2019.

Mr. Li received the awards of Model Individual in Consumer Credits Management Works of 2005* (2005年度中國工商銀行消費信貸管理工作先進個人), Annual Excellent Performance by the Anhui Provincial Branch of the Industrial and Commercial Bank of China* (中國工商銀行省行本部年度考核優秀等次) in 2007, 2013 and 2015 and Model Worker in the Innovative Work in the Finance Sector in Anhui Province of 2010* (2010年度安徽省金融創新工作先進個人).

Mr. Li obtained a Bachelor of Economics in Finance awarded by Anhui University of Finance and Economics in July 1982. He was awarded a Master of Business Administration (International) by the University of Hong Kong in December 2003 in the IMBA Programme co-organised by the University of Hong Kong and Fudan University (復旦大學) in the PRC.

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Qiao Xiaoge (喬曉戈), aged 55, has been a non-executive Director since October 2019. Mr. Qiao is experienced in the field of real estate development and construction. During the period from March 2000 to November 2003, he served as a deputy general manager of the predecessor company of Wanda Commercial Properties (Group) Co., Ltd. (萬達商業地產(集團)有限公司), a private property developer. He then served as a vice president of Sunac Huabei Development Group Co., Ltd.* (融創華北發展集團有限公司), a company principally engaged in real estate development and commercial property leasing, from January 2004 to June 2006. He has been serving as the president of Anhui Central since August 2011.

Mr. Qiao graduated from Hefei University (合肥學院) in the PRC in July 1991.

Ms. Zhu Yujuan (朱玉娟), aged 43, has been a non-executive Director since October 2019. Ms. Zhu joined Anhui Central in February 2009. She had served in various positions in Anhui Central, including general manager of the administrative and human resources management center and assistant to the president. She is currently serving as a vice president of Anhui Central.

Ms. Zhu graduated from Hefei University of Technology (合肥工業大學) and the Institute of Psychology of the Chinese Academy of Sciences (中國科學院心理研究所) in the PRC in January 2009 and February 2011, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Li David Xianglin (李祥林), aged 59, has been an independent non-executive Director since October 2019. Dr. Li is currently a professor of finance at the Shanghai Advanced Institute of Finance (上海高級金融學院), an associate dean, the director of the risk management center (風險管理研究中心) and the director of the FinTech Research Center (金融科技研究中心) of the Chinese Academy of Financial Research (中國金融研究院), and a co-director of the Master of Finance program in Shanghai Jiao Tong University (中國上海交通大學) in the PRC. Prior to joining Shanghai Jiao Tong University (中國上海交通大學), he had served in leading financial institutions for more than two decades. He was the head of global credit derivatives research of Citigroup from October 2001 to June 2004, the head of quantitative analysis of credit derivatives of Barclays Capital from June 2004 to April 2008, the chief risk officer of China International Capital Corporation Limited from May 2008 to January 2012, the director of senior management and the head of modeling for AIG Investments from January 2012 to March 2016, and the senior vice president of investment and the person-in-charge of the risk analytics and methodology department of Prudential Financial, Inc. from March 2016 to December 2017.

Dr. Li obtained a Master of Business Administration from Laval University in Canada in May 1991. He further obtained a Master of Mathematics (Actuarial Science) and a Doctor of Philosophy (Statistics) from the University of Waterloo in Canada in May 1992 and October 1995, respectively.

Mr. Wang Wenxing (王文星), aged 53, has been an independent non-executive Director since October 2019. Mr. Wang is currently serving as a senior tax consultant of Triangle Accounting Limited and an international tax consultant of Mind & Sun Partners in Shanghai. He has also been serving as a senior partner, the chief accountant and the quality control director of Anthony Chen CPA, PLLC since February 2009. During the period from May 1995 to March 2003, he served as a project manager in the Guangzhou Branch of the China Council for the Promotion of International Trade (中國國際貿易促進委員會廣州市分會) (also known as the Guangzhou Chamber of Commerce of the China International Chamber of Commerce (中國國際商會廣州市商會)). He was the chief tax accountant of the high net value business department of AIA China from April 2015 to June 2017.

Mr. Wang obtained a Master of Science from the City University of New York in the United States in February 2008. He has been enrolled to practice before the Internal Revenue Service of the Department of the Treasury of the United States since November 2010.

Dr. Zhou Chunsheng (周春生), aged 56, has been an independent non-executive Director since October 2019. Dr. Zhou is currently a professor of Cheung Kong Graduate School of Business (長江商學院) in the PRC. He is an independent non-executive director of Pine Technology Holdings Limited, a company listed on the Stock Exchange (stock code: 1079), an independent non-executive director of Transfar Zhilian Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002010), a director of Nanda Automation Technology Jiangsu Co., Ltd, a company then listed on the National Equities Exchange and Quotations Co., Ltd. (stock code: 834876), and an independent non-executive director of Kunwu Jiuding Investment Holdings Co., Limited ("**Kunwu Holdings**"), a company listed on the Shanghai Stock Exchange (stock code: 600053). The Company was notified on 8 October 2021 that an announcement was made by Kunwu Holdings on 25 September 2021 in relation to, among other things, the receipt of a decision on administrative supervision measures (《中國證券監督管理委員會江西監管局行政監管措施決定書》) from Jiangxi Regulatory Bureau of China Securities Regulatory Commission ("**CSRC**") (中國證券監督管理委員會江西監管局) by Kunwu Holdings and the secretary to the board of directors of Kunwu Holdings. To the Directors' best knowledge, information and belief, Dr. Zhou is not involved in the day-to-day management of Kunwu Holdings, and has not been subject to any sanction, administrative penalty or criticism by the CSRC and the Shanghai Stock Exchange. For further details, please refer to the announcement of the Company dated 11 October 2021. He has also been a director of Guanghua Tiancheng Investments Co., Ltd. since March 2007, and an independent non-executive director of Hua Chuang Securities Brokerage Co., Ltd. and China Southern Fund Management Co., Ltd. since June 2007.

Dr. Zhou served as an independent non-executive director of Zhonghong Holdings Co., Limited ("**Zhonghong Holdings**"), a company then listed on the Shenzhen Stock Exchange (stock code: 000979), from May 2008 to April 2020. The Board was informed by Dr. Zhou on 23 October 2019 that Zhonghong Holdings, a company of which Dr. Zhou has been serving as an independent non-executive director, received an Investigation Notice (《調查通知書》) from the China Securities Regulatory Commission on 14 August 2018. To the best knowledge, information and belief of the Board, Dr. Zhou is not involved in the day-to-day management of Zhonghong Holdings, and has not been subject to any censure, administrative penalty or criticism by the Shenzhen Stock Exchange and the CSRC. For further details, please refer to the announcement of the Company dated 25 October 2019. Dr. Zhou also served as an independent non-executive director of China ITS (Holdings) Co., Ltd., a company listed on the Stock Exchange (stock code: 1900), from September 2008 to June 2018, an independent non-executive director of Green Leader Holdings Group Limited, a company listed on the Stock Exchange (stock code: 61), from June 2013 to August 2019, an independent non-executive director of Guosheng Financial Holding Inc., a company listed on the Shenzhen Stock Exchange (stock code: 002670), from July 2015 to April 2020, and an independent director of Leshan City Commercial Bank from August 2012 to January 2019.

Dr. Zhou was an economist of the U.S. Federal Reserve Board from April 1995 to September 1997, where he was responsible for the analysis, control and management of financial risks, an assistant professor at the University of California (Riverside) from September 1997 to April 2001, an associate professor of the Business School of the University of Hong Kong from July 2000 to July 2001, a commissioner of the Development and Strategy Committee of the China Securities Regulatory Commission (中國證券監督管理及規劃委員會委員) from April 2001 to December 2001, and a finance professor of the Guanghua School of Management at Peking University (北京大學) from July 2001 to December 2006.

Dr. Zhou obtained a Master of Science from Peking University (北京大學) in the PRC in July 1988, and a Doctor of Economics from Princeton University in the United States in May 1995.

SENIOR MANAGEMENT

Mr. Che Kean Tat (徐建達) aged 39, is the vice president and chief financial officer of the Group. In his current role, Mr. Che is tasked with the corporate affairs, mergers and acquisition, overseeing the Group financial and compliance. He is a member of CPA Australia and has over 15 years of experience in accounting, auditing, corporate finance and IPO advisory. In 2006, he started his career as auditor with Ernst & Young LLP and left the firm in 2009. From 2009 to 2012, he worked as Corporate Finance Manager with ICH Group, which was involved in several IPOs in South East Asia region. In 2013, he served as Vice President in Auscar Wealth Management Sdn Bhd, responsible for corporate finance, fund raising, merger and acquisition. From 2013 to 2016, he worked as Chief Financial Officer at Heyu Capital Group. From 2019 to 2020, he worked as Group CFO in Nova Group Holdings (Stock code: 1360), responsible for the group financial affairs, corporate financial activities, merger & acquisition and corporate restructurings. Mr. Che graduated from the University of Adelaide in Australia and majored in Accounting and Finance in 2005.

Mr. Qin Ning (秦寧) aged 42, is the chief legal and operating officer of the Group. He has over 15 years of experience as a corporate counsel and lawyer, in M&A, investment and finance. In 2003, he started his career as Clerk with the Court of Baqiao District of Xi'an in China and left in 2004. From 2004 to 2005, he worked as Paralegal with Shaanxi Haipu Law Firm in Xi'an of China. In 2008, he worked as a paralegal with Jane Willems' Firm in Paris, France. From 2009 to 2013, he served as Senior Manager in Tian An China Investment Ltd., (stock code: 0028), listed on the HK stock exchange, responsible for the China legal and investment. In 2013, he worked as General Manager in Shaanxi HDTX Investment Ltd. In 2016, he served as Executive Director in Yulin FFL Environmental Energy Limited (member of ENGIE Group in France). In 2018, he worked as Assistant President in Guanghui Energy Group (stock code: 600256), listed on the SHH stock exchange. Mr. Qin is a graduate from the Law school of Versailles University in France, and majored in Arbitration and International business in 2008.

Mr. Lam Ka Tsun (林嘉俊) was appointed as the company secretary of the Company on 1 April 2022. Mr. Lam is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). He is an external service provider engaged by the Company to provide company secretarial services.

English translation of names in Chinese which is marked with " " in this annual report is for identification purposes only.*

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the Reporting Year (the "**Financial Statements**").

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands with limited liability on 29 March 2017. The Company completed the corporate reorganisation (the "**Reorganisation**") on 8 March 2018 in preparation for the listing of the shares of the Company (the "**Shares**") on the Main Board of the Stock Exchange, pursuant to which the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the section headed "History and Development — Reorganisation" in the prospectus of the Company dated 19 March 2018.

The Company has a principal place of business in Hong Kong at Office 5509, 55th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 12 to the Financial Statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Reporting Year are set out in Note 12 to the Financial Statements.

BUSINESS REVIEW

The business review and outlook of the Group for the Reporting Year are set out in the section headed "Management Discussion and Analysis" in this annual report.

SEGMENTAL INFORMATION

Details of segment reporting are set out in Note 5 to the Financial Statements.

RESULTS

The results of the Group for the Reporting Year and the financial position of the Group as at 31 December 2021 are set out in the Financial Statements on pages 67 to 69 of this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the Reporting Year (Previous Reporting Period: Nil).

ANNUAL GENERAL MEETING

The annual general meeting (the "**AGM**") of the Company will be held on Friday, 17 June 2022. A notice convening the AGM will be issued and sent to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlement to attend and vote at the AGM to be held on Friday, 17 June 2022, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 June 2022.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects may be affected by a number of risks and uncertainties. The followings are the key risk and uncertainties identified by the Group relating to its business:

A significant portion of the Group's revenue was generated from contracts awarded by a limited number of customers, and any significant decrease in the number of projects with major customers may materially and adversely affect its financial condition and operating results

A significant portion of our revenue was derived from a limited number of customers during the Reporting Year. There is no assurance that we will continue to obtain contracts from our major customers, and in the event that we are unable to secure suitable projects of a comparable size and quantity as replacements from other customers, our financial condition and operating results would be materially and adversely affected. In addition, in the event that our major customers experience any liquidity problem, they may delay or default in their payments to us, in which case our business, financial positions and prospects could be materially and adversely affected.

The Group's revenue relied on successful tenders of foundation works and superstructure building works projects which are not recurrent in nature, and there is no guarantee that its customers will provide it with new business

During the Reporting Year, our revenue was mainly derived from foundation works and superstructure building works projects in Hong Kong which were awarded to us on successful tenders. Our future growth and success will depend on our ability to continue to secure tenders and contract awards. In addition, our business is contract-based and on a non-recurring basis. We secured our foundation works and superstructure building works projects through competitive tender processes. We do not have long-term commitments with our customers and our customers are therefore under no obligation to award projects to us. As such, there is no guarantee that we will be able to secure new business from customers. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

Any failure to accurately estimate the project costs in tenders and/or any delay in completion of projects may lead to cost overruns or even result in losses

The Group's ability to submit tender proposals at a competitive price with adequate profit margin to maintain its profitability depends on various factors. We determine the tender price by taking into account factors including the scope and complexity of the project, site conditions, project time frame, estimated construction materials costs, labour and machinery requirements and capacity, extent of subcontracted works required, relationship with customers and prevailing market conditions. In addition, the Group may be subject to liquidated damages due to delay in completing the projects, calculated on the basis of a fixed sum per day or according to certain mechanism as stipulated under the contract. Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or costs overruns, which in turn may materially and adversely affect the Group's financial condition, profitability and liquidity.

We may be subject to fines due to the commencement of construction work prior to obtaining the relevant construction work commencement permit or building unauthorized construction without PRC local government's permission

During the Year, our significant portion of revenue was derived from foundation work and construction work in PRC. Pursuant to the Regulations on Administration Regarding Permission for Commencement of Construction Work (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction on October 15, 1999 and amended on July 4, 2001, a property developer shall apply for a construction work commencement permit from the relevant authority prior to the commencement of any construction work on the land. If a property developer fails to obtain the relevant construction work commencement permit before commencement of construction work, a fine ranging from RMB5,000 to RMB10,000 (if no proceeds were generated by such non-compliance) or from RMB5,000 to RMB30,000 (if proceeds were generated by such non-compliance) will be imposed on such property developer.

We are required to comply with various environmental, safety and health laws and regulations which are extensive and the compliance of which may be onerous or expensive

As part of our construction business operation in PRC, we are required to comply with various and extensive environmental as well as health and safety laws and regulations promulgated by the PRC government and the governments of other overseas jurisdictions in which we operate. If we fail to comply with these laws and regulations, we could be exposed to penalties, fines, suspension or revocation of our licenses or permits to conduct business, administrative proceedings and litigation. Given the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. As these laws and regulations continue to evolve, there can be no assurance that the PRC government or the governments of other overseas jurisdictions in which we have operations will not impose additional or more onerous laws or regulations, compliance with which may cause us to incur significantly increased costs, which we may not be able to pass on to our customers.

We require permits or licenses to undertake our business operations and any loss, termination or non-renewal of these permits or licenses could have a significant and adverse impact on our business.

We require permits and licenses issued by the relevant government agencies to conduct our business and we must comply with the restrictions and conditions imposed by various levels of government to maintain our permits and licenses. If we fail to comply with any of the regulations required for the maintenance of our permits and licenses, our permits and licenses could be temporarily suspended or even revoked.

Our property development business is dependent on the growth of the real estate market in the PRC

As of December 31, 2020, we had a new development project in Quzhou City, Zhejiang Province, the PRC, comprising of hotel, condominium and bungalows. The total site area of the project is approximately 27,920 sq.m and the total gross floor area thereof approximately 37,356 sq.m. Demand for properties and property prices in China, including Zhejiang Province may be fluctuated and expected to continue to be affected by macro-economic control measures implemented by the PRC government from time to time.

Our property development business in PRC is subject to extensive governmental regulations and policies and, in particular, we are susceptible to policy changes in the PRC property industry

Our business is subject to extensive governmental regulations and policies. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, which, among other things, control foreign exchanges, taxation, foreign investment and the supply of land for property development. Through these policies and measures, the PRC government may raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales, restrict foreign investment in the PRC property sector and restrict or reduce the supply of land for property development.

We may not be able to complete or deliver our development projects on time and face substantial development risks before we realize any benefits from a property development project

Property development projects require substantial capital expenditures prior to and during the construction period. It may take longer than a year from the commencement of construction before a property development project can generate cash flow through pre-sales, sales or leases. The progress and costs of a property development project can be materially and adversely affected by many factors, including, without limitation:

i) Delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;

ii) Relocation of existing residents or demolition of existing structures;

iii) Shortages of our increase in costs of materials, equipment, contractors and skilled labor;

iv) Availability and cost of financing;

v) Failure of contractors or suppliers to provide products and services as anticipated, due to financial difficulties or other reasons;

vi) Labor disputes;

vii) Construction accidents;

viii) Natural catastrophes;

ix) Adverse weather conditions; and

x) Changes in government policies.

We cannot assure that we will not experience any significant delays in the completion or delivery of any of our property development projects or that we will not subject to any liabilities for any such delays. Such disruptions may materially and adversely affect our business, results of operations and financial position.

We may not be able to collect property management fees from property owners and property developers and as a result, may incur impairment losses on receivables

In our property management business operation, we may face difficulties in collecting property management fees from property developers and property owners. Even though we seek to collect overdue property management fees through a number of collection measures, we cannot assure that such measures will be effective at all. Moreover, although most of the property management fees are paid to us through bank transfers and online payments, certain property owners would pay property management fees to us in cash, which may impose some cash management risk on us.

Our trading of construction materials business are exposed to credit risk of our customers

We generally do not grant any credit period for enterprises which are subject to litigation in respect of Construction material agreements disputes, administrative penalty and outstanding tax arrears. Depending on factors including but not limited to their scale of operation, prospect and size of future sales, trading and payment history and our business relationship with them, we generally grant our customers a credit period of 7 days to 270 days.

We cannot assure that any of our customers which have been granted credit period can fulfil their obligations under the Construction material agreements we entered into with them. Any default by our customers on their obligations under our Construction material agreements with them may have an adverse effect on our business, financial position and results of operations.

We may be affected by disease outbreaks

Any outbreak of diseases or viruses in livestock, or food scares in the region or around the world, such as the avian influenza H7N9 virus (also known as bird flu) or bovine spongiform encephalopathy (also known as mad cow disease), may materially and adversely affect our F&B supply chain business and financial performance.

Certain F&B products from particular countries may be restricted or banned by the government in PRC or elsewhere, and scarcity of supplies may lead to price increases for those products, thereby affecting our ability to serve certain F&B products in our supply chain business. In the event that any of these events occur, our business, operations and financial performance may be materially and adversely affected.

We will be affected by any failure to maintain the quality of the food & beverage products and services we offer

In the F&B industry, it is essential that the quality of food products served must be consistent. Any inconsistency in the quality of our F&B products may result in customers dissatisfaction. In addition, high staff turnover, shortage of staff or the lack of proper supervision may also affect the consistency and quality of the food & beverage products. We may be exposed to negative publicity, customer complaints and potential litigation if we do not maintain the quality of F&B products.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years/period is set out on page 145 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Year are set out in Note 14 to the Financial Statements.

INTANGIBLE ASSETS

Details of the movements in the intangible assets of the Group during the Reporting Year are set out in Note 17 to the Financial Statements.

SHARE CAPITAL

The Company's total issued share capital as at 31 December 2021 was 1,056,000,000 ordinary Shares of HK$0.0025 per Share.

The Company did not issue any Shares during the Reporting Year. Details of movements during the Reporting Year in the share capital of the Company are set out in Note 24 to the Financial Statements.

DEBENTURES

The Company did not issue any debenture during the Reporting Year.

RESERVES

Details of movements in the reserves of the Group during the Reporting Year are set out in Note 37 to the Financial Statements.

As at 31 December 2021, the Company had reserves amounting to approximately HK$33 million available for distribution as calculated in accordance with statutory provisions applicable in the Cayman Islands (31 December 2020 : approximately HK$44 million).

Directors' Report

DIRECTORS

The Directors who held office during the Reporting Year and up to the date of this annual report are:

Executive Directors
Mr. Yu Zhuyun *(Chairman and Chief Executive Officer)*
Mr. Li Menglin

Non-executive Directors
Mr. Qiao Xiaoge
Ms. Zhu Yujuan

Independent non-executive Directors
Dr. Li David Xianglin
Mr. Wang Wenxing
Dr. Zhou Chunsheng

The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

DIRECTORS' SERVICE CONTRACT

Each of the Directors has entered into an appointment contract with the Company for a term of three years, subject to retirement by rotation at the AGM, and each of them shall be eligible for re-election in accordance with the amended and restated articles of association of the Company (the "**Restated Articles**"). Mr. Yu Zhuyun, Mr. Qiao Xiaoge and Dr. Zhou Chunsheng shall retire from office by rotation and, being eligible, shall offer themselves for re-election at the AGM.

Save as disclosed above, none of the Directors, including the Directors being proposed to be re-elected at the AGM, has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

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

MANAGEMENT CONTRACTS

No contracts, other than the appointment contracts and employment 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 Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2021, the interest and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules, notified to the Company and the Stock Exchange were as follow:

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested in *(Note 1)*	Approximate percentage of interest in the Company
Mr. Yu Zhuyun	Interest in a controlled corporation *(Note 2)*	776,066,000 (L)	73.49%

Notes:

1. "L" denotes long position and "S" denotes short position.

2. Mr. Yu Zhuyun holds the entire issued share capital in Central Culture Resource Group Limited and Central Culture Resource Group Limited holds approximately 73.49% of the total number of issued Shares of the Company. Therefore, Mr. Yu Zhuyun is taken to be interested in the number of Shares held by Central Culture Resource Group Limited pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of 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 are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO.

Substantial Shareholders' interests and short positions in Shares and underlying Shares

As at 31 December 2020, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to the Section 336 of the SFO, or which would directly or indirectly amount to 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested in *(Note 1)*	Approximate percentage of interest in the Company
Central Culture Resource Group Limited	Beneficial owner	776,066,000 (L)	73.49%
Huatai Securities Co., Ltd.	Interest in a controlled corporation *(Note 2)*	760,320,000 (L)	72.00%

Notes:

1. "L" denotes long position and "S" denotes short position.

2. Pursuant to a share charge dated 10 February 2021, Central Culture Resource Group Limited has charged 760,320,000 Shares in favour of Huatai Financial Holdings (Hong Kong) Limited. Huatai Financial Holdings (Hong Kong) Limited is wholly-owned by Huatai International Financial Holdings Company Limited, which is wholly-owned by Huatai Securities Co., Ltd. Therefore, Huatai Securities Co., Ltd. and Huatai International Financial Holdings Company Limited are taken to be interested in the number of Shares in which Huatai Financial Holdings (Hong Kong) Limited is interested in for the purpose of the SFO.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any person or corporation (other than the Directors and the chief executives) who had any interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests in Securities" above and the paragraph headed "Share Option Scheme" below, at no time during the Reporting Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holdings company, or and any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors, or their respective spouse of children under 18 years of age, to acquire such rights by means of the acquisition of Shares in or debentures of the Company of any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraphs headed "Connected Transactions" below and in Note 32 to the Financial Statements, there was no transaction, arrangement or contract of significance, to which the Company or any of its subsidiaries, its parent company, or its parent company's subsidiaries was a party, and in which a Director or any entity connected with a Director had a material interest, whether directly and indirectly, subsisting as at 31 December 2021 or any time during the Reporting Year, nor was there any other transaction, arrangement or contract of significance in relation to the Group's business between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Restated Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has maintained appropriate Directors' and officers' liability insurance in respect of legal actions against them arising out of corporate activities and such permitted indemnity provision for the benefit of the Directors are currently in force.

MAJOR SUPPLIERS AND CUSTOMERS

For the Reporting Year, the aggregate purchase attributable to the Group's largest supplier and the five largest suppliers accounted for approximately 16.0% and 37.8%, respectively, of the Group's total purchases for the Reporting Year (Previous Reporting Period: approximately 8.4% and 30.8%, respectively). For the Reporting Year, revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 11.6% and 33.4% respectively, of the Group's total revenue for the Reporting Year (Previous Reporting Period: approximately 21.6% and 55.6%, respectively).

To the best of the Directors' knowledge, none of the Directors, their close associates or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the number of issued share capital of the Company) had an interest in the Group's five largest suppliers or customers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

Employees

The Group recognizes employees as its valuable assets. The Group provides competitive remuneration packages to attract, motivate and retain appropriate and suitable personnel. The Group has also adopted an annual review system to assess the performance of its staff, which forms the basis of the Group's decisions with respect to salary increment and promotions.

Customers

The Group has maintained long-standing business relationship with the majority of its five largest customers. The Group endeavors to accommodate its customers' demands to the extent its resources allow in order to capture more opportunities for larger scale projects in the future.

Suppliers and subcontractors

The Group has an approved list of suppliers and selects suppliers from the list based on the quality of products or services, timeliness of delivery, experience of and length of partnership with suppliers, competitiveness of pricing and reputation of suppliers.

Subject to the Group's capacity and resource level and depending on the types of construction works as well as cost effectiveness and complexity of the projects, the Group may subcontract certain works to other subcontractors. The Group maintains an internal list of approved subcontractors and selects them based on their experience, quality of works, timeliness of completion for past projects, reputation in the industry, past performances, pricing and the Group's relationship with them.

ENVIRONMENTAL POLICIES

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws of Hong Kong. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), and Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong).

In order to comply with the applicable environmental protection laws, we have implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001 since November 2010. Apart from complying with the environmental protection policies formulated by our customers, we have established an environmental management policy to ensure proper management of environmental matters and compliance with environmental laws and regulations by both our employees and workers of our subcontractors on, among others, air pollution control, noise pollution control and waste disposal. During the Reporting Year, we did not incur any material costs on environmental compliance.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Year, to the best of knowledge of the Directors, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the Reporting Year and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the Reporting Year and up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Reporting Year and up to the date of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in Note 33 to the Financial Statements. The related party transactions which constitute connected transactions under the Listing Rules are set out in the paragraph headed "Connected Transactions" below. These connected transactions have complied with the requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

One-off Connected Transactions

During the Reporting Year, the Group had not entered into any non-exempt one-off connected transactions which were subject to the reporting, annual review, announcement and/or independent Shareholders' approval requirements under the Listing Rules.

Continuing Connected Transaction

On 7 July 2020, Anhui Zhongzhihuan Construction, an indirect wholly owned subsidiary of the Company and Linquan Zhongzhihuan Property entered into the Construction Services Agreement, pursuant to which Anhui Zhongzhihuan Construction has agreed to act as contractor to provide construction services for the Construction Project to Linquan Zhongzhihuan Property with an aggregate amount of service fee of not more than RMB132.72 million (inclusive of value-added tax) from time to time for the period commencing on 27 December 2020 until 31 December 2022. Given that Anhui Zhongzhihuan Construction possesses the necessary qualifications and/or licenses to engage in the provision of construction services, the entering into of the Construction Services Agreement allows the Group to expand its business into the construction industry in the PRC by engaging in the Construction Project in Anhui Province, the PRC. On 27 August 2020, such continuing connected transaction was approved by independent Shareholders at the extraordinary general meeting of the Company.

Linquan Zhongzhihuan Property is indirectly wholly-owned by Mr. Yu, who is the Chairman, Chief Executive Officer, an executive Director and the controlling shareholder of the Company and therefore a connected person of the Company. As such, Linquan Zhongzhihuan Property is an associate of Mr. Yu and therefore also a connected person of the Company and accordingly, the transactions contemplated under the Construction Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Mr. Yu is considered to have material interest in the transactions contemplated under the Construction Services Agreement.

Set out below are Annual Caps and Actual transaction amount for the transactions contemplated under the Construction Services Agreement for the relevant periods:

	For the period from the Effective Date to 31 December 2020 RMB	**1 January 2021 to 31 December 2021** RMB	**1 January 2022 to 31 December 2022** RMB
Annual Cap	43,451,000	66,299,000	22,970,000
Actual transaction amount:	23,467,400	64,500,000	NA

The independent non-executive Directors have reviewed the above continuing connected transaction and confirmed that these transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties (as defined under the Listing Rules); and (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Company has engaged its auditors to report on the continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter to the Board containing their conclusion in relation to the continuing connected transactions for the year ended 31 December 2021 in accordance with rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in this annual report, during the Reporting Year, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole Shareholder on 13 March 2018, the Company adopted a share option scheme (the "**Share Option Scheme**") with effect from 13 March 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarised in Appendix IV to the Prospectus. The main 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 and services providers of the Group, and to promote the business of the Group. As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 105,600,000 Shares, representing 10% of the entire issued share capital of the Company. No share option had been granted, exercised, cancelled or lapsed since the effective date of the Share Option Scheme and up to the date of this report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, no equity-linked agreements that (i) will or may result in the Company issuing Shares; or (ii) will require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Reporting Year or subsisted at the end of the Reporting Year.

DONATION

Donations made by the Group during the Reporting Year amounted to HK$350,000 (Previous Reporting Period: Nil).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the amended and restated memorandum and articles of association of the Company and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

RELIEF FROM TAXATION

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

REMUNERATIONS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in Note 9 to the Financial Statements.

The emoluments of the Directors and senior management of the Group are determined by the remuneration committee of the Company (the "**Remuneration Committee**") with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments during the Reporting Year.

EMOLUMENT POLICY

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Company has adopted the Share Option Scheme as an incentive to eligible employees, details of which are set out in the paragraph headed "Share Option Scheme" above.

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance, the results of the Group and comparable market practices.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report in this annual report.

DISCLOSURES UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

As at 31 December 2021, the Group had no circumstances which would give rise to a disclosure obligation under Rule 13.20 to 13.22 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited Financial Statements for the Reporting Year.

AUDITORS

HLB Hodgson Impey Cheng Limited acted as the auditor of the Group for the Reporting Year. The Financial Statements have been audited by HLB Hodgson Impey Cheng Limited, which shall retire in the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for its re-appointment as the auditor for the coming year will be proposed at the forthcoming AGM. There has been no change in auditors since the Listing Date.

By order of the Board

Yu Zhuyun
Chairman and Executive Director

Hong Kong, 25 April 2022

Corporate Governance Report

The Board is committed to high standard of corporate governance with a view to safeguarding the interests of the Shareholders and achieving accountability as the Group recognises the importance of maximising Shareholders' value through effective corporate governance procedures.

CORPORATE GOVERNANCE CODE

The Company had applied the principles and all the applicable code provisions (the "**Code Provisions**") as set out under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules during the Reporting Year and up to the date of this report. The Directors will periodically review the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time.

During the Reporting Year and up to the date of this report, the Company had complied with all the applicable Code Provisions of the CG Code, except for Code Provision A.2.1 (which has been renumbered as Code Provision C.2.1 since 1 January 2022) of the CG Code as explained below:

Mr. Yu Zhuyun was appointed as the chief executive officer (the "**CEO**") with effect from 30 April 2020, and is currently serving as both the chairman of the Board (the "**Chairman**") and the CEO. Such practice deviates from Code Provision A.2.1 (which has been renumbered as Code Provision C.2.1 since 1 January 2022) of the CG Code. The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group's business strategies and enhance its operational efficiency. The Board is currently comprised of two executive Directors, two non-executive Directors and three independent non-executive Directors, which is appropriately structured to ensure that there is a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders. Therefore, the Board considers that the deviation from Code Provision A.2.1 (which has been renumbered as Code Provision C.2.1 since 1 January 2022) of the CG Code is appropriate in such circumstance.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**") as its code of conduct for Directors' securities transactions. In response to specific enquires by the Company, all Directors have confirmed that they have fully complied with the requirements set out in the Model Code during the Reporting Year and up to the date of this report.

The senior management and staff have been individually notified and advised about the Model Code by the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the appropriate corporate governance practices applicable to the Company's circumstances and ensuring processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to Directors and the Company's employees; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 (which has been renumbered as Code Provision A.2.1) of the CG Code. As at the date of this annual report, the Board had reviewed and monitored (a) the Company's corporate governance policies and practices; (b) training and continuous professional development of Directors and senior management; (c) the Company's policies and practices on compliance with legal and regulatory requirements; (d) the Company's code of conduct; and (e) the Company's compliance with the disclosure requirements under the CG Code.

The Company has arranged appropriate insurance coverage on the liabilities of the Directors in respect of any legal actions taken against the Directors arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Directors' Training and Professional Development

All Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure their compliance with these requirements and enhance their awareness of good corporate governance. All Directors and employees of the Group are encouraged to attend relevant training courses to keep abreast of the latest market and regulatory changes and developments. The Board may seek independent professional advice in appropriate circumstances, at the Company's expenses, in order to assist and ensure that the Directors can duly discharge their duties.

In compliance with Code Provision A.6.5 (which has been renumbered as Code Provision C.1.4) of the CG Code, the Company has allocated and provided funding to all Directors to participate in continuous professional development organized in the form of seminars and in house training and/or relevant reading materials on the latest development of applicable laws, the Listing Rules and corporate governance practices.

All Directors confirmed that they have complied with the Code Provision A.6.5 (which has been renumbered as Code Provision C.1.4) of the CG Code. During the Reporting Year, each of the Directors had participated in continuous professional development by attending seminars, courses or conferences and by reading related materials to develop and refresh their knowledge and skills.

THE BOARD

Role and Function

The Board is responsible for the overall leadership of the Group. It oversees the Group's strategic decisions and monitors its business and performance. The Board has delegated the authority and responsibility for day-to-day management and operations of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the nomination committee (the "**Nomination Committee**") and the Remuneration Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of references. Further details of the Board Committees are set out in the paragraph headed "Board Committees" below.

Composition

As at the date of this annual report, the Board was chaired by Mr. Yu Zhuyun and comprised seven members, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The list of Directors is set out in the Directors' Report in this annual report.

There is a balance of skills and experience within the Board, which is appropriate for the requirements of the business of the Company. Biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" in this annual report. The Directors have no financial, business, family or other material or relevant relationship with each other.

Board Diversity Policy

The Board has adopted a board diversity policy (the"**Board Diversity Policy**"), with a view to achieve a sustainable and balanced development of the Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, culture and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, with due regard to the benefits of diversity on the Board. The Board Diversity Policy is reviewed annually by the Nomination Committee to ensure effectiveness, and revisions will be made with the approval from the Board where appropriate.

Independent Non-executive Directors

During the Reporting Year, the Company had three independent non-executive Directors representing more than one-third of the Board, which is in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules. Mr. Wang Wenxing is the independent non-executive Director with appropriate professional qualifications and accounting or related financial management expertise. No less than one third of the Directors are subject to retirement by rotation at each AGM in accordance with the Restated Articles.

The independent non-executive Directors are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the independent non-executive Directors brings his own relevant expertise to the Board and its deliberations. None of the independent non-executive Directors has any business or financial interests in the Group nor any relationship with other Directors.

The Company has received a written annual confirmation from each independent non-executive Director of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

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 Board Committees.

Appointment, Re-election and Removal of Directors

The Company has established the Nomination Committee on 13 March 2018. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members and made recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of the Group.

Each of the executive, non-executive and independent non-executive Directors has entered into a contract for appointment with the Company for a term of three years and is subject to the termination provisions therein and the provisions on retirement by rotation of Directors as set out in the Restated Articles.

According to the Restated Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next AGM or, in the case of an addition to their number, until the next AGM who shall then be eligible for re-election at such general meeting. Every Director is appointed for a specific term and is subject to retirement by rotation at least once every three years.

In accordance with Article 108(a) of the Restated Articles, at each AGM, at least one third of the Directors for the time being, or, if the number is not three or a multiple of three, then the number nearest to but not less than one third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Nomination Policy

The Board has adopted a nomination policy (the "**Nomination Policy**") on 31 December 2018 which sets out the criteria and process in the nomination and appointment of Directors, and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company as well as the Board's continuity and appropriate leadership. The Nomination Committee shall identify candidates who are qualified or suitable to become members of the Board and make a recommendation to the Board on the selection of candidates nominated for directorships. The selection of candidates will be based on a range of selection criteria as set out in the Nomination Policy, including but not limited to, character and integrity, qualification, potential contributions the candidate can bring to the Board in terms of qualifications, skill, experience and gender diversity, the candidate's willingness and ability to devote adequate time to discharge his/her duties as a member of the Board.

For the appointment of Directors, the Nomination Committee will first identify individual(s) suitably qualified to become Board members and, where appropriate, assess their independence. Then, the Nomination Committee will make recommendation to the Board for the Board to consider, having regard to the Board Diversity Policy and the Nomination Policy. The Board will confirm the appointment of the suitable candidate(s) or recommend the candidate(s) to stand for election at a general meeting of the Company. The candidate(s) who is/are appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by Shareholders at the next AGM after initial appointment in accordance with the Restated Articles.

For the re-appointment of Directors, the Nomination Committee will also consider the retiring Directors based on the Board Diversity Policy and the Nomination Policy and, where appropriate, assess their independence before the Nomination Committee makes a recommendation to the Board. After the Board considers each retiring director, the Board will recommend the suitable retiring director(s) to stand for re-election at the AGM in accordance with the Restated Articles. The Shareholders will approve the re-election of Directors at the AGM.

The Nomination Committee shall review the structure, size, composition and diversity of the Board at least annually to ensure that it has a balance of expertise, skills and experience and diversity of perspectives appropriate for the business of the Company.

Board Meetings

Pursuant to Code Provision A.1.1 (which has been renumbered as Code Provision C.5.1) of the CG Code, the Board should meet regularly and board meetings should be held at least four times per year. The Board meets regularly to formulate the Group's overall strategies as well as discuss the Group's operation and financial performance. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. During the Reporting Year, there were four board meetings and one general meeting. The attendance record of each member of the Board of the board meetings and the general meeting is set out below:

Name of Director	Meetings attended/ number of general meetings	Meetings attended/ number of Board meetings
Executive Directors		
Mr. Yu Zhuyun *(Chairman and Chief Executive Officer)*	1/1	4/4
Mr. Li Menglin	1/1	4/4
Non-executive Directors		
Mr. Qiao Xiaoge	1/1	4/4
Ms. Zhu Yujuan	1/1	4/4
Independent non-executive Directors		
Dr. Li David Xianglin	0/1	4/4
Mr. Wang Wenxing	0/1	4/4
Dr. Zhou Chunsheng	1/1	3/4

Access to Information

The Directors may, at the Company's expenses, seek independent professional advice in appropriate circumstances. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to the Group's operational and financial performance before each Board meeting. Where any of the Directors requires more information than is volunteered by the senior management, each Director has the right to separately and independently access the Company's senior management for further enquiries if necessary.

BOARD COMMITTEES

In accordance with the Restated Articles and the Listing Rules, the Board has established Board Committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board Committees are established with defined terms of reference relating to their respective authorities and duties, which have been approved by the Board and are reviewed periodically. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange, and are available to Shareholders upon request.

Audit Committee

The Company established the Audit Committee on 13 March 2018 in accordance with Rule 3.21 of the Listing Rules with the written terms of reference (which have been revised and adopted by the Board on 31 December 2018) in compliance with the CG Code.

The Audit Committee consists of three members, namely Mr. Wang Wenxing, Mr. Qiao Xiaoge and Dr. Li David Xianglin. Mr. Wang Wenxing currently serves as the chairperson of the Audit Committee.

The primary responsibilities of the Audit Committee include: (i) to make recommendations to the Board on the appointment, reappointment and removal of external auditors; (ii) to review and monitor the external auditors' independence and objectivity; (iii) to review the effectiveness of the Company's internal audit activities, internal controls and risk management systems; (iv) to develop and implement policy on engaging external auditors to supply non-audit services, and to review and monitor the extent of the non-audit works undertaken by external auditors; and (v) to monitor the integrity of the financial statements, the annual reports and accounts and half-year reports and to review significant financial reporting judgments contained in them.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

During the Reporting Year, the Audit Committee held three meetings to review the annual and interim financial results of the Group for submission to the Board for approval, review the internal control and risk management systems of the Group, oversee the audit process and make recommendations on the re-appointment of the external auditors. During the Reporting Year and up to the date of this annual report, there had been no disagreement between the Board and the Audit Committee.

The attendance record of each member of the Audit Committee during the Reporting Year is set out below:

Audit Committee	**Meeting(s) attended/ Eligible to attend**
Mr. Wang Wenxing *(Chairperson)*	3/3
Mr. Qiao Xiaoge	3/3
Dr. Li David Xianglin	3/3

Nomination Committee

The Company established the Nomination Committee on 13 March 2018 with written terms of reference (which have been revised and adopted by the Board on 31 December 2018) in compliance with the CG Code. The Nomination Committee consists of three members, namely Mr. Yu Zhuyun, Mr. Wang Wenxing and Dr. Zhou Chunsheng. Mr. Yu Zhuyun currently serves as the chairperson of the Nomination Committee.

The primary responsibilities of the Nomination Committee include: (i) to review the structure, size, composition and diversity of the Board in accordance with the Board Diversity Policy at least annually; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; and (v) to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or senior management.

The Nomination Committee held two meetings during the Reporting Year to review the structure, size and composition of the Board in accordance with the Board Diversity Policy, assess the independence of the independent non-executive Directors and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming AGM.

The attendance record of each member of the Nomination Committee during the Reporting Year is set out below:

Nomination Committee	**Meeting(s) attended/ Eligible to attend**
Mr. Yu Zhuyun *(Chairperson)*	2/2
Mr. Wang Wenxing	2/2
Dr. Zhou Chunsheng	2/2

Remuneration Committee

The Company established the Remuneration Committee on 13 March 2018 in compliance with Rule 3.25 of the Listing Rules with written terms of reference (which has been revised and adopted by the Board on 31 December 2018) in compliance with the CG Code. The Remuneration Committee consists of three members, namely Dr. Li David Xianglin, Dr. Zhou Chunsheng and Ms. Zhu Yujuan. Dr. Li David Xianglin currently serves as the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee include: (i) to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) to make recommendation to the Board on the remuneration of independent non-executive Directors; (iii) to review and make recommendations to the Board on other remuneration-related matters, including benefits-in-kinds and the compensation payable to the Directors and senior management; (iv) to review performance-based remuneration and to establish a formal and transparent procedure for developing policies in relation to remuneration; and (v) to consider the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries.

The remuneration of the Directors and senior management is determined with reference to the responsibilities, the workload, the time devoted and the performance of the Directors and senior management. The Remuneration Committee also ensures that no individual will be involved in determining his/her own remuneration.

The remuneration of the Group's senior management during the Reporting Year is listed below by band:

Band of remuneration	No. of person(s)
Up to HK$1,000,000	2

Further details of the remuneration of the Directors and the five highest paid employees is set out in Note 9 to the Financial Statements.

During the Reporting Year, the Remuneration Committee held one meeting to review the performance and remuneration packages of individual Directors and senior management.

The attendance record of each member of the Remuneration Committee during the Reporting Year is set out below:

Remuneration Committee	Meeting(s) attended/ Eligible to attend
Dr. Li David Xianglin *(Chairperson)*	1/1
Ms. Zhu Yujuan	1/1
Dr. Zhou Chunsheng	1/1

AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment and re-election of our Company's external auditor and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect to the Company.

For the Reporting Year, the remuneration paid/payable to the external auditors, HLB Hodgson Impey Cheng Limited, in respect of its audit services and non-audit services was approximately HK$1,450,000 and HK$322,000, respectively.

COMPANY SECRETARY

Mr. Lam Ka Tsun ("**Mr. Lam**"), was appointed as the company secretary of the Company on 1 April 2022. During the Reporting Year, Mr. Lam had taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. The biography of Mr. Lam is set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

Mr. Lam is an external service provider engaged by us as our company secretary and Mr. Che Kean Tat, our Vice President and CFO, will be the key contact person with whom Mr. Lam can contact.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility in relation to the preparation of the Financial Statements and seek to ensure that the Financial Statements are prepared in a manner which give a true and fair view of the state of affairs of the Group as a going concern and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure requirements under the Listing Rules. In presenting the Financial Statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the position and prospects of the Group. The Directors are of the view that the Financial Statements were prepared on this basis. The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors of the Group regarding their reporting responsibilities on the Financial Statements is set out in the Independent Auditors' Report in this annual report.

DIVIDEND POLICY

The Company has established a dividend policy (the "**Dividend Policy**") on 31 December 2018 with an aim to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the Shareholders. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the following factors:

(a) the Company's operating results, actual and expected financial performance;

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

(c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(f) the Group's liquidity position;

(g) general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factors that the Board may deem appropriate and relevant.

The declaration and payment of dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rules and regulations and the Restated Articles. The declaration and payment of future dividend under the Dividend Policy are subject to the Board's determination that the same would be in the best interests of the Group and the Shareholders as a whole. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the Company's risk management and internal control systems, and for reviewing its effectiveness. The Board oversees the Group's overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavors to identify risks, control impact of the identified risks and facilitate the implementation of coordinated mitigating measures. The risk management and internal control systems are compatible with the principles in the Committee of Sponsoring Organisations of Treadway Commission (COSO) — Integrated Framework 2013, which are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business. Each division is responsible for identifying and assessing principal risks within itself and establishing mitigation plans to manage the risks identified. The senior management is responsible for overseeing the Group's risk management and internal control activities, attending meetings with each division to ensure principal risks are properly managed, and new risks are identified and documented. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

The Group does not have an internal audit department. The Group has conducted an annual review on whether there is a need for such an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness. The Board has put in place adequate measures to perform the internal audit function for different aspects of the Group. The Audit Committee and the Board are satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group.

INSIDE INFORMATION POLICY

The Group has adopted a policy on disclosure of insider information with the aim to ensure that the insiders are abiding by the confidentiality requirements and are fulfilling the disclosure obligations of the inside information.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders and potential investors is essential for facilitating investor relations and enhancing their understanding of the Group's business, performance and strategies. The Company has adopted the shareholders' communication policy with the objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including financial performance, strategic goals and plans, material development, governance and risk profile). The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and potential investors to make informed investment decisions.

To promote effective communication, the Company maintains the website of www.chghk.com, where up-to-date information of the Company's business operations and developments, financial information, corporate governance practices and other information is available for public access. Latest information of the Group, including annual and interim reports, announcements and other corporate communications which will be sent to Shareholders and/or published, are updated on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.chghk.com) in a timely fashion.

The forthcoming AGM of the Company will be held on Friday, 17 June 2022. The notice of the AGM, setting out the details of each proposed resolution, voting procedures and other relevant information, will be sent to the Shareholders at least 21 days or 20 clear business days (whichever period is longer) before the AGM.

SHAREHOLDER'S RIGHTS

Procedures for Convening General Meetings by Shareholders

The Company's general meeting provides an opportunity for communication between the Shareholders and the Board. In accordance with Article 72 of the Restated Articles, at any general meeting, a resolution put to the vote of the meeting shall be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution be voted by a show of hands. The chairman will explain such rights and procedures during the AGM before voting on the resolutions.

Pursuant to Article 64 of the Restated Articles, Shareholders can make a requisition to convene an extraordinary general meeting (the "**EGM**"). The procedure of the Shareholders to convene an EGM are as follows:

1. any one or more shareholders (the "**Requisitionist**") holding, at the date of deposit of requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and

2. 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.

Procedures for Putting Forward Proposals at Shareholders' Meetings

Shareholders are requested to follow Article 64 of the Restated Articles for including a resolution at an EGM. The requirements and procedures are set out in the paragraph headed "Procedures for Convening General Meetings by Shareholders" above.

Shareholders are welcomed to suggest proposals relating to the operations, strategies and/or management of the Group at Shareholders' meetings. Proposals shall be sent by written requisition of his/her proposal (the "**Proposal**") together with his/her detailed contact information to the Board or the Company Secretary at the Company's principal place of business in Hong Kong as set out in the section headed "Corporation Information" in this annual report.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

— at least 21 days' or 20 clear business days' (whichever period is longer) notice in writing if the Proposal requires approval by way of resolution in an AGM; and

— at least 14 days' or 10 clear business days' (whichever period is longer) notice in writing if the Proposal requires approval by way of resolution in any EGM.

Procedures by which enquiries may be put to the Board

For matters in relation to the Board, Shareholders may send their enquiries and concerns to the Board by addressing them to the Board or the Company Secretary by mail to the Company's principal place of business in Hong Kong set out in the section headed "Corporation Information" in this annual report.

For share registration related matters, such as share transfers and registrations, change of name or address, loss of share certificates or dividends warrants, the registered Shareholder can contact:

Branch Share Registrar and Transfer Office in Hong Kong
Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point
Hong Kong
Tel: (852) 2153-1688
Fax: (852) 3020-5058

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the Reporting Year.

OVERVIEW

This report highlights the initiatives and efforts of the Group in fulfilling its commitment to sustainable development and corporate social responsibility in the course of its business. During the Reporting Year, the Group was engaged as a contractor in Hong Kong and the PRC undertaking (i) foundation works, which include piling works, excavation and lateral support works, and pile cap construction; (ii) superstructure works, which include building works in relation to the parts of the structure above ground level; and (iii) other construction works, such as demolition, site-formation, ground-investigation, minor-job, hoarding, alteration and addition works, as well as fitting-out works. In addition, the Group is engaged in property development, investment business, logistics business and information technology development in the PRC.

During the Reporting Year, the Board supervised the Group's strategies, policies and reports on sustainable development, monitored the Group's continuous compliance with relevant laws and regulations, and sought to improve the Group's operation by improving the efficiency of its business operations and resource utilisation, and by taking environmental protection measures to improve the Group's performance in the sustainable development arena. Under the general oversight of the Board, we keep monitoring the Group's progress made against corporate goals and targets for addressing various environmental, social and governance aspects that are material pertaining to the Group's businesses.

REPORTING SCOPE AND STANDARDS

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 to the Listing Rules. The content of this report includes two main subject areas as outlined and required by the ESG Reporting Guide, being Area A — Environmental and Area B — Social, and includes disclosure of climate change related issues which have or may impact our Group.

The reporting principles of materiality, quantitative and consistency as set out in the ESG Reporting Guide underpin the content of this report. The information in this ESG Report is based on the Group's official documents and statistical data, as well as on an integration and summary of monitoring, management and operational information provided by its subsidiaries during the Reporting Year.

For the purpose of the ESG Report, only activities and operations which are considered material and significant to the environment and our activities are included.

MATERIALITY ASSESSMENT

To identify issues which are material to the Group's economic, social and environmental aspects, or substantially influential to the assessments and decisions of our stakeholders, we conduct a materiality assessment from time to time to identify such issues which indicate the shared concerns of the Group and our various stakeholders. The ongoing dialogues with our stakeholders assist us in identifying whether the Group has any material sustainability issues. We will continue to identify areas for improvement and stay in close communication with stakeholders to further enhance our environmental, social and governance management. With the identified areas of improvement, we aim to holistically integrate our values and corporate responsibility commitments into our business model and corporate culture, which will in turn support our growth in the long run.

CORPORATE GOALS AND VISIONS

The Group's business objectives and visions are to continue the development of our core business whilst maximising returns for our shareholders, achieving continual and sustainable developments for the society and environment, and providing and maintaining a healthy and safe working environment for the employees.

Given the nature of our business, our operations inevitably cause air and noise pollution. We are committed to promoting sustainability in terms of both business development and impact on the environment. We embrace principles and practices that help promote a sustainable future, by introducing environmentally friendly business practices, raising employee awareness of environmental protection and complying with the relevant environmental laws and regulations.

Overall, the Group takes on an active role in ensuring sustainable and environmentally friendly operating processes are in place. This is achieved by taking all practicable and possible measures to comply with all the relevant national laws, operating practices and standards.

In addition, BEAM Plus eco-friendly certification has been implemented in some of our projects, according to our customers' requirements. Recognised and certified by the Hong Kong Green Building Council, BEAM Plus offers a comprehensive set of performance criteria for a wide range of sustainability issues relating to the planning, design, construction, commissioning, management, operation and maintenance of a building. By providing a fair and objective assessment of a building's overall performance throughout its life cycle, BEAM Plus enables us to demonstrate our commitment to sustainable development.

STAKEHOLDERS COMMUNICATION

In managing the priorities, the Group continues to ensure its operations are in compliance with its environmental and social responsibilities and obligations. The Group also continues to take into account of the opinions and views, and strive to address their concerns with the various stakeholders through the stated communication channels as listed below:

Stakeholders	Communication Channels
Shareholders/Investors	• General meetings • Group announcement on HKEx • Direct emails or phone enquiries • Dispatched documents
Employees	• Direct meetings with the management executives • Email and phone contact • Annual and regular appraisal • Organized functions and activities for the employees
Customers	• Day-to-day communication through front line staff • Emails • Official websites
Suppliers/service providers/ professional advisors	• Day-to-day communication through front line staff • Regular review of the signed arrangements by the management

After collecting the views and opinions, the management team will carry out materiality assessments internally with the related department managers and externally with related stakeholders through various means of communication, such as liaison groups, panel discussions, on-site visits, company websites, emails and direct enquiry phones, etc.

A. ENVIRONMENTAL ASPECTS

1.1 Environmental Areas Overview

As an environmentally responsible corporation, the Group has continued to implement policies and has taken measures to achieve a balance between maximizing returns to our shareholders and minimizing any adverse impact on the environment. We have complied with the national and local environmental laws. In the last 3 years, we did not receive any complaints, warning and/or fines from environmental authorities.

During the Reporting Year, the Group is principally engaged in the segment of foundation works, superstructure building works and construction materials supplies in Hong Kong and the PRC. In addition, the Group is also engaged in various other operations such as property development, investment business, F&B supply chain, health and wellness services, and smart logistics business and information technology development. Given that the main source of emission, waste and use of resource is from the operations of construction-related business and the other segments are mainly office works, the environmental assessment of this ESG report will focus on the segment of construction-related business.

Our "Environmental Protection and Sustainability Policy and Procedures" are summarised below:

Policy
To establish and maintain policies and procedures to identify, evaluate and determine the significance of environmental aspects and impacts by and on the company and ensuring compliance with all relevant national and local environmental laws and regulations including practice.

At least once every year, the Board and the Management Team shall review the environmental aspects, which will be regularly update based on new laws and regulations, organisational work activities and processes, and updated knowledge obtained through incidents/accidents, organisational or other requirements.

1.2 Environmental Aspects

The Group advocates the importance of sustainable development in relation to our ongoing business operations and activities. We have employed various measures to ensure full compliance with all relevant rules and regulations regarding emissions, effluent water and solid waste discharge and to ensure minimal impact on the environment. All employees are made aware of their respective roles and responsibilities in conserving energy and natural resources.

In addition, BEAM Plus eco-friendly certification has been implemented in some of our projects, according to our customers' requirements. Recognised and certified by the Hong Kong Green Building Council, BEAM Plus offers a comprehensive set of performance criteria for a wide range of sustainability issues relating to the planning, design, construction, commissioning, management, operation and maintenance of a building. By providing a fair and objective assessment of a building's overall performance throughout its life cycle, BEAM Plus enables us to demonstrate our commitment to sustainable development.

We have also established an environmental management system accredited with ISO 14001:2015 standard certification by the Hong Kong Quality Assurance Agency ("**HKQAA**"). To meet the ISO 14001:2015 requirements and BEAM Plus standards, the Group has developed environmental management policies and procedures to improve its ability to efficiently identify, minimise, prevent and manage environmental impact as it arises, thereby reducing the associated risks.

KPIs formulated previously remain valid and were reviewed and updated in various meetings. Existing KPIs are periodically examined in conjunction with our operating goals in an ongoing manner.

A1. Emissions

(i) Hazardous and Non-Hazardous Air Emissions

As the Group is principally engaged in the construction industry, it is inevitable that our operational activities generate air emissions, greenhouse gases ("**GHG**"), noise, waste and effluents. Air emissions include Nitrogen Oxide ("**NO_x**"), Sulphur Oxide ("**SO_x**") and Particulate Matter ("**PM**") and other pollutants regulated under national laws and regulations, whereas GHG include carbon dioxide ("**CO_2**"), methane ("**CH_4**"), nitrous oxide ("**N_2O**", together with CO_2 and CH_4, "**CO_2e**"), etc. Generally, air emissions are directly generated from vehicle usage. The CO_2e emission are directly generated from mobile combustion, while CO_2 emission is indirectly generated by electricity consumption.

To minimise these impacts, the Group implements industry standard measures and continues to seek practical means of mitigation in our operations.

Construction materials such as sand and cement stored outdoors as well as dust from exposed construction areas are easily scattered in dry and windy weather. To mitigate the impact, all dusty stockpiled materials are covered with tarpaulin or fabric sheets, and the area is watered properly or enclosed with dust screens where dust-generating activities take place.

In accordance with the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Cap. 311Z, Laws of Hong Kong), all our machineries used on site are approved by the Environmental Protection Department of Hong Kong.

For the Reporting Year, air emissions generated by the Group were as follows:

Emissions data from vehicles	Unit	2021	Nine months ended 31st December 2020
NO_x	kg	**98.73**	98.21
SO_x	kg	**0.18**	0.15
PM	kg	**8.64**	8.44

For the Reporting Year, the Group's GHG emissions were as follows:

		Unit	2021	Nine months ended 31st December 2020
Direct emission (Scope 1)				
GHG emissions from mobile combustion sources	CO_2	tonne	**37.79**	29.88
	CH_4	kg	**58.81**	47.47
	N_2O	tonne	**8.08**	7.08
Energy indirect emissions (Scope 2)				
Electricity purchased from power companies	CO_2	tonne	**83.69**	63.69
Other indirect emissions (Scope 3)				
Paper waste disposed at landfills	CO_2	tonne	**3.60**	3.1
Electricity used for processing fresh water and sewage by government department	CO_2	tonne	**0.38**	0.37

In the coming year, the Group targets to at least maintain and if possible, continue to reduce its air emissions by 2%.

(ii) Wastes Management

Since we are engaged in the provision of construction services, it is expected that our operating activities (i.e. siteformation works, foundation works and building construction and superstructure works) will generate significant amounts of construction and demolition materials ("**C&D materials**"). C&D materials consist of general inert and noninert waste. Over 90% of construction waste is inert, including rubble, earth and concrete, and is suitable for land reclamation and site formation. Non-inert substances include bamboo, timber, vegetation, packaging waste and other organic materials. Non-inert waste is not suitable for land reclamation nor reusable or recyclable, and is disposed of at landfills.

Under the Group's current practices, construction waste is sorted and segregated into inert waste and non-inert waste at our project sites. Recyclable inert waste is used as sub-base for access roads and footpaths. If applicable, excavated soil is used for backfilling to minimise the quantity of waste disposal. Unsuitable inert waste is disposed of at the public fill reception facilities operated by the Civil Engineering and Development Department of Hong Kong.

Suitable facilities have also been provided at the Group's head office to encourage employees to sort and recycle wastes to achieve the objective of reducing wastes. Examples include setting up designated areas to collect used papers, plastic bottles and cans for recycling and arranging for an authorised recycling company to collect toner cartridges. The Group maintains high standards in waste reduction, educates its employees in the significance of sustainable development and provides relevant support to enhance their skills and knowledge in sustainable development.

For the Reporting Year, the amount of non-hazardous waste produced by the Group was as follows:

	Unit	2021	Nine months ended 31st December 2020
Total construction waste	tonnes	**25,858**	22,597
Construction waste intensity	tonnes/ construction site	**2,698**	2,248

Given the nature of our business of foundation, superstructure and other construction works, no significant hazardous waste was generated from our operations during the Reporting Year.

As in the previous three years, the Group did not receive any complaints or alerts related to waste management for the Reporting Year, and targets to achieve a reduction in waste disposals in the coming year.

(iii) Mitigation Measures

The Group's operations and activities do not generate significant hazardous emission and discharges. As a responsible corporation, the Group continues to comply with all the national and local environmental laws, rules and regulations and industrial standards, and has also implemented the following environmentally friendly measures into its daily operations and activities in order to minimise adverse impacts on our environment, through continuously striving to maximise energy and water efficiency and to minimise wastes.

As a result, the Group did not have any violation related to hazardous or non-hazardous air emissions and wastes discharges, fines or warning notices from the relevant environmental agencies in 2021, same as the previous three years. The Group is committed to contribute to combat global warming by reducing the generation of CO_2 emissions, and preserving natural resources especially fresh water by reducing any wasteful practices.

A2. Use of Resources

The Group's major use of resources includes energy and water consumption. Both offices and project sites consume electricity and fuel. Electricity consumption mainly comes from office use, while fuel consumption is mostly involved with equipment operation and ground transportation during delivery.

The Group understands that every procedure in construction work has the potential to cause adverse environmental impact. The management is in constant pursuit of green solutions. Great emphasis has been put on efficient consumption by stepping up maintenance of construction equipment and optimising operational standards. A variety of energy conservation and pollution reduction measures have also been implemented in offices and construction sites, details of which are set out as follows:

Offices:

- Setting and maintaining average room temperatures at 24–26°C;
- Switching office equipment (e.g. printers, computers and monitors) to sleep mode when they are idle;
- Installing energy-friendly electrical appliances and devices, including LED lighting and computers;
- Giving priority in purchasing electrical appliances to those with energy efficient labelling (i.e. Grade 1 — the most energy efficient in the market); and
- Dividing lighting systems into small zones, enabling a more flexible approach towards energy saving.

Sites

- Switching off non-essential lighting as well as idle machinery and equipment;
- Enhancing the maintenance and overhauling procedures to maintain equipment in optimal condition for effective use of energy; and
- Using various communications channels (posters, signs and memos) to promote energy conservation.

We will keep improving the effectiveness of our electrical energy conservation measures, as well as the efficiency of electrical energy consumption in the coming years.

The major source of the Group's water consumption is office operation and construction activities. The Group has various water conservation measures in offices and project sites. We encourage all employees and sub-contractors to develop the habit of consciously conserving water. At construction sites, wastewater is collected and properly treated by onsite wastewater treatment facilities, and then reused for dust suppression and vehicle wheel washing or ground mud. In addition, we regularly assess our utility facilities, and water seepage or leaking pipelines must be repaired or replaced on a timely basis. During the Reporting Year, the Group encountered no issue in sourcing water that is fit for purpose.

For the Reporting Year, the Group's electricity and water consumption was as follows:

	Unit	2021	Nine months ended 31st December 2020
Electricity Consumption	kWh	**796,758**	476,299
	kWh/employee	**2,002**	1,246
Water Consumption	m^3	**109,368**	96,503
	m^3/employee	**272**	252

During the Reporting Year, the Group's operations did not involve significant use of packaging materials.

As in the previous three years, the Group did not have any alert on the excessive consumption of papers and packaging materials for the Reporting Year, and targets to achieve a reduction in the paper and packaging materials consumption in the coming year.

(i) *Paper and Packaging Materials and other Raw Materials Consumption*
Although the Group's activities and operations do not consume significant amounts of papers and packaging materials, to save operational costs and to improve its environmentally friendly footprint, the Group has continued to implement following measures, requested the employees to cooperate and reduce paper and packaging materials consumption:

- Applying computer technology such as storage of documents in electronic version, communications via emails and messages to replace paper consumption;
- Reusing stationery such as envelopes, document folders etc.; and
- Using both sides and recycled papers for printing.

A3. The Environment and Natural Resources

In compliance with applicable environmental legislation, the Group expects its business operations to have minimal direct impact on the environment and natural resources. We regularly assess the environmental risks of our operations and adopt preventive measures as necessary. For instance, office paper for in-house printing is with Forest Stewardship Council ("**FSC**") certification. The FSC, a forestry certification system, sets standards for responsible forest management and guarantees that paper comes from a responsibly managed forestry process and supply chain. Documents in electronic format and email transmission are encouraged to reduce paper usage.

With the implementation of the measures mentioned above, the Group believes that it can achieve the objectives of energy conservation, waste reduction and green office promotion. We will continue to look for opportunities to reduce further emissions and waste to minimise the impact on the environment and natural resources caused by our operations.

During the Reporting Year, the Group complied with all relevant environmental laws and regulations in Hong Kong, including but not limited to the Air Pollution Control Ordinance (Cap. 311, Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Cap. 311Z, Laws of Hong Kong), Waste Disposal Ordinance (Cap. 354, Laws of Hong Kong), Water Pollution Control Ordinance (Cap. 358, Laws of Hong Kong), Noise Control Ordinance (Cap. 400, Laws of Hong Kong), Dumping at Sea Ordinance (Cap. 466, Laws of Hong Kong), Environmental Impact Assessment Ordinance (Cap. 499, Laws of Hong Kong).

During the Reporting Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to air and GHG emissions, noise control, discharges into water and land, and generation of hazardous and non-hazardous waste.

A4. Climate Change

The Group understands that stakeholders expect us to be managing and mitigating climate change risks in line with local and global commitments and recommendations.

Climate change is mainly caused by the release of CO_2 into the atmosphere, which is directly and indirectly the result of the use of fossil fuels for electricity generation. Given the world transitions to a lower-carbon sustainable economy, the Group is committed to place contributions to this issue. After discussion with our stakeholders, we have identified energy and water as immediate areas that we can contribute to combating climate change and reducing potential costs in the future.

For the Reporting Year, the Group's business operations and activities did not lead to any events or issues that might impact the climate or the result in the change of the climate significantly.

(B) SOCIAL ASPECTS

1.1 Social Areas Overview

The Group places high priority on compliance with the relevant employment and labour laws and regulations in Hong Kong and the PRC and ensures that employment and labour practices are implemented according to:

- Anti-discrimination ordinances and the guidance under the Employment Ordinance (Cap. 57, Laws of Hong Kong);
- Minimum Wage Ordinance (Cap. 608, Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485, Laws of Hong Kong);
- Labour Law of the PRC;
- Labour Contract Law of the PRC;
- Law of the PRC on the Protection of Rights and Interests of Women; and
- Industry features and practices.

The Group safeguards the legitimate interests of labourers in accordance with the requirements of all applicable laws and regulations, respects the rights of employees to rest and leaves, and regulates their working hours according to their rights to various types of rest times and holidays.

The Group complies strictly with local laws and regulations by adopting a fair, just and open recruitment process and developing rules to eliminate discrimination based on race, gender, colour, age, family status, ethnic tradition, religion, physical fitness or nationality, thus allowing fair treatment in every aspect including recruitment, promotion, dismissal, remuneration, benefits, training and development. Employees are encouraged to report any unlawful discrimination or any form of harassment. The Group investigates cases expeditiously and takes appropriate corrective actions once the allegations have been confirmed.

The Group recognises employees as one of the most valuable assets and its core competitive advantage, and therefore provides employees with good promotion prospects. With the aim of rewarding and motivating employees and assisting them in their career development within the Group, a performance appraisal system has been established to regularly review staff performance and remuneration. With reference to the prevailing market rates, our employees' salaries are reviewed annually based on performance.

Employment contracts are signed between all employees and the Group covering matters such as wages, benefits and grounds for termination. The Group's remuneration policies and benefit plans are reviewed by the management on a regular basis. The Group grants discretionary bonuses to qualified employees based on operational results and individual performance.

Open communication is an important element in achieving effective workplace management. We believe proper communication with employees can help employees understand the Group's business strategies and future development. All employees are welcome to make comments and suggestions through various communication channels, such as letters, emails and reports to their direct supervisors or department heads. Information, opinions and suggestions gathered are followed up and raised for discussion with senior management.

The Group has continued to build a harmonious society and a mutually beneficial relationship with our stakeholders including employees, customers, suppliers, professional services providers, local communities as well as the governing authorities. On formulation of ESG strategies and policies, the Group incorporates long and short-term corporate development goals with considerations on the stakeholders and society. This rationale and idea together with transparency, mutual respect and honesty are the corner stone of our business philosophy and have been an integral part of our business operation.

1.2 Social Aspects

Pursuant to ESG Reporting Guide, social aspects include "Employment And Labour Practices" and "Operation Practices And Community Investment", which herein reported in below:

B1. Employment

The Group treasures and regards employees as an invaluable asset of the Group. It is the policy of the Group to strictly comply with all the relevant laws and regulations and industry standards and practice.

The Group takes all measures to ensure that our statutory duties and responsibilities as an employer are duly complied with in our operating locations. The Group adopts a serious view and attaches great importance to compliance with all the labour laws on employment, employee compensation and other relevant employment issues. Employment of child labour and forced labour is expressly and totally forbidden. It is under the regular scrutiny of the management. No anomalies have been detected or reported.

(i) Employment Mix

The Group is principally engaged in construction services, which demands physical strength. Hence, traditionally male employees are a majority in the workforce of the construction business. However, the Group is committed to striking a balance between male and female employees in its working environment and providing equal opportunities for different genders.

As at 31 December 2021, we employed a total of 468 staff, including back office and site staff. Our staff members are located in Hong Kong and the PRC.

As required by ESG Reporting Guide, the Group's employment breakdown and statistic are analyzed and summarised below:

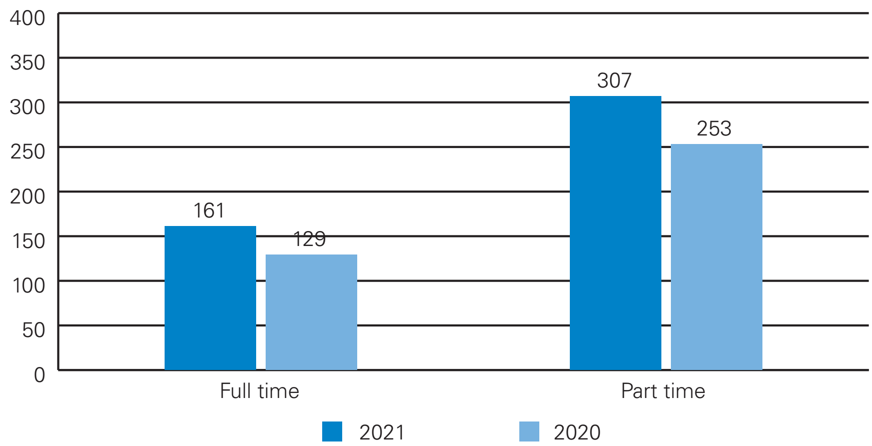


Figure 1: Number of Employees by Employment Type

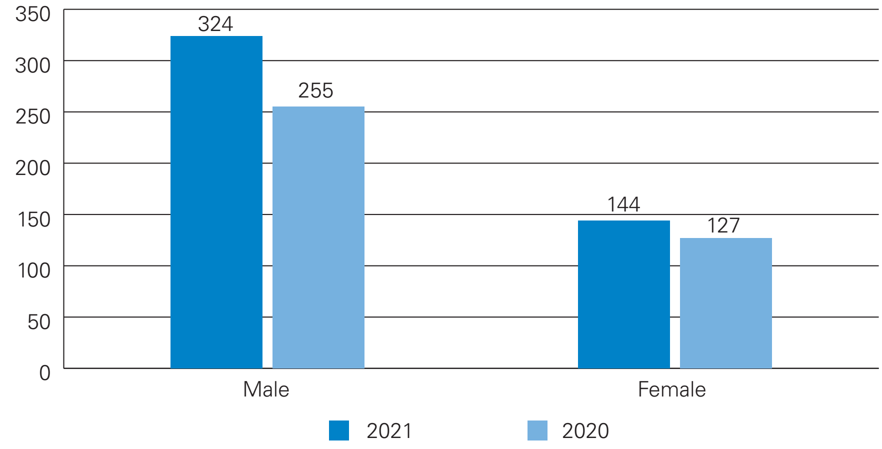


Figure 2: Number of Employees by Gender

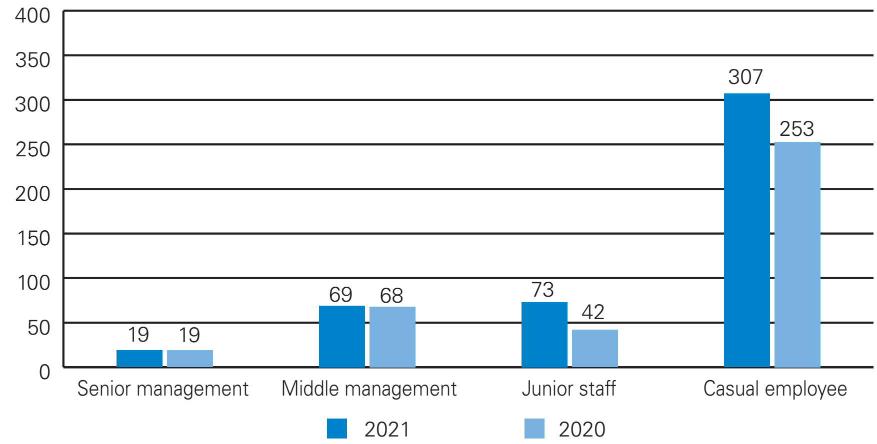


Figure 3: Number of Employees by Employment Role

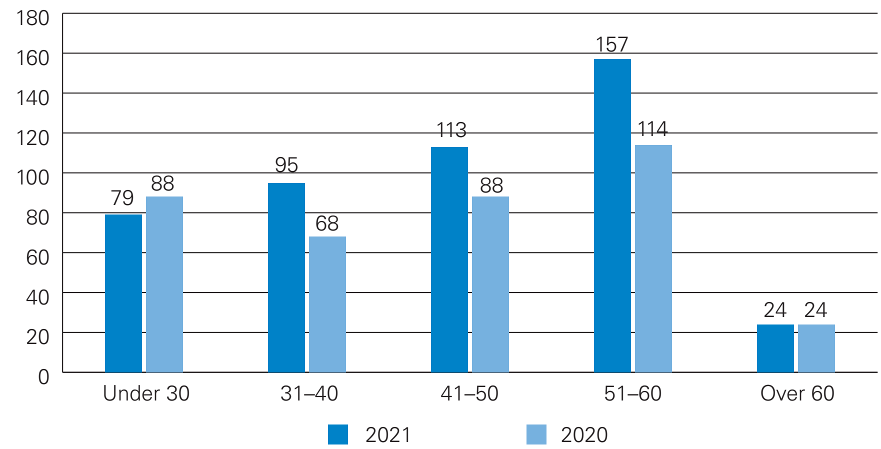


Figure 4: Number of Employees by Age

(ii) Employment Turnover Rates

For the 2021 Reporting Year, 205 of the Group's employees left voluntarily for career development. A breakdown of the turnover rates by sex and age is stipulated below:

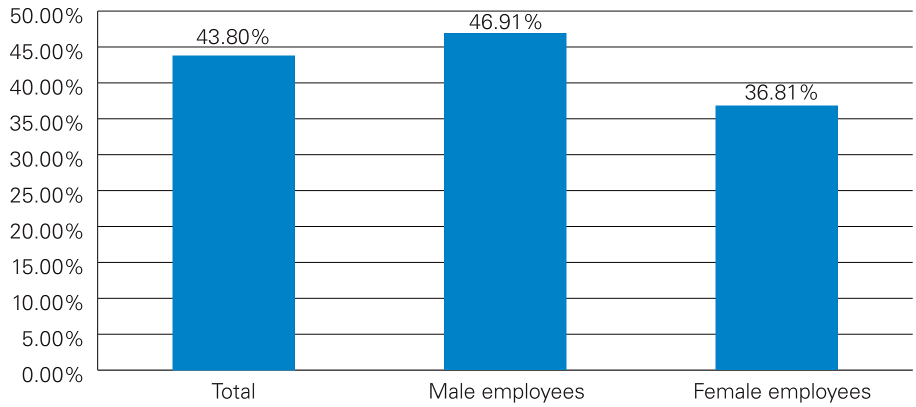


Figure 5: Employee Turnover Rate by Gender

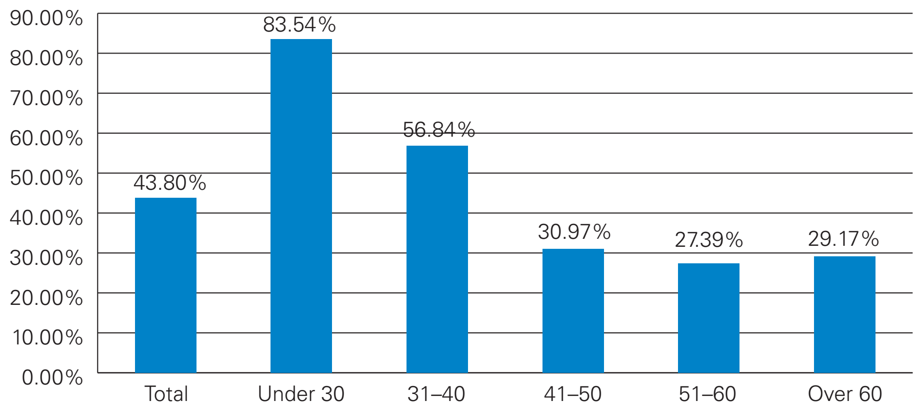


Figure 6: Employee Turnover Rate by Age

For the Reporting Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to compensation and dismissal, recruitment or promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination or other benefits and welfare.

B2. Health and Safety

The Group is committed to providing a safe, healthy and pleasant working environment to the employees. We have equipped the offices with adequate equipment and facilities to ensure safety and convenience to employees.

Recognising that construction is one of the higher risk industries in terms of occupational health and safety ("**OHS**"), we put safety first and are committed to maintaining a workplace which is safe for our employees. The Group seeks to reduce injury risks and occupational diseases by establishing OHS management systems accredited with OHSAS 18001:2007, certified by HKQAA, as well as organising safety trainings for our workforce. At the workplace, sufficient first-aid kits are in place, and regular checking and maintenance of machines, equipment and fire extinguishers are conducted to safeguard employees' health and safety.

As there are machineries and other equipment in the construction sites, employees will be more prone to industrial accidents. Hence, we are determined to ensure that all construction works are carried out in accordance with health and safety standards in construction. The Group aims to provide a safe occupational environment and minimize health and safety risk at our project sites. Warning signs are posted in prominent positions, detailing potential health impact, handling procedures and preventive measures. Personal protective equipment such as safety helmets, safety goggles, safety shoes and reflective clothing are provided and are required for all personnel who work at project sites.

Relevant OHS training is provided to our staff and workers, such as safety induction training, safety toolbox talks, specific training for high-risk activities and periodic contingency drills to heighten employee awareness of workplace hazards and ensure they are competent to discharge their OHS responsibilities and obligations and respond to emergencies. Regular safety inspections of our project sites are carried out by our safety officer to ensure that the Group's existing business operations and working procedures are compliant with health and safety standards. The safety officer regularly reviews and checks for updates of relevant laws, and performs inspections to ensure prompt corrections are made to prevent industrial accidents.

The Group will continue to optimise its work practices and daily management with the aim of creating a safe, healthy and comfortable working environment. To this end, our operations have fully complied with the applicable laws and regulations such as the Occupational Safety and Health Ordinance (Cap. 509, Laws of Hong Kong), Employees' Compensation Ordinance (Cap. 282, Laws of Hong Kong) and Factories and Industrial Undertakings Ordinance (Cap. 59, Laws of Hong Kong) during the Reporting Year.

For the Reporting Year, the Group did not have any material work-related fatalities or injuries, nor any claimed disputes on employee's compensation or investigation by any government agencies.

During the Reporting Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and protecting employees from occupational hazards.

B3. Development and Training

The Group is aware of the value and contribution of its employees, and is willing to invest in and offer training and development courses for them to enhance their capabilities. We are committed to providing career development platforms for our employees where everyone can achieve his/her career goals.

In line with our commitment to providing adequate training opportunities to enhance employees' knowledge and skills, the Group frequently arranges the experienced staff to provide directional advice and guidance to junior staff, and sponsors employees to attend work-related external training programs to enrich their business expertise, competence and skill sets for career development. Such arrangements can enhance communication and team spirit, and also improve their technical skills and managerial capability and encourage employees at all levels to learn and further develop themselves. New recruits receive induction training to help them adapt to the working environment as quickly as possible, and ensure that they have the knowledge and expertise to perform their duties.

The Group also acknowledges the importance of performance appraisal for employees. On an annual basis, performance appraisal is conducted between management and employees for continuous improvement. Employees are able to consult with and seek professional advice from their supervisors on their personal career development training.

During the 2021 Reporting Year, total average hours of training provided was 14.5 hours. Below is the breakdown stating the number of employees trained by gender and by employee category during the 2021 Reporting Year:

Number of employees trained by gender	
Male	70
Female	46

Number of employee trained by employee category	
Managerial	63
Operational	2
General	51

B4. Labour Standards

The Group highly respects human rights and freedom, and strictly prohibits the use of child and forced labour in our workplace. Comprehensive recruitment procedures are in place to check and verify the age of applicants before commencement of work. Prior to confirmation of employment, the Group's human resources staff requires job applicants to provide valid identity documents to ensure that applicants are lawfully employable. Important details such as job duties, locations and working hours are also set out clearly in the employment contract to protect employee rights and interests. To comply with the relevant laws and regulations, employment arrangements including working environment, terms of employment, working hours, rest days and holidays are subject to periodic review.

For the Reporting Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to preventing child and forced labour.

B5. Supply Chain Management

To save costs and delivery time and to support the local economic development, the Group procured all the raw materials and accessories from local suppliers in China and Hong Kong during the Reporting Year. Also, the Group did not have any disputes and litigations with our suppliers in the Reporting Year.

The Group values the partnership with suppliers and sub-contractors and works together with them to promote sustainable development of the industry. The Group has been continuously optimising and improving its supplier management system, regulating access, supervision and evaluation of suppliers and sub-contractors, and constantly increasing specialisation and transparency of supply chain management.

The Group adheres to the principle of openness, fairness and transparency in supplier selection through the implementation of a robust procurement and tendering mechanism, and selects reliable and competent business partners from potential organisations. When selecting suppliers and sub-contractors, the Group evaluates them by considering factors such as their quality of products or services, cost, scale of business and reputation. The Group undertakes regular reviews to ensure that business partners do not cause significant negative impact on the environment and society. If any significant negative environmental or social impact is found, the Group may consider terminating cooperation with them.

As supplier and contractor management is a crucial component of the Group's quality control, the Group stringently manages suppliers and sub-contractors to avoid the procurement of any inferior materials, and adopts strict quality control over the production and construction process. In this regard, the Group maintains a list of approved suppliers and sub-contractors. The Group only selects suppliers and appoints sub-contractors from this approved list, unless individually reviewed and approved by management or specifically requested by clients.

During the Reporting Year, the Group had cooperated with 146 suppliers and all our suppliers were local suppliers. Looking ahead, the Group aims to promote local economic development and reduce carbon footprint by prioritising local suppliers to shorten the distance of transportation. The Group expects its suppliers to maintain sound social responsibility systems on managing environmental and social aspects, including environmental protection, human rights and product responsibility.

B6. Product Responsibility

The Group strives to meet clients' demands and expectations by maintaining high standards of services and product quality. The Group has developed an internal management system and closely monitors its project execution process, with the aim of rendering premium and reliable services to our clients.

The Group has established and implemented a quality management system ("**QMS**") in its operations, which are in conformity with the internationally recognised ISO 9001:2015 standard, as certified by HKQAA. This system helps us comply with the relevant laws, regulations and contractual obligations applicable to products and services, control quality issues systematically to enhance customers' satisfaction as well as continuously improve quality performance in our operations. The Group also provides adequate training to all levels of employees to raise their awareness of QMS in their areas of responsibility.

To ensure the quality of materials provided by suppliers, inspections are performed by our site agents on material deliveries at project sites. In case of any quality issues, suppliers will provide replacement or exchange services after negotiation. The Group also maintains ongoing communication with its clients to ensure understanding and satisfaction of their demands and expectations, as well as constantly improving its services.

During the Reporting Year, we received no complaints or claims from our customers arising from quality issues in the work performed by either the Group or its sub-contractors, which in the view of the Directors was the result of effective quality control.

Intellectual Property Right

The Group respects intellectual rights and takes all measures to ensure that intellectual property rights are not infringed. Employees are prohibited from using unlicensed computer software on their computers at the workplace. The Group complies with intellectual property rights regulations to protect the interests of the Group and our clients, and requires our suppliers to comply with intellectual property rights regulations to ensure confidentiality and integrity.

During the Reporting Year, as in the previous three reporting periods, there were no complaints or allegations received on intellectual property rights infringement.

Privacy

The Group attaches high regards for and utmost importance to client and project data and privacy. In the ordinary course of our business, we get almost no access to the personal information of our clients or confidential information of enterprises. However, we respect the privacy of our clients and maintain a high level of data security and confidentiality. In compliance with the local laws and regulations, we ensure that all business data collected from our clients is treated as strictly confidential and properly dealt with by our staff. Our clients' data can only be accessed by designated personnel to protect it against improper disclosure, misuse or unauthorised use, loss, damage or corruption.

There were no privacy problem or complaint reported during the Reporting Year, the same as the previous three years.

B7. Anti-corruption

We believe in fairness and honesty in business and do not tolerate corruption, bribery, money-laundering or other fraudulent activities in connection with any of our business operations. The Group strictly adheres to the relevant regulations and laws, such as the Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong), the AntiMoney Laundering and Counter-Terrorist Financing Ordinance (Cap. 615, Laws of Hong Kong), Anti-Unfair Competition Law of the PRC, Criminal Law of the PRC, and other laws and regulations related to commercial bribery.

To prevent any negative social impact associated with corruption, all forms of fraud and corruption, such as bribery, extortion, illegal inducement, offering or accepting disallowed gifts, kickbacks or other disallowed advantages, are strictly prohibited, and all employees of the Group must comply with all the applicable anti-corruption laws and regulations. Related information on anti-money laundering is provided to employees to raise their awareness in this regard.

To facilitate identification of suspected cases of corruption, money laundering and other misconduct, the Group has developed a whistle-blowing policy which encourages disclosure of relevant information via a confidential reporting channel. In the event that employees identify any irregularities, they may report to the relevant senior management. All employees who report in good faith are reasonably protected from retaliation or adverse consequences in their employment regardless of whether the allegation is substantiated. The Group is committed to handling the reports with due care, and to conducting a serious detailed investigation into each reasonably established report. Additionally, the Group is fully aware that it is obligated to refer the matter to the legal enforcement authorities or regulators if deemed necessary.

The tendering process is vital to our business. All tendering documents are kept confidential and restricted to concerned parties only. Tendering must be done in a fair manner to protect the interests of the Group and its clients. Employees responsible for tendering must comply with all relevant laws and regulations, and refrain from exchanging or communicating any sensitive information with competitors, participating in price fixing, imposing restrictions on clients or abusing a dominant market position.

During the Reporting Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to bribery, extortion, fraud or money laundering.

B8. Community Investment

We endeavour to fulfil corporate social and environmental responsibilities, and to make continuous contributions to the building of a cohesive and caring society. The Group seeks to foster employees' sense of social responsibility, thus encouraging them to participate in charitable activities and devote their spare time to render assistance to the needy. During the Reporting Year, the Group has donated HK$200,000 to Henan Flood Relief (河南洪災捐款) and HK$150,000 to Guangdong-Hong Kong-Macao Greater Bay Area Entrepreneurs Alliance (粵港澳大灣區企業家聯盟) to support Guangdong-Hong Kong-Macao Greater Bay Area ("**GBA**") community development. In the coming future, we will always seek to be a positive force and maintain close ties with our communities in order to contribute to local development.

Independent Auditors' Report

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE MEMBERS OF CENTRAL HOLDING GROUP CO. LTD.

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Central Holding Group Co. Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 67 to 144, 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 *Auditors' 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 year. 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.

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and contract assets	
Refer to Notes 2.22, 4, 5 and 21 to the consolidated financial statements We identified recognition of revenue and costs from construction contracts and contract assets as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.	Our procedures included, amongst others: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management; • Understanding from management about how the budgets were prepared and the respective progress towards completion of construction works were determined; • Obtaining the certificates issued by customers or payment applications confirmed by internal surveyors to evaluate the reasonableness of progress towards completion of construction works; • Testing the actual costs incurred on construction works; • Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of similar contracts; and • Assessing the appropriateness and adequacy of the disclosures made in the consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to Notes 2.7, 4 and 16 to the consolidated financial statements The Group's investment properties amounted to approximately HK$257,439,000 as at 31 December 2021. Increase in fair value of investment properties of approximately HK$45,254,000 was recognised in the consolidated statement of profit or loss for the year then ended. We identified the valuation of investment properties as a key audit matter due to the key source of estimation uncertainty and the significant assumptions and judgements involved in the valuation. The fair value of the Group's investment properties was determined by adopting the valuation techniques with significant unobservable inputs, assumptions of market conditions and judgements. The Group also worked closely with the independent qualified valuers to establish and determine the appropriate valuation techniques.	Our procedures included, amongst others: • Reviewing the valuation report from independent qualified valuers and discussing with the independent qualified valuer to understand the valuation basis, methodology used and underlying assumptions applied; • Evaluating of the competence, capabilities and objectivity of independent qualified valuers; • Checking on a sample basis the accuracy and relevance of the input data used; and • Engaging our valuation specialists on evaluating the methodologies and assumptions adopted in the valuation.
Impairment of properties available for sale	
Refer to Notes 2.10, 4 and 19 to the consolidated financial statements The Group's properties available for sale amounted to approximately HK$92,369,000 as at 31 December 2021. We identified the impairment of properties available for sale as a key audit matter due to significant management estimations involved in determining the net realisable value on properties available for sale. These properties available for sale are stated at the lower of cost and net realisable value on an individual property basis. Net realisable value is estimated at the actual or estimated selling price less estimated costs to complete and costs to be incurred in selling the properties. If the actual net realisable value on properties available for sale is less than expected as a result of change in market condition and/or significant variation in the development cost, material allowances for impairment losses may result.	Our procedures included, amongst others: • Reviewing the valuation report from independent qualified valuers and discussing with the independent qualified valuer to understand the valuation basis, methodology used and underlying assumptions applied; • Comparing to the latest selling prices of the properties; • Testing the calculation for the impairment assessment performed by management; • Assessing the construction costs incurred; and • Engaging our valuation specialists on evaluating the methodologies and assumptions adopted in the valuation.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' 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 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 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 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.

AUDITORS' 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 auditors' report that includes our opinion. This 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.

AUDITORS' 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 auditors' 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 auditors' 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.

AUDITORS' 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 auditors' 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 director on the audit resulting in this independent auditors' report is Lo Kin Kei.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lo Kin Kei
Practising Certificate Number: P06413

Hong Kong, 25 April 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Revenue	5	**1,086,236**	373,527
Direct costs		**(1,034,470)**	(368,301)
Gross profit		**51,766**	5,226
Other income and net gains/(loss)	5	**41,413**	3,207
Gain on fair value changes of investment properties		**45,254**	35,703
Selling expense		**(8,257)**	(3,857)
Administrative and other operating expenses		**(47,224)**	(36,326)
Finance costs	6	**(3,413)**	(76)
Profit before income tax	7	**79,539**	3,877
Income tax expense	10	**(19,253)**	(4,529)
Profit/(loss) for the year/period		**60,286**	(652)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of foreign operations		**7,575**	2,395
— Reclassification of cumulative translation reserve upon disposal of foreign operations		**(210)**	–
Other comprehensive income for the year/period, net of tax		**7,365**	2,395
Total comprehensive income for the year/period		**67,651**	1,743
Profit/(loss) for the year/period attributable to:			
Owners of the Company		**61,985**	(749)
Non-controlling interests		**(1,699)**	97
		60,286	(652)
Total comprehensive income/(expense) for the year/period attributable to:			
Owners of the Company		**67,887**	1,641
Non-controlling interests		**(236)**	102
		67,651	1,743
		HK Cents	HK Cents
Earnings/(loss) per share attributable to owners of the Company			
— Basic and diluted earnings/(loss) per share	11	**5.87**	(0.07)

Details of dividends are disclosed in Note 13 to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 HK$'000	31 December 2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**26,621**	20,873
Right-of-use assets	15	**6,066**	13,260
Investment properties	16	**257,439**	71,149
Intangible assets	17	**3,845**	4,115
Deposit and prepayment for life insurance policy	18	**3,214**	3,136
		297,185	112,533
Current assets			
Properties under development for sale	19	**–**	66,914
Properties available for sale	19	**92,369**	–
Contract assets	21	**136,894**	167,611
Trade and other receivables	22	**194,799**	78,809
Tax recoverable		**561**	863
Cash and bank balances	23	**50,373**	53,757
		474,996	367,954
Total assets		**772,181**	480,487
EQUITY			
Capital and reserves			
Share capital	24	**2,640**	2,640
Reserves		**227,408**	159,715
Equity attributable to owners of the Company		**230,048**	162,355
Non-controlling interests		**1,166**	102
Total equity		**231,214**	162,457

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 HK$'000	31 December 2020 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	26	**5,079**	6,555
Liabilities for long service payments	27	**884**	820
Amounts due to related companies	30	**103,196**	–
Borrowings	31	**28,000**	–
Deferred tax liabilities	28	**11,050**	6,348
		148,209	13,723
Current liabilities			
Contract liabilities	21	**18,880**	76,865
Trade and other payables	29	**279,004**	175,295
Lease liabilities	26	**1,211**	1,765
Amounts due to related companies	30	**–**	49,087
Borrowings	31	**79,047**	–
Tax payables		**14,616**	1,295
		392,758	304,307
Total liabilities		**540,967**	318,030
Total equity and liabilities		**772,181**	480,487
Net current assets		**82,238**	63,647
Total assets less current liabilities		**379,423**	176,180

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 April 2022:

Mr. Yu Zhuyun
Director

Mr. Li Menglin
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company							
	Share capital HK$'000 (Note 24)	Share premium HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at and 1 April 2020	2,640	88,276	11,010	(98)	58,886	160,714	–	160,714
(Loss)/profit for the period	–	–	–	–	(749)	(749)	97	(652)
Other comprehensive income:								
Exchange differences arising on translation of foreign operations	–	–	–	2,390	–	2,390	5	2,395
Balance at 31 December 2020 and 1 January 2021	2,640	88,276	11,010	2,292	58,137	162,355	102	162,457
Profit/(loss) for the year	–	–	–	–	61,985	61,985	(1,699)	60,286
Other comprehensive income/(expense):								
Exchange differences arising on translation of foreign operations	–	–	–	6,112	–	6,112	1,463	7,575
Reclassification of cumulative translation reserve upon disposal of foreign operations	–	–	–	(210)	–	(210)	–	(210)
Total comprehensive income/(expense) for the year	–	–	–	5,902	61,985	67,887	(236)	67,651
Disposal of subsidiaries (Note 36)	–	–	–	–	–	–	(153)	(153)
Capital contributions from non-controlling interest	–	–	–	–	–	–	1,259	1,259
Acquisition of additional interests in a subsidiary	–	–	–	–	(194)	(194)	194	–
Balance at 31 December 2021	2,640	88,276	11,010	8,194	119,928	230,048	1,166	231,214

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	32	**(27,331)**	48,017
Income tax paid		**(955)**	–
Income tax refunded		**311**	223
Net cash (used in)/generated from operating activities		**(27,975)**	48,240
Cash flows from investing activities			
Net cash outflow on acquisitions of subsidiaries		**–**	(2,400)
Payments for investment properties		**(123,083)**	(60,035)
Interest received		**97**	108
Proceeds on disposal of property, plant and equipment		**2,140**	–
Net cash outflow from disposal of subsidiaries, net of cash disposed		**(541)**	–
Payment for right-of-use assets		**–**	(4,906)
Purchases of property, plant and equipment		**(15,560)**	(13,003)
Net cash used in investing activities		**(136,947)**	(80,236)
Cash flows from financing activities			
Interest paid		**(3,413)**	(76)
Capital contributions from non-controlling interests		**1,259**	–
Increase/(decrease) in amounts due to related companies		**57,813**	(30,437)
Repayments of borrowings		**(40,633)**	–
New other loans raised		**146,394**	–
Principal elements of lease payments		**(1,400)**	(509)
Net cash generated from/(used in) financing activities		**160,020**	(31,022)
Net decrease in cash and cash equivalents		**(4,902)**	(63,018)
Cash and cash equivalents at beginning of the year/period		**53,757**	114,462
Effects of foreign exchange rate changes		**1,518**	2,313
Cash and cash equivalents at end of the year/period		**50,373**	53,757
Analysis of balances of cash and cash equivalents			
Cash and bank balances	23	**50,373**	53,757

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 29 March 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 29 March 2018. As at 31 December 2021, its parent and ultimate holding company is Central Culture Resource Group Limited, a company incorporated in the British Virgin Islands ("**BVI**") with limited liability and wholly-owned by Mr. Yu Zhuyun, the controlling shareholder of the Company.

The Company's registered office address is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands, and the Company's principal place of business in Hong Kong is Office 5509, 55th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the business of (i) foundation works, superstructure building works and construction materials supplies in Hong Kong and the People's Republic of China (the "**PRC**"); (ii) property development and investment; (iii) property management; (iv) food and beverage ("**F&B**") supply chain; (v) health and wellness; and (vi) smart logistic and information system in the PRC.

The financial year end date of the Company and the Group has been changed from 31 March to 31 December to align the financial year end date of the Company with that of its subsidiaries. Accordingly, the consolidated financial statements for the current year covered a period of twelve months from 1 January 2021 to 31 December 2021. The corresponding comparative figures shown for the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes covered a period of nine months from 1 April 2020 to 31 December 2020 and therefore may not be comparable with amounts shown for the current year.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the current year and prior period presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies and disclosures

(i) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 *Leases* ("**HKFRS 16**") by one year so that 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 application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current year and prior periods and/or on the disclosures set out in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

(ii) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Disclosure of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 April 2021.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2.3 Principles of consolidation

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity and the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Principles of consolidation *(Continued)*

2.3.2 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisitions failed to meet the definition of business combination are treated as acquisitions of assets and liabilities instead of business combination.

Acquisition-related costs are expenses as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

2.3.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'other income and net gains/(loss)'.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency transaction differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate is derecognised when replaced. All other repairs and maintenance costs are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives or lease term, where applicable, as follows:

Machinery and equipment	20%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statements of profit or loss and other comprehensive income.

2.7 Investment properties

Investment property, principally comprising leasehold land, is held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recognised in the consolidated statement of profit or loss and other comprehensive income within "Gain on fair value changes of investment properties".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets

2.8.1 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquirees and the acquisition date fair value of any previous equity interest in the acquirees over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The Group's goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.8.2 Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Properties under development for sale/available for sale

Properties under development for sale are stated at the lower of cost and net realisable value. The cost of properties under development for sale comprises the acquisition cost of land, aggregate cost of development and other direct expenses capitalised. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and costs to be incurred in selling the properties.

Properties under development for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Properties available for sale are stated at the lower of cost and net realisable value. The cost of properties available for sale comprises the acquisition cost of land, aggregate cost of development and other direct expenses capitalised. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs to be incurred in selling the properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Properties under development for sale/available for sale *(Continued)*

The amount of any write down of properties under development for sale/available for sale is recognised as an expense in the year write down or loss occurs. The amount of any reversal of any write down arising from an increase in net realisable value is recognised in the consolidated statement of profit or loss and other comprehensive income in the year in which the reversal occurs.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit of loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

2.11.3 Measurement *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the year in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

2.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses ("**ECL**") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if the payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Current and deferred income tax *(Continued)*

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognised if it arises from initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

The Group operates defined contribution plans and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. There were no forfeited contributions available to offset future employer's contributions to the schemes.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Employee benefits *(Continued)*

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(v) Long service payments

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees upon the termination of their employment or retirement on ground of old age when the employee fulfils certain conditions and the termination meets the required circumstances. Further, where accrued benefits (excluding any part attributable to the employee's contributions) have been paid to the employee, or is being held in a mandatory provident fund scheme by the employee, which is the case for most of the eligible employees of the Group, the long service payment is offset against the aforementioned amount of benefits to the extent that they relate to the employee's years of service for which the long service payment is payable.

Based on the Group's past experience and the directors' knowledge of the business and work force, the Group makes its estimates of its obligations to make long service payments to its employees in the event of termination of their employment or retirement. The Group's obligations to make such long service payments are recognised in the financial statements as long service payment liabilities at the present value (where the effect of discounting is material) of the long service payment obligations, which are estimated after deducting the entitlements accrued under the Group's defined contribution retirement scheme that are attributable to contributions made by the Group. Service cost, net interest on the long service payment liabilities (where discounting to present value is adopted because the effect of discounting is material) and premeasurements of the long service payment liabilities are recognised in profit or loss.

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.22 Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue from contracts with customers *(Continued)*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

(i) Foundation works and superstructure building works

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration (variation order of construction work), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised 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 relate. The asset is subject to impairment review.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue from contracts with customers *(Continued)*

(ii) Property development and investment

Revenue arising from the sale of properties developed for sales/under development for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties pre-sold prior to the date of revenue recognition were included in the consolidated statement of financial position under "contract liabilities".

(iii) Property management services

Revenue arising from property management services is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for services provided to the customers and recognises as revenue in the amount to which the Group satisfies performance obligations by transferring the services to its customers.

(iv) Trading of construction materials/Sales of healthcare products and healthy food/Sales of agricultures products, food and beverage materials

Revenue from sales of goods is recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligations that could affect the customers' acceptance of the products. A delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that consideration is unconditional because only the passage of time is required before the payment is due.

(v) Logistic services and information technology development

Revenues from the provision of logistics services and information technology development are recognised when the services are rendered.

2.23 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Leases *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the year in which the dividends are approved by the Group's shareholders or directors, where appropriate.

2.25 Deposit and prepayment for life insurance policy

Life insurance policy that can be terminated at any time is determined by the upfront payments plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. If withdrawal is made, a pre-determined specified amount of surrender charge would be imposed.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.28 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 of 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) has control or joint control of the 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 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.

Close members of the family of a person are those family members who may be expected to influence or be influenced by, that person in their dealings with the entity.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk primarily arising from its financial assets and financial liabilities denominated in foreign currency. The currencies giving rise to this risk are primarily Renminbi and the United States Dollar.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Assets		Liabilities	
	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000	**Year ended 31 December 2021 HK$'000**	Nine months ended 31 December 2020 HK$'000
Renminbi ("**RMB**")	**154,425**	49,024	**440,357**	189,203
United States Dollar ("**US$**")	**3,214**	3,136	**–**	–

Sensitivity analysis

If RMB has been appreciated/depreciated 5% against the foreign currency and all other variable were held constant, the Group's post-tax loss for the year would decrease/increase by approximately HK$4,585,000 (31 December 2020: decrease/increase by approximately HK$2,135,000). No sensitivity analysis is presented for foreign currency fluctuation between US$ against HK$ because HK$ is pegged to US$ and assumed that the rate would not be materially affected by any changes in movement in value of the HK$ against other currencies.

(ii) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities. The Group is not exposed is not exposed to significant cash flow interest rate risk. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iii) Credit risk

Credit risk arises mainly from trade receivables, contract assets, other receivables and deposits and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk on trade receivables, contract assets and other receivables and deposits, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The credit quality of the debtors is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. In addition, the Group reviews the recoverable amount of each individual trade receivable, contract assets and other receivables and deposits balance at the end of each of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the credit risk is significantly reduced.

As at 31 December 2021, there were three (31 December 2020: two) customers which individually contributed over 10% of the Group's trade and other receivables. The aggregate amounts of trade and other receivables from these customers amounted to 48% respectively (31 December 2020: 61%) of the Group's total trade and other receivables as at 31 December 2021.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iii) Credit risk *(Continued)*

The Group's internal credit risk grading comprises the following categories:

Category	Group definition of category	Basis for recognition of ECL
Performing	There have low risk of default and has not been any significant increase in credit risk since initial recognition	12-month ECL
Doubtful	There have been significant increase in credit risk since initial recognition	Lifetime ECL — not credit impaired
Default	There is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Bank balances

The credit risk of bank balances is considered not material as such amounts are placed in reputable banks with high credit rating assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regarded as low.

Other receivables and deposits

As at 31 December 2021 and 2020 , the internal credit rating of other receivables and deposits were performing. Management has measured the loss allowances of these financial assets at 12m ECL. The Group uses past due information and forward-looking information to assess whether credit risk has increased significantly since initial recognition.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iii) Credit risk *(Continued)*

Trade receivables and contract assets

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been assessed grouped based on shared credit risk characteristics and the days past due. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. The ECL also incorporate forward-looking information such as actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

As at 31 December 2021 and 2020, the loss allowance for trade receivables, contract assets and other receivables and deposits were determined as follows:

	Weighted average expected loss rate	Gross carrying amount HK$'000	Expected credit loss HK$'000	Net carrying amount HK$'000
At 31 December 2021				
Trade receivables	**2.0%**	**146,893**	**(2,919)**	**143,974**
Contract assets	**0.4%**	**137,470**	**(576)**	**136,894**
Other receivables and deposits	**1.2%**	**39,564**	**(473)**	**39,091**
At 31 December 2020				
Trade receivables	2.1%	38,025	(802)	37,223
Contract assets	0.3%	168,155	(544)	167,611
Other receivables and deposits	0.9%	34,556	(316)	34,240

The estimated loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effect.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iii) Credit risk *(Continued)*

The movement in the loss allowances for trade receivables, contract assets and other receivables and deposits during the year ended 31 December 2021 and the nine months ended 31 December 2020 are as follows:

	Trade receivables Life-time ECL (not credit impaired) HK$'000	**Contract assets Life-time ECL (not credit impaired)** HK$'000	**Other receivables and deposits (12-month ECL)** HK$'000
As at 1 April 2020	5	23	60
Provision for loss allowance recognised in profit or loss during the period	759	497	252
Exchange realignment	38	24	4
As at 31 December 2020 and 1 January 2021	802	544	316
Provision for loss allowance recognised in profit or loss during the year	**2,088**	**38**	**146**
Exchange realignment	**29**	**(6)**	**11**
As at 31 December 2021	**2,919**	**576**	**473**

The creation and release of provision for impaired trade receivables, contract assets and other receivables and deposits have been included in administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iv) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating based on current rates at the end of each reporting period) and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
At 31 December 2021						
Trade and other payables	**279,004**	**–**	**–**	**–**	**279,004**	**279,004**
Amounts due to related companies	**–**	**1,390**	**101,806**	**–**	**103,196**	**103,196**
Borrowings	**84,757**	**29,400**	**–**	**–**	**114,157**	**107,047**
Lease liabilities	**1,495**	**1,495**	**4,112**	**–**	**7,102**	**6,290**
	365,256	**32,285**	**105,918**	**–**	**503,459**	**495,537**
At 31 December 2020						
Trade and other payables	175,295	–	–	–	175,295	175,295
Amounts due to related companies	49,087	–	–	–	49,087	49,087
Lease liabilities	2,133	1,844	4,425	1,036	9,438	8,320
	226,515	1,844	4,425	1,036	233,820	232,702

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the debts as at each year end divided by the total equity as at each year end.

The gearing ratios of the Group are as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000
Debts	**113,337**	8,320
Total equity	**231,214**	162,457
Gearing ratio	**49.0%**	5.1%

3.3 Fair value estimation

The Group's financial instruments carried at fair value as at 31 December 2021 and 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group did not have any financial instruments measured at fair value as at 31 December 2021 and 2020.

The directors of the Company consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Progress towards of completion of construction works

The Group recognises its contract revenue over time by reference to the progress towards complete satisfaction of a performance obligation of the end of the reporting period, measured based on the surveys of work performed to date of the individual contract of construction works relative to total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company have to determine the appropriate valuation techniques and inputs for fair value measurement.

In estimating the fair value of investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuer to perform the valuation. At the end of each reporting period, the management of the Group works closely with the independent qualified valuer to establish the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurement. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company. Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed in Note 16.

Properties under development for sale

An assessment of the net realisable value is made in each reporting period. The Group takes into consideration the current market environment and the estimated market value of leasehold land. Such assessment was made based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. In making the assessment, the directors have made estimates concerning estimated prices to be generated by the completed properties and made deductions for the estimated development costs and required estimated development profits from the properties. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Impairment is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, a material provision for impairment loss may result. The carrying amount of the properties under development for sale is nil (31 December 2020: HK$66,914,000).

Properties available for sale

An assessment of the net realisable value is made in each reporting period. The Group takes into consideration the current market environment and the estimated market value of properties. Such assessment was made based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. In making the assessment, the directors have made estimates concerning estimated selling prices of the completed properties and made deductions for the development costs of the completed properties. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Impairment is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties available for sale is less than expected as a result of change in market condition, a material provision for impairment loss may result. The carrying amount of the properties available for sale is approximately HK$92,369,000 (31 December 2020: Nil).

5. REVENUE, OTHER INCOME AND NET GAINS/(LOSS) AND SEGMENT INFORMATION

Revenue and other income and net gains/(loss) recognised during the current year and prior period are as follows:

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000 (Restated)
Revenue		
Foundation works, superstructure building works and construction materials suppliers	684,219	308,528
Property development	85,769	–
Property management	40,370	5,867
Supply chain of F&B	93,149	–
Health and wellness	176,139	58,500
Logistics services and information technology development	6,590	632
	1,086,236	373,527
Other income and net gains/(loss)		
Interest income	97	108
Net gains on disposal of property, plant and equipment	46	–
Loss on disposal of subsidiaries	(908)	–
Government grants	536	2,010
Operating lease income — machinery and equipment	3,380	914
Waiver of repayment obligation for a loan	37,800	–
Sundry income	462	175
	41,413	3,207

During the nine months ended 31 December 2020, the Group recognised government grants of approximately HK$2,010,000 of which approximately HK$1,745,000 in respect of Covid-19-related subsidies, related to Employment Support Scheme provided by the Hong Kong government, the grants were recognised when the required employment conditions were fulfilled. During the year, there were no unfulfilled conditions for the government grants of approximately HK$536,000 (31 December 2020: HK$265,000).

5. REVENUE, OTHER INCOME AND NET GAINS/(LOSS) AND SEGMENT INFORMATION *(Continued)*

Disaggregation of revenue from contracts with customers

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Timing of revenue recognition		
Over time	**281,477**	194,899
A point in time	**804,759**	178,628
	1,086,236	373,527
Types of services or goods		
Foundation works and superstructure building works	**241,107**	189,032
Sale of properties	**85,769**	–
Property management services	**40,370**	5,867
Trading of construction materials	**443,112**	119,496
Sales of agriculture products, food and beverage materials	**93,149**	–
Sales of healthcare products and healthy food	**176,139**	58,500
Logistics services and information technology development	**6,590**	632
	1,086,236	373,527

Performance obligations for contracts with customers

Foundation works and superstructure building works

The performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these works is therefore recognised over time using output method, i.e. based on surveys of the relevant services completed by the Group to date with reference to certificates issued by customers or payment applications confirmed by internal surveyor. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.

Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties pre-sold prior to the date of revenue recognition were included in the consolidated statement of financial position under "contract liabilities".

5. REVENUE, OTHER INCOME AND NET GAINS/(LOSS) AND SEGMENT INFORMATION *(Continued)*

Performance obligations for contracts with customers *(Continued)*

Property management services

Revenue arising from property management services is recognised in the accounting period in which the services are rendered. The Group bills the amount for services provided to the customers and recognises as revenue in the amount to which the Group satisfies performance obligations by transferring the services to its customers. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these types of contracts.

Trading of construction materials/Sales of healthcare products and healthy food/Sales of agricultures products, food and beverage materials

Revenue from sales of goods is recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligations that could affect the customers' acceptance of the products. A delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that consideration is unconditional because only the passage of time is required before the payment is due.

Logistics services and information technology development

The performance obligation is satisfied at a point in time when the services is transferred and accepted by the customers.

Transaction price allocated to the remaining performance obligations from contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 and the expected timing of recognising revenue are as follows:

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Provision of foundation works and superstructure building works		
Within one year	**162,989**	382,537
Over one year	**3,929**	52,380
	166,918	434,917

5. REVENUE, OTHER INCOME AND NET GAINS/(LOSS) AND SEGMENT INFORMATION *(Continued)*

Segment information

The Group's operating segments are determined based on information reported to the board of directors of the Company, being the chief operating decision-maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance.

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

(i) Foundation works, superstructure building works and construction materials supplies — provision of piling works, excavation and lateral support works, and pile cap construction and building works in relation to the parts of the structure above the ground level and supplying of construction materials;

(ii) Property development and investment — development and sale of properties and holding of properties for investment and leasing purposes;

(iii) Property management — provision of property management services, which include security, cleaning, greening, gardening, repair and maintenance;

(iv) F&B supply chain — provision of agriculture products, food and beverage materials supply chain business;

(v) Health and wellness — provision of health and wellness services, which include the healthcare consulting and sales of healthcare products and healthy food; and

(vi) Smart logistic and information system — provision of logistics services and information technology development.

The Group has introduced additional segments of F&B supply chain during the year.

In previous period, (i) foundation works and superstructure building works and (ii) trading of construction materials were reported to the CODM as stand-alone business units and constituted separate segments. Following a change in the Group's operating and reporting structure, starting from the year 2021, such business activities are combined into a single segment before being reported to the CODM. Accordingly, the CODM now reviews the Group's internal reporting based on six abovementioned segments. Following the changes of reporting segments, the comparative segment information has been reclassified.

5. REVENUE, OTHER INCOME AND NET GAINS/(LOSS) AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and result by operating segments:

For the year ended 31 December 2021

	Foundation works, superstructure building works and construction materials supplies HK$'000	Property development and investment HK$'000	Property management HK$'000	F&B supply chain HK$'000	Health and wellness HK$'000	Smart logistic and information system HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
Revenue from external customers	684,219	85,769	40,370	93,149	176,139	6,590	–	1,086,236
Inter-segment sales	73,997	–	–	–	–	–	(73,997)	–
	758,216	85,769	40,470	93,149	176,139	6,590	(73,997)	1,086,236
RESULT								
Segment (loss)/profit	(4,952)	69,943	2,564	(1,982)	(7,266)	(2,373)	–	55,934
Other income and net gains/(loss)								41,413
Unallocated corporation expenses								(14,395)
Finance costs								(3,413)
Profit before income tax								79,539

5. REVENUE, OTHER INCOME AND NET GAINS/(LOSS) AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment revenue and results *(Continued)*

For the nine months ended 31 December 2020

	Foundation works, superstructure building works and construction materials supplies HK$'000	Property development and investment HK$'000	Property management HK$'000	Health and wellness HK$'000	Smart logistic and information system HK$'000	Elimination HK$'000	Total HK$'000
REVENUE							
Revenue from external customers	308,528	–	5,867	58,500	632	–	373,527
Inter-segment sales	56,551	–	–	–	–	(56,551)	–
	365,079	–	5,867	58,500	632	(56,551)	373,527
RESULT							
Segment profit/(loss)	6,844	34,393	(1,502)	575	619	–	40,929
Other income and net gains							3,207
Unallocated corporation expenses							(40,183)
Finance costs							(76)
Profit before income tax							3,877

Segment revenue reported above represents revenue generated from external customers. Inter-segment revenue is charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit/(loss) from each segment without allocation of other income and net gains/(loss), unallocated corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. REVENUE, OTHER INCOME AND NET GAINS/(LOSS) AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment assets and liabilities

	31 December 2020 HK$'000	31 December 2020 HK$'000 (Restated)
Segment assets		
Foundation works, superstructure building works and construction materials supplies	334,064	241,780
Property development and investment	353,774	149,983
Property management	13,803	10,502
F&B supply chain	4,048	–
Health and wellness	9,081	1,686
Smart logistics services and information system	319	2,693
Total segment assets	715,089	406,644
Unallocated corporate assets	57,092	73,843
Consolidated total assets	772,181	480,487
Segment liabilities		
Foundation works, superstructure building works and construction materials supplies	250,432	160,782
Property development and investment	217,823	66,847
Property management	15,697	19,584
F&B supply chain	6,025	–
Health and wellness	14,432	954
Smart logistics services and information system	1,506	128
Total segment liabilities	505,915	248,295
Unallocated corporate liabilities	35,052	69,735
Consolidated total liabilities	540,967	318,030

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than deposit and prepayment for life insurance policy, tax recoverable, cash and bank balance and other unallocated corporate assets; and
- all liabilities are allocated to operating segments other than tax payables, deferred tax liabilities, liabilities for long service payments and other unallocated corporate liabilities.

5. REVENUE, OTHER INCOME AND NET GAINS/(LOSS) AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Other segment information
For the year ended 31 December 2021

	Foundation works, superstructure building works and construction materials supplies HK$'000	Property development and investment HK$'000	Property management HK$'000	F&B supply chain HK$'000	Health and wellness HK$'000	Smart logistic and information system HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	14,597	–	27	35	899	–	2	15,560
Depreciation of property, plant and equipment	6,783	80	79	2	507	91	–	7,542
Depreciation of right-of-use assets	261	–	–	–	1,505	4	110	1,880
Gain on fair value changes of investment properties	–	45,254	–	–	–	–	–	45,254

For the nine months ended 31 December 2020

	Foundation works, superstructure building works and construction materials supplies HK$'000	Property development and investment HK$'000	Property management HK$'000	Health and wellness HK$'000	Smart logistic and information system HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	11,222	60,098	400	1,215	104	13,190	86,229
Depreciation of property, plant and equipment	2,525	55	15	18	54	9	2,676
Depreciation of right-of-use assets	335	–	–	268	4	190	797
Gain on fair value changes of investment properties	–	35,703	–	–	–	–	35,703

5. REVENUE, OTHER INCOME AND NET GAINS/(LOSS) AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Geographical information

The Group's operations are located in both Hong Kong and the PRC.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000	**Year ended 31 December 2021 HK$'000**	Nine months ended 31 December 2020 HK$'000
Hong Kong	**137,812**	90,324	**24,202**	18,573
The PRC	**948,424**	283,203	**269,769**	90,824
	1,086,236	373,527	**293,971**	109,397

Note: Non-current assets excluded deposit and prepayment for life insurance policy.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Customer I[1]	**N/A[3]**	80,705
Customer II[2]	**N/A[3]**	47,536
Customer III[2]	**109,353**	N/A[3]

1 Revenue from foundation works and superstructure building works.

2 Revenue from trading of construction materials.

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year/period.

6. FINANCE COST

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Interest on borrowings	**3,043**	–
Interest on lease liabilities	**370**	76
	3,413	76

7. PROFIT BEFORE INCOME TAX

Profit before taxation has been arrived at after charging/(crediting):

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Auditors' remuneration	**1,450**	1,360
Depreciation of property, plant and equipment	**7,542**	2,676
Depreciation of right-of-use assets	**1,880**	797
Provision for impairment losses on trade receivables	**2,088**	759
Provision for impairment losses on contract assets	**38**	497
Provision for impairment losses on other receivables and deposits	**146**	252
Rental expense from short-term leases	**1,893**	1,701
Covid-19-related rent concessions (Note 15)	**–**	(96)
Staff costs (including directors' emoluments) (Note 8)	**49,699**	30,147

8. EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Directors' emoluments	**2,118**	1,834
Other staff costs	**46,121**	27,769
Retirement scheme contributions		
— defined contribution plan, excluding directors	**1,460**	544
	49,699	30,147

The Group operates defined contribution schemes in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

The employees of the Group's subsidiaries established in the PRC are required to participate in a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

9. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the year ended 31 December 2021 and the nine months ended 31 December 2020 are set out below:

	Fee HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2021					
Executive directors					
— Mr. Yu Zhuyun ("**Mr. Yu**") (Note (i))	–	600	–	18	618
— Mr. Li Menglin (Note (ii))	–	550	–	–	550
Non-executive directors					
— Mr. Qiao Xiaoge ("**Mr. Qiao**")	–	100	–	–	100
— Ms. Zhu Yujuan ("**Ms. Zhu**")	–	100	–	–	100
Independent non-executive directors					
— Dr. Li David Xianglin ("**Dr. Li**")	250	–	–	–	250
— Mr. Wang Wenxing ("**Mr. Wang**")	250	–	–	–	250
— Dr. Zhou Chunsheng ("**Dr. Zhou**")	250	–	–	–	250
	750	1,350	–	18	2,118

9. BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

	Fee HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary Bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'s000
Nine months ended 31 December 2020					
Executive directors					
Mr. Yu Zhuyun ("**Mr. Yu**") (Note (i))	–	450	–	27	477
Mr. Li Menglin (Note (ii))	–	367	–	–	367
Mr. Zhu Fei (Note (iv))	–	220	–	–	220
Non-executive directors					
Mr. Qiao Xiaoge ("**Mr. Qiao**")	–	75	–	–	75
Mr. Gao Jian ("**Mr. Gao**") (Note (iii))	–	59	–	–	59
Ms. Zhu Yujuan ("**Ms. Zhu**")	–	75	–	–	75
Independent non-executive directors					
Dr. Li David Xianglin ("**Dr. Li**")	187	–	–	–	187
Mr. Wang Wenxing ("**Mr. Wang**")	187	–	–	–	187
Dr. Zhou Chunsheng ("**Dr. Zhou**")	187	–	–	–	187
	561	1,246	–	27	1,834

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (31 December 2020: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year (31 December 2020: Nil).

9. BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Notes:

(i) Mr. Yu was appointed as an executive director and the chairman of the board of directors of the Company on 4 October 2019 and subsequently appointed as the chief executive officer of the Company on 30 April 2020.

(ii) Mr. Li Menglin was appointed as an executive director of the Company on 30 April 2020.

(iii) Mr. Gao was resigned as non-executive director of the Company on 23 October 2020.

(iv) Mr. Zhu was resigned as an executive director and the chief executive officer of the Company on 30 April 2020.

(b) Five highest paid individuals

Of the five individuals with the highest in the Group, none (31 December 2020: none) were directors, whose emoluments are disclosed above. The emoluments paid to the remaining five (31 December 2020: five) individuals were as follows:

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Salaries and allowances	3,932	6,379
Discretionary bonuses	483	1,968
Retirement scheme contributions	75	81
	4,490	8,428

The emoluments fell within the following bands:

	Year ended 31 December 2021 Number of individuals	Nine months ended 31 December 2020 Number of individuals
Emolument bands (in HK$)		
Nil–HK$1,000,000	3	1
HK$1,000,001–HK$1,500,000	2	2
HK$2,000,001 or above	–	2

During the year, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (31 December 2020: Nil).

10. INCOME TAX EXPENSE

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Hong Kong Profits Tax		
— Current tax	–	–
The PRC Enterprise Income Tax		
— Current tax	14,771	1,045
Deferred tax (Note 28)	4,482	3,484
Income tax expense	19,253	4,529

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for both the current year and the prior period. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2021 as the Group has available tax losses brought forward from prior periods. For the nine months ended 31 December 2020 as the Group had no assessable profits arising in or derived from Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the current year and prior period.

Pursuant to relevant PRC tax laws and regulations, the annual taxable income of a small low-profit enterprises (the "**Small Low-profit Enterprises**") that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20% for the year.

Accordingly, certain of the PRC subsidiaries of the Company, qualified as the Small Low-profit Enterprises, are subject to the tax rate at 20% for the current year and prior period.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

10. INCOME TAX EXPENSE *(Continued)*

The tax charge for the year/period can be reconciled to profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Profit before income tax	**79,539**	3,877
Calculated at the statutory tax rate	**13,124**	640
Income not subject to tax	**(22)**	(275)
Expenses not deductible for tax purposes	**138**	11
Effect of PRC land appreciation tax	**3,630**	2,492
Tax losses for which no deferred income tax asset was recognised	**7,402**	9,470
Utilisation of tax losses previously not recognised	**(1,003)**	–
Effect of different taxation rates in other jurisdictions	**(4,016)**	(7,809)
Income tax expense	**19,253**	4,529

11. EARNINGS/(LOSS) PER SHARE

	Year ended 31 December 2021	Nine months ended 31 December 2020
Profit/(loss) attributable to owners of the Company (HK$'000)	**61,985**	(749)
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (in thousand)	**1,056,000**	1,056,000
Basic earnings/(loss) per share (HK cent)	**5.87**	(0.07)

The weighted average number of ordinary shares for the purpose of basic loss per share for the nine months ended 31 December 2020 has been adjusted for the share subdivision on 5 August 2020 as if they have taken place since the beginning of the period.

No diluted earnings/(loss) per share is presented for both current year and prior period as there was no potential ordinary share outstanding.

12. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period are set out as follows:

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid-up capital/ registered capital	Percentage of interest held	
				31 December 2021	31 December 2020
Wise Trend Engineering Limited ("**Wise Trend Engineering**")	Hong Kong, limited liability company	Business of foundation works and superstructure building works	Ordinary share HK$59,323,629	**100% (indirect)**	100% (indirect)
Wise Trend Construction & Engineering Limited ("**Wise Trend Construction & Engineering**")	Hong Kong, limited liability company	Handling human resources and related administrative matters of the Group	Ordinary share HK$10,000	**100% (indirect)**	100% (indirect)
Wise Trend Construction Limited ("**Wise Trend Construction**")	Hong Kong, limited liability company	Business of foundation works and superstructure building works	Ordinary share HK$1,000,000	**100% (indirect)**	100% (indirect)
浙江新田鋪農旅開發有限公司 Zhejiang Xintianpu Agricultural Travel Development Ltd*	PRC, limited liability company	Business of property development and investment	Registered capital RMB50,000,000	**100% (indirect)**	100% (indirect)
安徽中之環建築工程有限公司 Anhui Zhongzhihuan Construction Engineering Co., Ltd* ("**Anhui Zhongzhihuan Construction**")	PRC, limited liability company	Business of foundation works and superstructure building works	Registered capital RMB40,000,000	**100% (indirect)**	100% (indirect)
合肥廣益鑫貿易有限公司 Hefei Guangyixin Trading Co., Ltd* ("**Hefei Guangyixin**")	PRC, limited liability company	Trading of commodities	Registered capital RMB50,000,000	**100% (indirect)**	100% (indirect)
中環廣利恒(衢州)有色金屬貿易有限公司 Zhonghuan Guangliheng (Quzhou) Non-Ferrous Metal Trading Co., Ltd*	PRC, limited liability company	Trading of commodities	Registered capital RMB50,000,000	**100% (indirect)**	100% (indirect)

12. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid-up capital/ registered capital	Percentage of interest held	
				31 December 2021	31 December 2020
中環鑫信匯(衢州)貿易有限公司 Zhonghuan Xinxinhui (Quzhou) Trading Co., Ltd*	PRC, limited liability company	Trading of commodities, provision of health and wellness services and provision of agriculture products food and beverage materials supply chain business	Registered capital RMB50,000,000	**100% (indirect)**	100% (indirect)
中之環大健康科技發展(北京)有限公司 Zhongzhihuanda Health Technology Development (Beijing) Co., Ltd.*	PRC, limited liability company	Provision of health and wellness services	Registered capital RMB50,000,000	**100% (indirect)**	100% (indirect)
安徽中港物業服務有限公司 Anhui Zhong Gang Property Service Co., Ltd*	PRC, limited liability company	Provision of property investment advisory services	Registered capital RMB8,000,000	**100% (indirect)**	100% (indirect)
倫內斯塔健康管理(上海)有限公司 Lenesta Health Management (Shanghai) Co., Ltd.* ("**Lenesta Health**")	PRC, limited liability company	Provision of health and wellness services	Registered capital RMB6,500,000	**100% (indirect)**	53.85% (indirect)
上海中環尋玲健康管理有限公司 Shanghai Zhonghuan Xunling Health Management Co., Ltd.*	PRC, limited liability company	Provision of health and wellness services	Registered capital RMB1,000,000	**51% (indirect)**	–
新田鋪(浙江)供應鏈有限公司 Xintianpu (Zhejiang) Supply Chain Co., Ltd.*	PRC, limited liability company	Provision of agriculture products, food and beverage materials supply chain business	Registered capital RMB20,000,000	**60% (indirect)**	–
中環好浙口吳記(衢州)餐飲管理有限公司 Central Haozhekou Wuji (Quzhou) Catering Management Co., Ltd.*	PRC, limited liability company	Provision of agriculture products, food and beverage materials supply chain business	Registered capital RMB1,000,000	**51% (indirect)**	–

Notes:

(a) In January 2021, the Group entered into a sale and purchase agreement to acquire 46.15% of the registered capital with nil consideration. After the acquisition, the Group indirectly held 100% equity interest in Lenesta Health (31 December 2020: 53.85%). The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

(b) None of the subsidiaries had issued any listed securities at the end of the reporting period. The Group had no subsidiaries which have material non-controlling interests for the year and prior period.

* English translation of the name of a Chinese company is provided for identification purpose only.

13. DIVIDENDS

No dividend was proposed or paid by the board of directors for the year (31 December 2020: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment HK$'000	Leasehold improvements HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2020	16,705	425	719	5,277	23,126
Additions	10,808	719	1,062	414	13,003
Acquired on acquisitions of subsidiaries	–	–	131	91	222
Disposals	–	–	(31)	–	(31)
Exchange adjustments	–	37	98	12	147
At 31 December 2020	27,513	1,181	1,979	5,794	36,467
Accumulated depreciation					
At 1 April 2020	9,536	425	235	2,744	12,940
Charge for the period	1,985	23	108	560	2,676
Eliminated on disposals	–	–	(31)	–	(31)
Exchange adjustments	–	1	6	2	9
At 31 December 2020	11,521	449	318	3,306	15,594
Net book value					
At 31 December 2020	15,992	732	1,661	2,488	20,873
Cost					
At 1 January 2021	**27,513**	**1,181**	**1,979**	**5,794**	**36,467**
Additions	**14,597**	**302**	**661**	**–**	**15,560**
Disposals of subsidiaries	**–**	**–**	**(482)**	**–**	**(482)**
Disposals	**(4,035)**	**(115)**	**(106)**	**–**	**(4,256)**
Exchange adjustments	**–**	**31**	**122**	**8**	**161**
At 31 December 2021	**38,075**	**1,399**	**2,174**	**5,802**	**47,450**
Accumulated depreciation					
At 1 January 2021	**11,521**	**449**	**318**	**3,306**	**15,594**
Charge for the year	**6,065**	**158**	**540**	**779**	**7,542**
Eliminated on disposals of subsidiaries	**–**	**–**	**(222)**	**–**	**(222)**
Eliminated on disposals	**(2,111)**	**(28)**	**(23)**	**–**	**(2,162)**
Exchange adjustments	**–**	**3**	**72**	**2**	**77**
At 31 December 2021	**15,475**	**582**	**685**	**4,087**	**20,829**
Net book value					
At 31 December 2021	**22,600**	**817**	**1,489**	**1,715**	**26,621**

15. RIGHT-OF-USE ASSETS

For current year, the Group leases certain properties as office premises (prior period: certain properties as office premises, staff quarter and leasehold lands) for its operations. Leases contracts are entered into for fixed terms of five years (31 December 2020: two to five years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In addition, lump sum payments were made upfront to acquire the leased land from the owners with lease periods of forty years, and no ongoing payments will be made under the terms of these land leases for prior period.

	Staff quarter HK$'000	Office premises HK$'000	Leasehold lands HK$'000	Total HK$'000
At 31 December 2021				
Carrying amount	**–**	**6,066**	**–**	**6,066**
At 31 December 2020				
Carrying amount	261	7,938	5,061	13,260
For the year ended 31 December 2021				
Depreciation charge	**261**	**1,509**	**110**	**1,880**
For the nine months ended 31 December 2020				
Depreciation charge	335	370	92	797

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Finance costs (Note 6)	**370**	76
Expense relating to short-term leases	**1,893**	1,701
Total cash outflow for leases	**3,663**	2,286
Addition to right-of-use assets	**–**	12,786
Disposals of subsidiaries (Note 36)	**5,139**	–

The Group regularly entered into short-term leases for certain office premises and office equipment. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 7.

During the nine months ended 31 December 2020, certain monthly lease payments for the leases of the Group's office premises have been waived by the lessors. These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK$96,000 were recognised as negative variable lease payments.

The lease agreements do not impose any covenants other than the security interests in the leases assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2020	25,717
Additions	60,035
Transfer to properties under development for sale	(53,022)
Net increase in fair value recognised in profit or loss	35,703
Exchange adjustments	2,716
At 31 December 2020 and 1 January 2021	71,149
Additions	**123,083**
Transfer from properties under development for sale	**12,519**
Net increase in fair value recognised in profit or loss	**45,254**
Exchange adjustments	**5,434**
At 31 December 2021	**257,439**

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Unrealised gain on properties revaluation included in profit or loss	**45,254**	35,703

The fair value of the Group's investment properties located in the PRC at 31 December 2021 have been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision Appraisals Limited (31 December 2020: Peak Vision Appraisals Limited), independent qualified professional valuers not connected to the Group.

During the year, the certain property under development for sale of the Group with carrying amounts of approximately HK$12,519,000 were completed and transferred to investment properties at fair value of approximately HK$12,669,000 at the date of transfer due to the change of usage as evidenced by inception of an operating lease. The difference between the carrying amount and fair value which amounted to approximately HK$147,000 was recognised as gain on fair value changes of investment properties in profit or loss.

During the nine months ended 31 December 2020, the Group's investment properties were transferred to properties under development for sale at fair value of approximately HK$53,022,000 at the date of transfer due to the change of usage as evidenced by commencement of development with a view to sale.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3 HK$'000	**Fair value as at 31 December 2021 HK$'000**	Level 3 HK$'000	Fair value as at 31 December 2020 HK$'000
Investment properties located in the PRC	**257,439**	**257,439**	71,149	71,149

There were no transfers into or out of Level 3 during the year (31 December 2020: Nil).

16. INVESTMENT PROPERTIES *(Continued)*

Investment properties	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2021				
Hotels located in the PRC	Level 3	Income capitalisation method	Capitalisation rate 4.5%	The increase in capitalisation rate, would result in a decrease in fair value and vice versa.
			Market rent per month HK$38.5 per square metre	The increase in market rent, would result in a increase the fair value and vice versa.
Properties located in the PRC	Level 3	Income capitalisation method	Capitalisation rate 4%	The increase in capitalisation rate, would result in a decrease in fair value and vice versa.
			Market rent per month HK$49.2 per square metre	The increase in market rent, would result in a increase the fair value and vice versa.
At 31 December 2020				
Hotels under construction located in the PRC	Level 3	Residual method	Development costs to completion of approximately to HK$132 million	The increase in development costs would result in a decrease in fair value and vice versa.
			Developer's profit and risk rate, taking into account of the progress of the property, of 8%	The increase in the developer's profit and risk rate would result in a decrease in fair value, and vice versa.

As at 31 December 2021, the fair value was derived using the income capitalisation method, cross-referenced with comparable market transactions. The income capitalisation approach is based on the capitalisation of the existing rental income at appropriate capitalisation rates that by reference to the yields achieved in analysed market sales transactions and as expected by investors.

As at 31 December 2020, the fair value was derived using the residual method. The residual method is based on the assumption that the property is newly completed in accordance with the development proposal in terms of property uses and construction schedules to establish the gross development value ("**GDV**"). The total development costs including construction costs, contingency, financial costs, marketing & legal fees and developer's profit are estimated and deducted from the established GDV. The residual value is then adjusted back to the valuation date to arrive at the market value of the property interest concerned. The income approach has been used in estimating the GDV.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There has been a change in valuation technique for the valuation of the hotels located in the PRC. In respect of the hotels located in the PRC, the valuation technique was changed from residual method to income capitalisation method. In the opinion of the directors of the Company, the change resulted in a fair value measurement that is more representative of fair value in the circumstances taking into account of the completion of the hotels located in the PRC.

17. INTANGIBLE ASSETS

	Goodwill HK$'000 Note (i)	Licence HK$'000 Note (ii)	Total HK$'000
At 1 April 2020	870	2,755	3,625
Arising on acquisitions of subsidiaries	178	–	178
Exchange adjustments	79	233	312
As at 31 December 2020 and 1 January 2021	1,127	2,988	4,115
Disposal of Zhonggao Group (Note 36(a))	**(382)**	**–**	**(382)**
Exchange adjustments	**12**	**100**	**112**
As at 31 December 2021	**757**	**3,088**	**3,845**

Notes:

(i) The carrying amount of goodwill is allocated to the CGU as follows:

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Provision of logistics services and information technology department	**–**	404
Trading of construction materials	**560**	540
Property management	**197**	183
	757	1,127

(a) Provision of logistics services and information technology development

During the nine months ended 31 December 2020, the management performed impairment review for the goodwill. The recoverable amount of the CGU has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 21.78%, that reflect the risks specific to the CGU. No impairment loss was recognised in respect of goodwill allocated to this CGU for the nine months ended 31 December 2020 as the recoverable amount to this CGU exceeded its carrying amount.

During the year, the goodwill relating to provision of logistics services and information technology development was derecognised as the equity interest of Zhonggao Group was disposed.

17. INTANGIBLE ASSETS *(Continued)*

Notes: (continued)

(i) (Continued)

(b) Trading of construction materials

During the year, the management performed impairment review for the goodwill. The recoverable amount of the CGU has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management. The CGU's cash flows are extrapolated using a steady 2% growth rate (31 December 2020: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. All cash flows are using a pre-tax discount rate of 16.52% (31 December 2020: 15.21%), that reflect the risks specific to the CGU. No impairment loss was recognised in respect of goodwill allocated to this CGU for the year as the recoverable amount to this CGU exceeded its carrying amount (31 December 2020: Nil).

(c) Provision of property management services

During the year, the management performed impairment review for the goodwill. The recoverable amount of the CGU has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management. The CGU's cash flows are extrapolated using a steady 2% growth rate (31 December 2020: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. All cash flows are using a pre-tax discount rate of 18.01% (31 December 2020: 16.24%), that reflect the risks specific to the CGU. No impairment loss was recognised in respect of goodwill allocated to this CGU for the year as the recoverable amount to this CGU exceeded its carrying amount (31 December 2020: Nil).

(ii) The licence represents a second class main contractor in general construction works licence (建築工程施工總承包貳級) in the PRC.

The licence is considered by the management of the Group as having an indefinite useful life as it is expected to generate economic benefit to the Group indefinitely. The licence will not be amortised until its useful life is determined to be finite.

During the year, the management performed impairment review for the licence. The recoverable amount of the licence has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management. The CGU's cash flows are extrapolated using a steady 2% growth rate (31 December 2020: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. All cash flows are using a pre-tax discount rate of 14.22% (31 December 2020: 14.34%), that reflect the risks specific to the licence. No impairment loss was recognised for year as the recoverable amount to the licence exceeded its carrying amount (31 December 2020: Nil).

18. DEPOSIT AND PREPAYMENT FOR LIFE INSURANCE POLICY

The Group entered into a life Insurance policy with an insurance company to insure Mr. Ng Chi Bun Benjamin. Under the policy, Wise Trend Engineering is the beneficiary and policy holder and the total insured sum is US$ 1,080,000 (equivalent to approximately HK$8,424,000). Wise Trend Engineering is required to pay upfront deposits of approximately US$388,000 (equivalent to approximately HK$3,026,000). Wise Trend Engineering can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payments of approximately US$388,000 (equivalent to approximately HK$3,026,000) plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the eighteenth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Wise Trend Engineering a guaranteed interest of 3.55% per annum for the first year, followed by guaranteed interest of 2% per annum or above per annum for the following years.

At 31 December 2021, the deposits and prepayments for life insurance policies amounted to approximately HK$3,214,000 (31 December 2020: HK$3,136,000). The deposits and prepayments for life insurance policies are denominated in US$.

Included in sundries income for the year was amount of approximately HK$102,000 (31 December 2020: HK$81,000) in respect of income on deposit and prepayment for life insurance policy.

19. PROPERTIES UNDER DEVELOPMENT FOR SALE/AVAILABLE FOR SALE

	31 December 2021 HK$'000	31 December 2020 HK$'000
Properties under development for sale	**–**	66,914
Properties available for sale	**92,369**	–
	92,369	66,914

As at 31 December 2020, included in properties under development for sale with an aggregate amount of approximately HK$66,914,000 which are expected to be completed within twelve months from the end of the reporting period.

20. FINANCIAL INSTRUMENTS BY CATEGORY

	31 December 2021 HK$'000	31 December 2020 HK$'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables excluding prepayments	**183,065**	71,463
Cash and bank balances	**50,373**	53,757
Total	**233,438**	125,220
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**279,004**	175,295
Amounts due to related companies	**103,196**	49,087
Borrowings	**107,047**	–
Lease liabilities	**6,290**	8,320
Total	**495,537**	232,702

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

	31 December 2021 HK$'000	31 December 2020 HK$'000
Contract assets	**137,470**	168,155
Less: Provision for impairment losses	**(576)**	(544)
Contract assets — net	**136,894**	167,611
Contract liabilities	**(18,880)**	(76,865)
	118,014	90,746

Included in the Group's contract assets are amount due from a related party of approximately HK$58,177,000 as at 31 December 2021 (31 December 2020: HK$20,127,000).

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional. When the Group receives a deposit before services are rendered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

21. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

As at 31 December 2021, included in contract assets comprises retention receivables of approximately HK$28,123,000 (31 December 2020: HK$35,748,000). Retention receivables represented the monies withheld by customers of contract works fully recoverable within 1 year from the date of completion of construction contracts, in accordance with the terms specified in the relevant contracts. Generally, upon satisfactory completion of contract work as set out in the contract, partial of the retention money of such contract work will be released to the Group, while the remaining will be released to the Group upon the expiration of the defects liability period.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities:

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period	**63,571**	–

The decrease in contract assets as at 31 December 2021 was mainly due to the decrease in the ongoing foundation works and superstructure building works at the end of the year.

The decrease in contract liabilities as at 31 December 2021 was mainly due to the decrease in deposits received from customers in relation to properties for sale.

The Group applied the simplified approach to provide for ECL prescribed by HKFRS 9. The counterparties are grouped based on shared credit risk characteristics by reference to past default experience, current past due exposure of the debtor and forward-looking information.

Details of impairment assessment of contract assets for the year ended 31 December 2021 and nine months ended 31 December 2020 are set out in Note 3.1.

22. TRADE AND OTHER RECEIVABLES

	31 December 2021 HK$'000	31 December 2020 HK$'000
Trade receivables	146,893	38,025
Less: Provision for impairment losses on trade receivables	(2,919)	(802)
	143,974	37,223
Other receivables, deposits and prepayments	51,298	41,902
Less: Provision for impairment losses on other receivables and deposits	(473)	(316)
	50,825	41,586
	194,799	78,809

Notes:

(a) The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The credit period granted to customers is 7 to 270 days (31 December 2020: 7 to 90 days) generally.

(b) The ageing analysis of the trade receivables (including amounts due from related companies of trading in nature) based on payment certificate date/invoice date is as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000
0–30 days	61,651	29,811
31–60 days	6,370	3,308
61–90 days	54,801	273
Over 90 days	24,071	4,633
	146,893	38,025

(c) Age of trade receivables that are past due but not impaired:

As at 31 December 2021, trade receivables of approximately HK$14,169,000 (31 December 2020: HK$7,232,000) were past due. Based on past experience and forward-looking estimates, the amounts are considered as recoverable.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes (continued):

(d) Included in the Group's other receivables are amounts due from related companies of approximately HK$944,000 as at 31 December 2021 (31 December 2020: HK$910,000), which are repayable on credit terms similar to those offered to other customers of the Group.

(e) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

(f) The movement in the loss allowance on trade and other receivables are as follow:

	Trade receivables HK$'000	Other receivables and deposits HK$'000
As at 1 April 2020	5	60
Provision for loss allowance recognised in profit or loss during the period	759	252
Exchange realignment	38	4
As at 31 December 2020 and 1 January 2021	802	316
Provision for loss allowance recognised in profit or loss during the year	**2,088**	**146**
Exchange realignment	**29**	**11**
As at 31 December 2021	**2,919**	**473**

(g) The Group applied the simplified approach to provide for ECL prescribed by HKFRS 9 which permits the use of the lifetime ECL for trade receivables. The debtors are grouped based on shared credit risk characteristics by reference to past default experience, current past due exposure of the debtor and forward-looking information.

The Group applied the general approach in HKFRS 9 to measure the loss allowance at 12m ECL for other receivables and deposits.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2021 and the nine months ended 31 December 2020 are set out in Note 3.1.

(h) Transfer of financial assets:

The following were the Group's trade receivables as at 31 December 2021 that were transferred to a financial institution in the PRC by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised cash received on the transfer as other borrowings (see Note 31). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	31 December 2021 HK$'000	31 December 2020 HK$'000
Carrying amount of transferred assets	**82,723**	–
Carrying amount of associated liabilities	**79,047**	–

23. CASH AND BANK BALANCES

	31 December 2021 HK$'000	31 December 2020 HK$'000
Cash at banks	**50,372**	53,699
Cash on hand	**1**	58
Cash and cash equivalents	**50,373**	53,757

Notes:

(a) As at 31 December 2021, included in cash and cash equivalents of the Group was approximately HK$9,830,000 (31 December 2020: HK$8,786,000) of bank balances denominated in RMB placed with banks in the PRC, which are not freely convertible into other currencies.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

24. SHARE CAPITAL

	Number of shares '000	**Share capital** HK$'000
Ordinary shares of HK$0.0025 (31 December 2020: HK$0.0025) each		
Authorised:		
At 1 April 2020	5,000,000	50,000
Share subdivision	15,000,000	–
At 31 December 2020, 1 January 2021 and 31 December 2021	**20,000,000**	**50,000**
Issued and fully paid:		
At 1 April 2020	264,000	2,640
Share subdivision	792,000	–
At 31 December 2020, 1 January 2021 and 31 December 2021	**1,056,000**	**2,640**

Note:

An ordinary resolution for the share subdivision was passed at the extraordinary general meeting of the Company held on 3 August 2020. The subdivision of each of the existing issued and unissued share of HK$0.01 each in the share capital of the Company into four shares of HK$0.0025 each has been effective from 5 August 2020.

25. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 13 March 2018 as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants or advisors, substantial shareholder, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors from time to time on the basis of the directors' opinion as to their contribution to the development and growth of the Group.

The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded. The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approval by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

25. SHARE OPTION SCHEME *(Continued)*

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 13 March 2018, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 December 2021 and 2020.

26. LEASE LIABILITIES

	31 December 2021 HK$'000	31 December 2020 HK$'000
Lease liabilities payable:		
Within one year	**1,211**	1,765
Within a period of more than one year but not exceeding two years	**1,273**	1,558
Within a period of more than two years but not exceeding five years	**3,806**	3,978
Within a period more than five years	**–**	1,019
	6,290	8,320
Less: Amount due for settlement within 12 months shown under current liabilities	**(1,211)**	(1,765)
Amount due for settlement after 12 months shown under non-current liabilities	**5,079**	6,555

Lease obligations that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	31 December 2021 HK$'000	31 December 2020 HK$'000
RMB	**6,290**	8,053

27. LIABILITIES FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obligated to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. The long service payments are paid out from the Group's cash at banks when such payments are required.

	Total HK$'000
At 1 April 2020	876
Credited to profit or loss	(56)
At 31 December 2020 and 1 January 2021	820
Charged to profit or loss	**64**
At 31 December 2021	**884**

28. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2021 **HK$'000**	31 December 2020 HK$'000
Deferred tax liabilities	**11,050**	6,348

28. DEFERRED TAX LIABILITIES *(Continued)*

The components of deferred tax liabilities recognised in the consolidated statements of financial position and the movements during the years are as follows:

	ECL provision HK$'000	Accelerated tax depreciation HK$'000	Land appreciation tax HK$'000	Total HK$'000
At 1 April 2020	(15)	1,046	1,571	2,602
Charged to profit or loss (Note 10)	2	990	2,492	3,484
Exchange realignment	–	–	262	262
At 31 December 2020 and 1 January 2021	(13)	2,036	4,325	6,348
Charged to profit or loss (Note 10)	9	843	3,630	4,482
Exchange realignment	–	–	220	220
At 31 December 2021	**(4)**	**2,879**	**8,175**	**11,050**

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to profits earned by the PRC subsidiaries amounting to approximately HK$139,274,000 as at 31 December 2021 (31 December 2020: HK$50,458,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$101,684,000 (31 December 2020: approximately HK$84,154,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams. The losses may be carried forward indefinitely.

29. TRADE AND OTHER PAYABLES

	31 December 2021 HK$'000	31 December 2020 HK$'000
Trade payables	**239,056**	149,343
Accruals and other payables	**39,948**	25,952
	279,004	175,295

Notes:

(a) Payment terms granted by suppliers are generally 7 to 270 days from the invoice date of the relevant purchases.

The aging analysis of trade payables based on the invoice date is as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000
0–30 days	**192,721**	56,750
31–60 days	**14,226**	15,795
61–90 days	**1,503**	68,125
Over 90 days	**30,606**	8,673
	239,056	149,343

(b) In the Group's other payables are amounts due to related parties of approximately HK$954,000 as at 31 December 2021 (31 December 2020: HK$3,986,000), which are non-interest bearing and repayable on demand.

30. AMOUNTS DUE TO RELATED COMPANIES

As at 31 December 2021, the amounts due to related companies are unsecured, non-interest bearing and repayable from two to three years. As at 31 December 2020, the amounts due to related companies are unsecured, non-interest bearing and has no fixed terms of repayment.

31. BORROWINGS

	31 December 2021 HK$'000	31 December 2020 HK$'000
Other borrowings — secured	**79,047**	–
Other borrowings — unsecured	**28,000**	–
	107,047	–

	31 December 2021 HK$'000	31 December 2020 HK$'000
The carrying amounts of the above borrowings are repayable:		
Within one year	**79,047**	–
Within a period of more than one year but not exceeding two years	**28,000**	–
	107,047	–
Less: Amount due for settlement within 12 months shown under current liabilities	**(79,047)**	–
Amount due for settlement after 12 months shown under non-current liabilities	**28,000**	–

The other borrowings amounting approximately HK$79,047,000 are secured by certain trade receivables (Note 22) and bear interest at 9.3% per annum.

The other borrowings amounting approximately HK$28,000,000 are unsecured and bear interest at 5% per annum.

Other borrowings that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	31 December 2021 HK$'000	31 December 2020 HK$'000
RMB	**79,047**	–

32. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash (used in)/generated from operations

	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Profit before income tax	**79,539**	3,877
Adjustments for:		
Depreciation of property, plant and equipment	**7,542**	2,676
Depreciation of right-of-use assets	**1,880**	797
Interest income	**(175)**	(170)
Provision for impairment losses on trade receivables	**2,088**	759
Provision for impairment losses on contract assets	**38**	497
Provision for impairment losses on other receivables and deposits	**146**	252
Gain on fair value changes of investment properties	**(45,254)**	(35,703)
Net gains on disposal of property, plant and equipment	**(46)**	–
Net losses on disposal of subsidiaries	**908**	–
Covid-19-related rent concessions	**–**	(96)
Provision for/(reversal of) long service payments	**64**	(56)
Finance costs	**3,413**	76
Operating profit/(loss) before working capital changes	**50,143**	(27,091)
Increase in properties under development for sale/available for sale	**(34,905)**	(9,056)
Decrease/(increase) in contract assets	**34,462**	(100,386)
Increase in trade and other receivables	**(117,830)**	(9,463)
(Decrease)/increase in contract liabilities	**(60,849)**	62,645
Increase in trade and other payables	**101,648**	131,368
Net cash (used in)/generated from operations	**(27,331)**	48,017

32. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities:

	Amounts due to related companies HK$'000	**Borrowings** HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
As at 1 April 2020	79,719	–	618	80,337
Finance costs	–	–	76	76
Financing cash flow	(30,437)	–	(585)	(31,022)
Acquisitions of subsidiaries	(5,105)	–	–	(5,105)
New leases entered	–	–	7,886	7,886
Covid-19-related rent concessions	–	–	(96)	(96)
Exchange adjustments	4,910	–	421	5,331
As at 31 December 2020 and 1 January 2021	49,087	–	8,320	57,407
Finance costs	**–**	**3,043**	**370**	**3,413**
Financing cash flow	**57,813**	**102,718**	**(1,770)**	**158,761**
Disposals of subsidiaries	**(4,756)**	**–**	**(18)**	**(4,774)**
Exchange adjustments	**1,052**	**1,286**	**(612)**	**1,726**
As at 31 December 2021	**103,196**	**107,047**	**6,290**	**216,533**

(c) Major non-cash transaction

During the year ended 31 December 2021, there is a waiver of repayment obligation for a loan of approximately HK$37,800,000, related to the waiver of loan obligation from an independent third party.

33. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

33. RELATED PARTY TRANSACTIONS *(Continued)*

Save as disclosed in Notes 21, 22, 29 and 30 to this report, the Group had the following significant related party transactions during the year/period:

(a) Transactions with related party

Name of related party	Nature of transaction	Year ended 31 December 2021 HK$'000	Nine months ended 31 December 2020 HK$'000
Grand Faith International Investment Limited (Notes (i) and (ii))	Rental expense from short-term leases	**1,106**	786
	Management fee	**–**	3
Linquan Zhongzhihuan Property Development Limited* (臨泉中之環置業有限公司) (Note (i))	Revenue from foundation works and superstructure building works	**78,046**	26,471

* English translation of the name of a Chinese company is provided for identification purpose only.

Notes:

(i) The companies were controlled by Mr. Yu.

(ii) The management fee and rental expenses for short-term leases payable to the above related parties are based on the agreements entered into between the parties involved.

(b) As disclosed in Note 35, the Group acquired equity interests in Anhui Zhong Gang from company controlled by the ultimate controlling shareholder of the Company during the nine months ended 31 December 2020.

(c) The emoluments of the directors and senior executives (representing the key management personnel) during the current year and prior period are disclosed in Note 9.

34. SURETY BONDS AND CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK$14,998,000 (31 December 2020: HK$25,489,000) as at 31 December 2021. Mr. Ng Wong Kwong, Ms. Ng Chung Yan May and Wise Trend Engineering have unconditionally and irrevocably agreed to indemnify to the insurance companies that issue such surety bonds for claims and losses the insurance companies may incur in respect of the bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract.

As at 31 December 2021, the Group paid a cash collateral of approximately HK$4,300,000 (31 December 2020: HK$8,300,000) to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments (Note 22).

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

35. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of Anhui Zhong Gang

In November 2020, the Group entered into a sale and purchase agreement with Hefei Zhongheng Property Co. Ltd.* (合肥中恒置業有限公司) to acquire 100% of the issued share capital of Anhui Zhong Gang for consideration of RMB3,000,000 (equivalent to approximately HK$3,469,000). Anhui Zhong Gang is principally engaged in provision of property management services, among others, parking services, landscaping, greening, real estate agency services, housekeeping services; water and electricity supplies installation and maintenance, decoration, flower leasing and ticketing agency service in the PRC.

Consideration transferred

	HK$'000
Cash	3,469

Acquisition-related costs amounting to HK$110,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative and other operating expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment	222
Current assets	
Trade and other receivables	15,316
Amount due from related company	5,105
Cash and bank balances	1,069
Current liabilities	
Trade and other payables	(7,950)
Contract liabilities	(10,471)
Net assets	3,291

The fair value of trade and other receivable at the date of acquisition amounted to approximately HK$15,316,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$19,022,000 at the date of acquisition.

* English translation of the name of a Chinese company is provided for identification purpose only.

35. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of Anhui Zhong Gang *(Continued)*

Goodwill arising on acquisition

	HK$'000
Consideration transferred	3,469
Less: fair value of net assets acquired shown as above	(3,291)
Goodwill arising on acquisition (Note 17)	178

Goodwill arose in the acquisition of Anhui Zhong Gang because it enables the Group to diversify the business in a realm with potential growth opportunity and the Group considers that the investment in Anhui Zhong Gang will provide another source of income to the Group. This represents an opportunity for the Group to invest into a business of property management so as to diversify its business portfolio. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Anhui Zhong Gang:

	HK$'000
Consideration paid in cash	3,469
Less: cash and cash equivalents acquired	(1,069)
Net cash outflow	2,400

Included in the loss for the period was loss of approximately HK$2,388,000 attributable to the additional business generated by Anhui Zhong Gang. Revenue for the period includes approximately HK$5,867,000 generated from Anhui Zhong Gang.

Had the acquisition been completed on 1 April 2020, revenue for the period of the Group would have been approximately HK$27,009,000 and loss for the nine months ended 31 December 2020 of the Group would have been approximately HK$6,337,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2020, nor is it intended to be a projection of future results.

36. DISPOSALS OF SUBSIDIARIES

(a) Disposal of Shanghai Zhonggao and its subsidiary

In October 2021, the Group disposed the entire equity interests of Shanghai Zhonggao and its subsidiary (collectively named "**Zhonggao Group**") for nil considerations to a third party. The aggregated net liabilities of the Zhonggao Group as at the date of disposal are set out as follows:

Assets and liabilities of Zhonggao Group recognised at the date of disposal

	HK$'000
Non-current assets	
Property, plant and equipment	260
Right-of-use assets	1
Current assets	
Trade and other receivables	3,692
Bank balances	523
Current liabilities	
Trade and other payables	(2,220)
Amounts due to related companies	(4,700)
Lease liabilities	(18)
Net liabilities	(2,462)

Gain on disposal of Zhonggao Group

	HK$'000
Cash consideration received	–
Net liabilities disposed of	2,462
Goodwill	(382)
Non-controlling interest	(153)
Cumulative exchange differences released	(78)
Gain on disposal	1,849

Analysis of net outflow of cash and cash equivalents in respect of the disposal of Zhonggao Group

	HK$'000
Consideration received in cash	–
Less: cash and cash equivalents disposed	(523)
Net cash outflow	(523)

36. DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposal of 阜陽中環文旅發展有限公司 Fuyang Zhonghuan Cultural Tourism Development Co., Ltd.* ("Fuyang Zhonghuan")

In October 2021, the Group disposed of its entire equity interest in Fuyang Zhonghuan for nil considerations to 阜陽中傳文旅發展有限公司 (Fuyang Zhonghuan Cultural Tourism Development Co., Ltd.*), a related company controlled by the ultimate controlling shareholder of the Company. The aggregated net assets of Fuyang Zhonghuan as at the date of disposal are set out as follows:

Analysis of assets and liabilities over which control was lost:

	HK$'000
Non-current assets	
Right-of-use assets	5,138
Current assets	
Bank balances	18
Current liabilities	
Other payables	(2,475)
Amount due to a related company	(56)
Net assets disposal of	2,625

Loss on disposal of Fuyang Zhonghuan

	HK$'000
Cash consideration received	–
Net assets disposed of	(2,625)
Reclassification of cumulative translation reserve upon disposal of Fuyang Zhonghuan to profit or loss	(11)
Loss on disposal	(2,636)

Analysis of net outflow of cash and cash equivalents in respect of the disposal of Fuyang Zhonghuan

	HK$'000
Consideration received in cash	–
Less: cash and cash equivalents disposed	(18)
Net cash outflow	(18)

* English translation of the name of a Chinese company is provided for identification purpose only.

36. DISPOSALS OF SUBSIDIARIES *(Continued)*

(c) Disposal of 珠海中環云健康管理有限公司 Zhuhai Zhonghuan Cloud Health Management Co., Ltd.* ("Zhuhai Zhonghuan Cloud")

In October 2021, the Group disposed of its entire equity interest in Zhuhai Zhonghuan Cloud upon deregistration.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Net assets disposal of	–

Loss on disposal of upon deregistration

	HK$'000
Net assets disposed of	–
Reclassification of cumulative translation reserve upon disposal of Zhuhai Zhonghuan Cloud to profit or loss	(107)
Loss on disposal	(107)

Analysis of net movement of cash and cash equivalents in respect of the deregistration of Zhuhai Zhonghuan Cloud

	HK$'000
Consideration received in cash	–
Less: cash and cash equivalents disposed	–
Net cash movement	–

36. DISPOSALS OF SUBSIDIARIES *(Continued)*

(d) Disposal of 上海億諾千金網絡科技有限公司 Shanghai Yinuo Qianjin Network Technology Co., Ltd. ("Shanghai Yinuo Qianjin")

In October 2021, the Group disposed of its entire equity interest in Shanghai Yinuo Qianjin upon deregistration.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Net assets disposal of	–

Loss on disposal of upon deregistration

	HK$'000
Net assets disposed of	–
Reclassification of cumulative translation reserve upon disposal of Shanghai Yinuo Qianjin to profit or loss	(14)
Loss on disposal	(14)

Analysis of net movement of cash and cash equivalents in respect of the deregistration of Shanghai Yinuo Qianjin

	HK$'000
Consideration received in cash	–
Less: cash and cash equivalents disposed	–
Net cash movement	–

37. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position

	31 December 2021 HK$'000	31 December 2020 HK$'000
ASSETS		
Non-current assets		
Investment in subsidiaries	**50,124**	50,124
Current assets		
Other receivables	**924**	10
Amounts due from subsidiaries	**24,717**	1,095
Cash and cash equivalents	**15,432**	1,018
	41,073	2,123
Total assets	**91,197**	52,247
EQUITY		
Capital and reserves		
Share capital	**2,640**	2,640
Reserves	**33,035**	43,800
Total equity	**35,675**	46,440
LIABILITIES		
Current liabilities		
Other payables	**3,014**	4,661
Amounts due to subsidiaries	**52,508**	1,146
Total liabilities	**55,522**	5,807
Total equity and liabilities	**91,197**	52,247
Net current liabilities	**(14,449)**	(3,684)
Total assets less current liabilities	**35,675**	46,440

The financial statements were approved and authorised for issue by the Board of Directors on 25 April 2022 and signed on its behalf by:

Mr. Yu Zhuyun	**Mr. Li Menglin**
Director	*Director*

37. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2020	88,276	(34,246)	54,030
Loss and total comprehensive expense for the period	–	(10,230)	(10,230)
Balance at 31 December 2020 and 1 January 2021	88,276	(44,476)	43,800
Loss and total comprehensive expense for the year	**–**	**(10,765)**	**(10,765)**
Balance at 31 December 2021	**88,276**	**(55,241)**	**33,035**

Financial Summary

The financial summary of the Group for the current year and last five financial years/period is set as follows:

RESULTS

	For the year ended 31 December 2021 HK$'000	For the nine months ended 31 December 2020 HK$'000	For the year ended 31 March 2020 HK$'000	2019 HK$'000	2018 HK$'000
Revenue	1,086,236	373,527	180,447	199,228	215,692
Direct costs	(1,034,470)	(368,301)	(173,320)	(191,260)	(165,019)
Gross profit	51,766	5,226	7,127	7,968	50,673
Other income and net gains	41,413	3,207	4,347	1,512	138
Gain on fair value changes of investment properties	45,254	35,703	5,375	–	–
Selling expenses	(8,257)	(3,857)	–	–	–
Administrative and other operating expenses	(47,224)	(36,326)	(27,381)	(18,852)	(33,729)
Finance costs	(3,413)	(76)	(18)	–	–
Profit/(loss) before income tax	79,539	3,877	(10,550)	(9,372)	17,082
Income tax expense	(19,253)	(4,529)	(2,137)	(1,442)	(6,354)
Profit/(loss) for the year/period	60,286	(652)	(12,687)	(10,814)	10,728
Other comprehensive income/(expense)	7,365	2,395	(98)	36	(36)
Total comprehensive income/(expense) for the year/period attributable to owners of the Company	67,651	1,743	(12,785)	(10,778)	10,692
Profit/(loss) attributables to:					
Owners of the Company	61,985	(749)	(12,687)	(10,814)	10,728
Non-controlling interests	(1,699)	97	–	–	–
Profit/(loss) for the year/period	60,286	(652)	(12,687)	(10,814)	10,728
Total comprehensive income/(expense) attributable to:					
Owners of the Company	67,887	1,641	(12,785)	(10,778)	10,692
Non-controlling interests	(236)	102	–	–	–
Total comprehensive income/(expense)	67,651	1,743	(12,785)	(10,778)	10,692

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000	As at 31 March 2020 HK$'000	2019 HK$'000	2018 HK$'000
Non-current assets	297,185	112,533	43,206	13,523	4,484
Current assets	474,996	367,954	231,208	188,564	221,047
Non-current liabilities	148,209	13,723	3,646	1,782	577
Current liabilities	392,758	304,307	110,054	26,806	37,801
Equity attributable to owners of the Company	230,048	162,355	160,714	173,499	187,153
Non-controlling interests	1,166	102	–	–	–
Total equity	231,214	162,457	160,714	173,499	187,153

Summary of Properties

The properties held by the Group for the Reporting Year are set out as follows:

PARTICULAR OF PROPERTY HELD AS INVESTMENT PROPERTY

Name/location	Existing use	Gross Floor Area	Group's interest	Stage of completion	Purposes
Xintianpu Rural Wellness Centre Fushi Street, Qujiang District, Quzhou City, Zhejiang Province, PRC	Hotel	18,599 sqm	100%	100%	Long-term leasing
Xintianpu Rural Wellness Centre Block 4 A , Fushi Street, Qujiang District, Quzhou City, Zhejiang Province, PRC	Bungalow	262.24 sqm	100%	100%	Long-term leasing
Xintianpu Rural Wellness Centre Block 4 B , Fushi Street, Qujiang District, Quzhou City, Zhejiang Province, PRC	Bungalow	294.1 sqm	100%	100%	Long-term leasing
Xintianpu Rural Wellness Centre Block 5 B , Fushi Street, Qujiang District, Quzhou City, Zhejiang Province, PRC	Bungalow	294.1 sqm	100%	100%	Long-term leasing

PARTICULAR OF PROPERTY AVAILABLE FOR SALE

Name/location	Existing use	Gross Floor Area	Group's interest	Stage of completion	Purposes
Xintianpu Rural Wellness Centre Fushi Street, Qujiang District, Quzhou City, Zhejiang Province, PRC	Condominium	6,935.4 sqm	100%	100%	Properties available for sale