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CR Construction Group Holdings Limited

華營建築集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1582)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

The total revenue of the Group for the year ended 31 December 2022 increased to approximately HK\$6,266.6 million as compared to that of approximately HK\$4,890.1 million (restated) for the year ended 31 December 2021.

The total gross profit of the Group increased to approximately HK\$220.6 million for the year ended 31 December 2022 as compared to that of approximately HK\$177.8 million (restated) for the year ended 31 December 2021.

Profit attributable to the equity holders of the Company for the year ended 31 December 2022 amounted to approximately HK\$56.5 million as compared to that of approximately HK\$48.6 million (restated) for the year ended 31 December 2021. If excluding the restatement resulted from the acquisition under common control of CR Construction (U.K.) Investments Company Limited, the previously reported profit attributable to the equity holders of the Company would amount to approximately HK\$47.6 million for the year ended 31 December 2021.

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

The board (the “**Board**”) of directors (the “**Directors**”) of CR Construction Group Holdings Limited (the “**Company**”) hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2021, as follows:

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

Year ended 31 December 2022

		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
REVENUE	6	6,266,589	4,890,141
Contract costs		<u>(6,046,024)</u>	<u>(4,712,344)</u>
Gross profit		220,565	177,797
Other income	6	3,905	29,653
Administrative expenses		(128,937)	(130,500)
Other operating expenses, net		(12,677)	(4,247)
Finance costs	8	(18,579)	(11,724)
PROFIT BEFORE TAX	7	64,277	60,979
Income tax expense	9	(7,745)	(12,416)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>56,532</u>	<u>48,563</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(12,907)</u>	<u>(2,500)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		<u>(12,907)</u>	<u>(2,500)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>43,625</u>	<u>46,063</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	11	<u>HK11.31 cents</u>	<u>HK9.71 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		25,998	24,468
Right-of-use assets		48,322	62,717
Prepayments and deposits		9,169	8,261
Deferred tax assets		3,500	428
		<hr/>	<hr/>
Total non-current assets		86,989	95,874
CURRENT ASSETS			
Contract assets	12	2,064,030	1,745,968
Trade receivables	13	861,294	707,195
Prepayments, deposits and other receivables		49,010	29,390
Tax recoverable		5,754	336
Cash and cash equivalents		93,278	69,137
		<hr/>	<hr/>
Total current assets		3,073,366	2,552,026
CURRENT LIABILITIES			
Trade and retention payables	14	1,491,780	1,116,519
Other payables and accruals		848,985	724,785
Interest-bearing bank borrowings	15	170,000	130,000
Amounts due to an intermediate holding company		4,187	28,058
Loans from an intermediate holding company		18,988	20,089
Lease liabilities		18,765	21,288
Tax payable		3,905	5,610
		<hr/>	<hr/>
Total current liabilities		2,556,610	2,046,349
NET CURRENT ASSETS		<hr/>	<hr/>
		516,756	505,677
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		603,745	601,551

		2022	2021
	<i>Note</i>	HK\$'000	(Restated) HK\$'000
NON-CURRENT LIABILITIES			
Provision		5,700	7,000
Lease liabilities		28,953	38,384
		<u>34,653</u>	<u>45,384</u>
Total non-current liabilities		34,653	45,384
		<u>569,092</u>	<u>556,167</u>
Net assets		569,092	556,167
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	5,000	5,000
Reserves		564,092	551,167
		<u>569,092</u>	<u>556,167</u>
Total equity		569,092	556,167

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

31 December 2022

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 ACQUISITION UNDER COMMON CONTROL

On 30 January 2022 (after trading hours), the Company entered into a share purchase agreement (the “**Share Purchase Agreement**”) with China Zhejiang Construction Group (H.K.) Limited (“**CZH**”), an intermediate holding company of the Company, pursuant to which the Company agreed to purchase and CZH agreed to sell the entire issued share capital of CR Construction (U.K.) Investments Company Limited (“**UKI**”), a company incorporated in the British Virgin Islands (the “**Acquisition**”). The Acquisition was completed on 30 January 2022 (the “**Acquisition Date**”).

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

As at the Acquisition Date, CRUK, UKI and CZH entered into a deed of assignment and settlement (the “**Deed of Assignment and Settlement**”), whereby certain trade receivables of CRUK, amounting to approximately HK\$20,979,000, were assigned to CZH as full settlement of the current accounts between CRUK (as borrower) and CZH (as lender).

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

The Company and UKI were under the common control of CZH before and after the Acquisition. The Acquisition of UKI has been accounted for based on the principles of merger accounting as if the Acquisition had occurred on the date when the combining entities first came under the common control of CZH. Accordingly, the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 December 2022 and 2021 include the results and cash flows of UKI from the earliest date presented or since the date when the subsidiaries and/or business first came under the common control of CZH, whichever is a shorter period. The consolidated statement of financial position as at 31 December 2021 has been restated to include the carrying amounts of the assets and liabilities of UKI.

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

Effect on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	As previously reported <i>HK\$'000</i>	Acquisition of UKI <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
REVENUE	4,875,373	14,768	–	4,890,141
Contract costs	<u>(4,698,367)</u>	<u>(13,977)</u>	–	<u>(4,712,344)</u>
Gross profit	177,006	791	–	177,797
Other income	1,178	28,475	–	29,653
Administrative expenses	(102,251)	(28,249)	–	(130,500)
Other operating income/ (expenses), net	(4,250)	3	–	(4,247)
Finance costs	<u>(11,715)</u>	<u>(9)</u>	–	<u>(11,724)</u>
Profit before tax	59,968	1,011	–	60,979
Income tax expense	<u>(12,416)</u>	–	–	<u>(12,416)</u>
Profit for the year	<u>47,552</u>	<u>1,011</u>	–	<u>48,563</u>
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	<u>(2,490)</u>	<u>(10)</u>	–	<u>(2,500)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(2,490)</u>	<u>(10)</u>	–	<u>(2,500)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>45,062</u>	<u>1,001</u>	–	<u>46,063</u>

Effect on the consolidated statement of financial position as at 31 December 2021

	At previously reported <i>HK\$'000</i>	Acquisition of UKI <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	23,987	481	–	24,468
Right-of-use assets	61,626	1,091	–	62,717
Prepayments and deposits	8,261	–	–	8,261
Deferred tax assets	428	–	–	428
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-current assets	94,302	1,572	–	95,874
	<hr/>	<hr/>	<hr/>	<hr/>
CURRENT ASSETS				
Contract assets	1,745,968	–	–	1,745,968
Trade receivables	676,260	30,935	–	707,195
Prepayments, deposits and other receivables	28,069	1,321	–	29,390
Tax recoverable	336	–	–	336
Cash and cash equivalents	64,495	4,642	–	69,137
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	2,515,128	36,898	–	2,552,026
	<hr/>	<hr/>	<hr/>	<hr/>
CURRENT LIABILITIES				
Trade and retention payables	1,111,839	4,680	–	1,116,519
Other payables and accruals	716,162	8,623	–	724,785
Interest-bearing bank borrowings	130,000	–	–	130,000
Amounts due to an intermediate holding company	2,825	25,233	–	28,058
Loans from an intermediate holding company	20,089	–	–	20,089
Lease liabilities	20,870	418	–	21,288
Tax payable	5,610	–	–	5,610
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	2,007,395	38,954	–	2,046,349
	<hr/>	<hr/>	<hr/>	<hr/>
NET CURRENT ASSETS/ (LIABILITIES)	<hr/>	<hr/>	<hr/>	<hr/>
	507,733	(2,056)	–	505,677
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	<hr/>	<hr/>	<hr/>	<hr/>
	602,035	(484)	–	601,551
	<hr/>	<hr/>	<hr/>	<hr/>

	At previously reported <i>HK\$'000</i>	Acquisition of UKI <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Provision	7,000	–	–	7,000
Lease liabilities	37,635	749	–	38,384
	<u>44,635</u>	<u>749</u>	<u>–</u>	<u>45,384</u>
Total non-current liabilities	44,635	749	–	45,384
	<u>44,635</u>	<u>749</u>	<u>–</u>	<u>45,384</u>
Net assets/(liabilities)	557,400	(1,233)	–	556,167
	<u>557,400</u>	<u>(1,233)</u>	<u>–</u>	<u>556,167</u>
EQUITY				
Share capital	5,000	*	*	5,000
Reserves	552,400	(1,233)	*	551,167
	<u>552,400</u>	<u>(1,233)</u>	<u>*</u>	<u>551,167</u>
Total equity/(deficiency in assets)	557,400	(1,233)	–	556,167
	<u>557,400</u>	<u>(1,233)</u>	<u>–</u>	<u>556,167</u>

* These items had amounts of less than a thousand.

Effect on the condensed consolidated statement of financial position as at 1 January 2021

	At previously reported <i>HK\$'000</i>	Acquisition of UKI <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	22,756	267	–	23,023
Right-of-use assets	29,477	–	–	29,477
Prepayments and deposits	5,834	–	–	5,834
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-current assets	58,067	267	–	58,334
	<hr/>	<hr/>	<hr/>	<hr/>
CURRENT ASSETS				
Contract assets	1,745,264	–	–	1,745,264
Trade receivables	610,044	14	–	610,058
Prepayments, deposits and other receivables	49,728	536	–	50,264
Tax recoverable	166	–	–	166
Cash and cash equivalents	121,851	1,983	–	123,834
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	2,527,053	2,533	–	2,529,586
	<hr/>	<hr/>	<hr/>	<hr/>
CURRENT LIABILITIES				
Trade and retention payables	989,799	–	–	989,799
Other payables and accruals	782,018	990	–	783,008
Interest-bearing bank borrowings	80,000	–	–	80,000
Amounts due to an intermediate holding company	2,819	3,056	–	5,875
Loans from an intermediate holding company	135,700	–	–	135,700
Lease liabilities	15,836	–	–	15,836
Tax payable	742	988	–	1,730
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	2,006,914	5,034	–	2,011,948
	<hr/>	<hr/>	<hr/>	<hr/>
NET CURRENT ASSETS/ (LIABILITIES)	520,139	(2,501)	–	517,638
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	578,206	(2,234)	–	575,972
	<hr/>	<hr/>	<hr/>	<hr/>

	At previously reported <i>HK\$'000</i>	Acquisition of UKI <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Provision	4,000	–	–	4,000
Lease liabilities	14,301	–	–	14,301
Deferred tax liabilities	1,317	–	–	1,317
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-current liabilities	19,618	–	–	19,618
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets/(liabilities)	558,588	(2,234)	–	556,354
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
EQUITY				
Share capital	5,000	*	*	5,000
Reserves	553,588	(2,234)	*	551,354
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity/(deficiency in assets)	558,588	(2,234)	–	556,354
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* These items had amounts of less than a thousand.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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

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

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

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

5. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2022	2021
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Hong Kong	5,807,707	4,628,290
Malaysia	203,610	247,083
United Kingdom	255,272	14,768
	<u>6,266,589</u>	<u>4,890,141</u>

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

(b) Non-current assets

	2022	2021
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Hong Kong	71,780	86,877
Malaysia	2,691	1,371
United Kingdom	2,900	1,572
	<u>77,371</u>	<u>89,820</u>

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

Information about major customers

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

	2022 <i>HK\$'000</i>	2021 (Restated) <i>HK\$'000</i>
Customer A	*	615,392
Customer B	855,393	*
Customer C	689,388	*

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

6. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2022 <i>HK\$'000</i>	2021 (Restated) <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Building construction	4,995,343	4,115,288
RMAA	1,271,246	774,853
	<u>6,266,589</u>	<u>4,890,141</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022 <i>HK\$'000</i>	2021 (Restated) <i>HK\$'000</i>
Geographical markets		
Hong Kong	5,807,707	4,628,290
Malaysia	203,610	247,083
United Kingdom	255,272	14,768
	<u>6,266,589</u>	<u>4,890,141</u>

	2022	2021 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Timing of revenue recognition		
Services transferred over time	<u>6,266,589</u>	<u>4,890,141</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognised from performance obligations satisfied in previous periods:		
Provision of building construction and RMAA services previously not recognised due to constraints on variable consideration	<u>87,661</u>	<u>120,071</u>

(b) Performance obligations

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

Construction services and other RMAA services

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

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

	2022	2021
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	4,688,727	5,469,548
After one year	8,958,494	7,565,763
	<u>13,647,221</u>	<u>13,035,311</u>

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

RMAA services under term contracts

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

	2022	2021
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Other income		
Interest income	225	113
Consultancy services income	1,944	28,427
Others	1,736	1,113
	<u>3,905</u>	<u>29,653</u>

7. PROFIT BEFORE TAX

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

	2022	2021
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Contract costs	6,046,024	4,712,344
Depreciation of property, plant and equipment	10,250	7,616
Less: Amount included in contract costs	<u>(4,959)</u>	<u>(3,166)</u>
Amount included in administrative expenses	<u>5,291</u>	<u>4,450</u>
Depreciation of right-of-use assets	21,127	17,376
Less: Amount included in contract costs	<u>(2,073)</u>	<u>(5,268)</u>
Amount included in administrative expenses	<u>19,054</u>	<u>12,108</u>
Lease payments not included in the measurement of lease liabilities	49,570	50,257
Less: Amount included in contract costs	<u>(46,555)</u>	<u>(49,512)</u>
Amount included in administrative expenses	<u>3,015</u>	<u>745</u>
Employee benefit expense (including directors' remuneration:		
Salaries, allowances and benefits in kind	390,177	395,210
Pension scheme contributions*	<u>15,647</u>	<u>19,654</u>
	405,824	414,864
Less: Amount included in contract costs	<u>(337,365)</u>	<u>(329,966)</u>
Amount included in administrative expenses	<u>68,459</u>	<u>84,898</u>
Auditor's remuneration	4,637	2,460
Government grants (<i>note</i>)	2,400	–
Impairment of trade receivables**	8,398	1,337
Impairment of contract assets**	3,888	2,859
Loss on disposal of items of property, plant and equipment, net**	76	–
Gain on modification of leases**	–	(364)
Foreign exchange differences, net**	<u>(36)</u>	<u>99</u>

Note: Being wage subsidies provided by the Government of Hong Kong Special Administrative Region (the “**HKSAR Government**”) under the Employment Support Scheme (“**ESS**”) for the year ended 31 December 2022. The subsidies were for the purpose to retain employment to combat the impact of the novel coronavirus 2019 pandemic (“**COVID-19**”). As a condition of receiving the subsidies under the ESS, the Group has undertaken not to make redundancies of its Hong Kong employees from 1 May 2022 to 31 July 2022. There are no unfilled conditions or contingencies related to these subsidies. Government grants related to income are deducted from the related expense.

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021 (Restated)
	<i>HK\$’000</i>	<i>HK\$’000</i>
Interest on bank loans	10,964	5,912
Interest in discounted amounts of retention payables arising from the passage of time	6,627	4,995
Interest on lease liabilities	988	817
	<u>18,579</u>	<u>11,724</u>

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2022	2021 (Restated)
	<i>HK\$’000</i>	<i>HK\$’000</i>
Current — Hong Kong		
Charge for the year	8,217	14,171
Under/(over)provision in prior years	184	(10)
Current — elsewhere	2,439	—
Deferred	<u>(3,095)</u>	<u>(1,745)</u>
Total tax charge for the year	<u>7,745</u>	<u>12,416</u>

10. DIVIDEND

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim — HK2.5 cents (2021: HK2.5 cents) per ordinary share	12,500	12,500
Proposed final — HK1.8 cents (2021: HK1.8 cents) per ordinary share	<u>9,000</u>	<u>9,000</u>
	<u>21,500</u>	<u>21,500</u>

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$56,532,000 (2021 (restated): HK\$48,563,000), and the weighted average number of ordinary shares of 500,000,000 (2021: 500,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 31 December 2021.

12. CONTRACT ASSETS

	31 December 2022	31 December 2021	1 January 2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets arising from construction services	<i>(a)</i> 1,242,059	1,029,221	1,122,388
Retention receivables	<i>(b)</i> 830,276	721,293	624,587
	<u>2,072,335</u>	1,750,514	1,746,975
Impairment	<u>(8,305)</u>	(4,546)	(1,711)
	<u>2,064,030</u>	<u>1,745,968</u>	<u>1,745,264</u>

Notes:

- (a) Contract assets consist of the Group's rights to consideration for works completed but unbilled amounts resulting from construction contracts and RMAA services. The contract assets are transferred to trade receivables when the rights become unconditional, which is generally one to three months. The increase in contract assets in 2022 and 2021 was the result of the increase in the provision of construction services at the end of the years.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	<u>1,236,116</u>	<u>1,026,339</u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Due within one year	499,471	429,882
Due after one year	<u>328,443</u>	<u>289,747</u>
	<u>827,914</u>	<u>719,629</u>

During the year ended 31 December 2022, HK\$3,888,000 (2021: HK\$2,859,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 13.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of year	4,546	1,711
Impairment losses	3,888	2,859
Exchange realignment	<u>(129)</u>	<u>(24)</u>
At end of year	<u>8,305</u>	<u>4,546</u>

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

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

	2022	2021
Expected credit loss rate	0.401%	0.260%
Gross carrying amount (<i>HK\$'000</i>)	2,072,335	1,750,514
Expected credit losses (<i>HK\$'000</i>)	8,305	4,546

13. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 (Restated) <i>HK\$'000</i>
Trade receivables	874,592	712,303
Impairment	<u>(13,298)</u>	<u>(5,108)</u>
	<u>861,294</u>	<u>707,195</u>

The Group's trading terms with its customers are on credit. The Group's credit period with customers range from 14 to 45 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2022 <i>HK\$'000</i>	2021 (Restated) <i>HK\$'000</i>
Within 1 month	575,613	437,127
1 to 2 months	155,930	169,814
2 to 3 months	21,317	23,168
3 to 12 months	57,357	74,923
Over 1 year	51,077	2,163
	<u>861,294</u>	<u>707,195</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of year	5,108	3,871
Impairment losses (<i>note 7</i>)	8,398	1,337
Exchange realignment	(208)	(100)
	<u>13,298</u>	<u>5,108</u>

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

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

	Current	Past due				Total
		Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	
As at 31 December 2022						
Expected credit loss rate	0.257%	1.024%	2.749%	7.237%	9.111%	1.521%
Gross carrying amount (<i>HK\$'000</i>)	577,082	157,527	21,913	61,873	56,197	874,592
Expected credit losses (<i>HK\$'000</i>)	1,484	1,614	602	4,478	5,120	13,298
As at 31 December 2021 (<i>restated</i>)						
Expected credit loss rate	0.218%	0.720%	2.074%	3.249%	22.24%	0.717%
Gross carrying amount (<i>HK\$'000</i>)	537,790	75,136	27,096	69,740	2,541	712,303
Expected credit losses (<i>HK\$'000</i>)	1,174	541	562	2,266	565	5,108

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

14. TRADE AND RETENTION PAYABLES

		2022	2021 (Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<i>(a)</i>	813,644	523,705
Retention payables	<i>(b)</i>	678,136	592,814
		<u>1,491,780</u>	<u>1,116,519</u>

Notes:

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

	2022	2021 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	77,684	34,249
1 to 2 months	198,567	232,023
2 to 3 months	234,621	126,134
Over 3 months	302,772	131,299
	<u>813,644</u>	<u>523,705</u>

The average credit period on trade payables is 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

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

15. INTEREST-BEARING BANK BORROWINGS

	31 December 2022			31 December 2021		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans — unsecured	Hong Kong Interbank Offered Rate (“HIBOR”) + 1.4–1.7%	On demand	170,000	HIBOR+ 1.4–1.6%	On demand	130,000
				2022		2021
				HK\$'000		HK\$'000
Analysed into:						
Bank loans repayable:						
On demand				170,000		130,000

Notes:

- (a) All borrowings were in Hong Kong dollars.
- (b) All borrowing are unsecured, bears interest at 1.4%–1.7% (2021: 1.4–1.6%) above HIBOR per annum and are repayable within one month if excluding the inclusion of the repayment on demand clauses.

16. SHARE CAPITAL

	2022	2021
	HK\$'000	HK\$'000
Authorised:		
10,000,000,000 (2021: 10,000,000,000) ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid:		
500,000,000 (2021: 500,000,000) ordinary shares of HK\$0.01 each	5,000	5,000

17. EVENT AFTER THE REPORTING PERIOD

- (a) On 31 January 2023, the Company entered into a share purchase agreement (the “**Share Purchase Agreement (ZCIEE)**”) with CZH, pursuant to which the Group conditionally agreed to purchase the entire issued share capital of Zhejiang Construction Investment Environment Engineering Company Limited (“**ZCIEE**” or the “**Target Company**”), a company incorporated in the People’s Republic of China (the “**Acquisition (ZCIEE)**”). The Acquisition (ZCIEE) is considered to be a business acquisition under common control as the Company and ZCIEE are both under the common control of CZH.

The consideration payable under the Share Purchase Agreement (ZCIEE) for the Acquisition (ZCIEE) is RMB201,000,000 (approximately HK\$228,409,090).

Further details of the Share Purchase Agreement (ZCIEE) and the Deed of Assignment and Settlement (ZCIEE) are set out in the announcements of the Company dated 31 January 2023 and 10 February 2023.

- (b) On 2 March 2023, a fire broke out at the construction site for the Main Contract Works for the Proposed Redevelopment of the Mariners’ Club on 11 Middle Road, Tsim Sha Tsui, Hong Kong and caused damage to the building structure. The Group is the main contractor for the said construction site. Management is reviewing the incident in its totality and liaising with relevant stakeholders on the accident and an estimate of its financial impact cannot be determined up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

As at 31 December 2022, the Group had 48 projects on hand with an aggregate original contract sum of approximately HK\$25.7 billion, which includes projects in progress and projects that have been awarded to the Group but not yet commenced. As at 31 December 2021, excluding the projects from the acquisition of CR Construction (U.K.) Investments Company Limited, the Group had 37 projects on hand with an aggregate original contract sum of approximately HK\$17.4 billion.

During the Reporting Period, the Group had been awarded 24 new projects with an aggregate original contract sum of approximately HK\$9.7 billion and had completed 14 projects with an aggregate original contract sum of approximately HK\$2.6 billion. The acquisition of CR Construction (U.K.) Investments Company Limited has led to an addition of 1 project on hand with an original contract sum of approximately HK\$1.2 billion to the Group.

In early 2023, the Group successfully executed 3 letters of acceptance relating to 3 RMAA contracts with aggregate original contract sum of approximately HK\$60.6 million. Nevertheless, the Directors believe that the Group still faces fierce competition in tendering for building construction and RMAA contracts, and the Group will continue to strengthen its market position by implementing business strategies, including but not limited to further expanding its building construction works and RMAA works business, strengthening its manpower, enhancing information technology and adhering to prudent financial management to ensure sustainable growth and capital sufficiency of the Group.

The outlook of 2023 should be more stable with the ending of the pandemic and resumption of pre-COVID normalcy underway. The normal economic activities in the city and some of our construction tender bidding process will resume in 2023 as in pre-COVID period. While overall shortage of skilled labor in HK Construction industry has caused difficulties in recruiting suitable local workers, thus driven up the project cost, we expect that the Group require more time for recruiting.

According to Budget 2023-2024, the Hong Kong government strives to increase the public housing supply target in the long term housing strategy to 300,000 units in the next ten years, the Group expect, this will have a positive impact on the Group's business. In addition, the Group expects that the construction business will grow in rapid rate in the second half of 2023, which in turns increase the construction business opportunities.

The Group emphasis the importance of technological innovation to enhance its core competitiveness in the industry. In 2022, the Group actively developed and expanded the application of 3D laser scanning technology in construction projects, and committed to promoting and applying Modular Integrated Construction ("MiC") technology. Moreover, the Group developed, optimized and promoted the Smart Site Management System ("SSMS") and the Digital Works Supervision System ("DWSS") when combining various information and communication technologies with building energy and management technologies. The total expenditure for the research and development is approximately HK\$10.7 million for the year. The Group will continue to develop, explore and design different solutions to promote the sustainable development of the Group.

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

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK\$1,376.5 million or approximately 28.1% from approximately HK\$4,890.1 million for the year ended 31 December 2021 to approximately HK\$6,266.6 million for the Reporting Period.

- *Building Construction Works*

The revenue generated from the building construction works increased by approximately HK\$880.0 million or approximately 21.4% from approximately HK\$4,115.3 million for the year ended 31 December 2021 to approximately HK\$4,995.3 million for the Reporting Period. The increase was mainly due to the increase in revenue generated from newer projects and existing projects to the Group during the Reporting Period.

- *RMAA Works*

The revenue generated from the RMAA works increased by approximately HK\$496.5 million or approximately 64.1% from approximately HK\$774.8 million for the year ended 31 December 2021 to approximately HK\$1,271.3 million for the Reporting Period. The increase was mainly attributable to an existing project which had substantial work progress during the Reporting Period.

Contract Costs

The Group's contract costs primarily consisted of subcontracting costs, material costs, direct staff costs and site overheads. The contract costs of the Group increased by approximately HK\$1,333.7 million or approximately 28.3% from approximately HK\$4,712.3 million for the year ended 31 December 2021 to approximately HK\$6,046.0 million for the Reporting Period. Such increase was in line with the increase in revenue and was mainly attributable to the increase in subcontracting costs, direct staff costs and site overheads for newer projects and existing projects during the Reporting Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from approximately HK\$177.8 million for the year ended 31 December 2021 to approximately HK\$220.6 million for the Reporting Period. The Group's gross profit margin was approximately 3.6% and 3.5% for each of the two years ended 31 December 2021 and 2022, respectively.

- *Building Construction Works*

The gross profit of building construction works was approximately HK\$147.2 million for the Reporting Period, representing a slightly increase of approximately HK\$5.6 million from approximately HK\$141.6 million for the year ended 31 December 2021. The gross profit margin decreased from approximately 3.4% for the year ended 31 December 2021 to approximately 2.9% for the Reporting Period.

- *RMAA Works*

The gross profit of RMAA works was approximately HK\$73.4 million for the Reporting Period, representing an increase of approximately HK\$37.2 million from the gross profit of approximately HK\$36.2 million for the year ended 31 December 2021. The gross profit margin increased by approximately 1.1 percentage points from approximately 4.7% for the year ended 31 December 2021 to approximately 5.8% for the Reporting Period. The increase in the gross profit and gross profit margin for the Reporting Period was mainly due to additional cost incurred for variation orders for a project during the prior period, while the respective revenue was only certified during the Reporting Period.

Other Income

The other income of the Group decreased by approximately HK\$25.8 million, from approximately HK\$29.7 million for the year ended 31 December 2021 to approximately HK\$3.9 million for the Reporting Period. The decrease was mainly attributable to the decrease in service fee for consultancy services provided in relation to construction.

Administrative Expenses

Administrative expenses of the Group slightly decreased from approximately HK\$130.5 million for the year ended 31 December 2021 to approximately HK\$128.9 million for the Reporting Period. The decrease was mainly due to the decrease in staff cost.

Other Operating Expenses, net

The other operating expenses of the Group increased by approximately HK\$8.5 million, from approximately HK\$4.2 million for the year ended 31 December 2021 to approximately HK\$12.7 million for the Reporting Period. The increase was primarily due to the increase in expected credit losses provisioning on trade receivables and contract assets according to HKFRS 9.

Finance Costs

The finance costs of the Group increased from approximately HK\$11.7 million for the year ended 31 December 2021 to approximately HK\$18.6 million for the Reporting Period. The increase was mainly due to the increase in the Hong Kong Interbank Offered Rate (HIBOR) on bank loans and the discounted amounts of retention payables arising from the passage of time.

Income Tax Expense

The income tax expense decreased by approximately HK\$4.7 million, or representing approximately 37.6%, from approximately HK\$12.4 million for the year ended 31 December 2021 to approximately HK\$7.7 million for the Reporting Period. The decrease was mainly due to the utilisation of tax losses for offsetting against assessable profits during the year. The effective tax rates were approximately 20.4% and 12.0% for each of the two years ended 31 December 2021 and 2022, respectively.

Net Profit and Adjusted Net Profit

The profit for the year of the Group increased by approximately HK\$7.9 million, or approximately 16.3%, from approximately HK\$48.6 million for the year ended 31 December 2021 to approximately HK\$56.5 million for the Reporting Period. The net profit margin for the two years ended 31 December 2021 and 2022 were approximately 1.0% and 0.9%, respectively.

If excluding the restatement resulted from the acquisition of CR Construction (U.K.) Investments Company Limited, the previously reported net profit and net profit margin of the Group would amount to approximately HK\$47.6 million and 1.0% for the year ended 31 December 2021, respectively.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 757 employees as at 31 December 2022 (31 December 2021: 773). Total staff costs of the Group (excluding the Directors' remuneration) for the Reporting Period were approximately HK\$393.5 million (2021: approximately HK\$402.1 million). If excluding the restatement resulted from the acquisition of CR Construction (U.K.) Investments Company Limited, the Group had a total of 740 employees as at 31 December 2021, and total staff costs of the Group (excluding the Directors' remuneration) for the year ended 31 December 2021 were approximately HK\$377.9 million. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees. The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary, bonus and other cash subsidies system. The Group conducts review on salary adjustment, discretionary bonuses and promotions based on the performance of each employee twice a year. The emoluments of the Directors and the senior management are decided by the Board with reference to the recommendation from the remuneration committee of the Company, having considered factors such as the Group's financial performance and the individual performance of the Directors, etc.

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

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OF SUBSIDIARIES

Acquisition of the Target Company in the People's Republic of China

On 31 January 2023 (after trading hours), the Company and CZH entered into the Share Purchase Agreement (ZCIEE), pursuant to which the Company has conditionally agreed to acquire from CZH and CZH has conditionally agreed to sell to the Company the entire equity interest in ZCIEE at the Consideration of RMB201,000,000 (equivalent to approximately HK\$228,409,090), which shall be settled by the Company in cash upon Completion.

As at the date of this announcement, the Acquisition (ZCIEE) has not been completed. For further details of the Acquisition (ZCIEE), please refer to the announcements of the Company dated 31 January 2023 and 10 February 2023 respectively.

CAPITAL EXPENDITURE

During the Reporting Period, the Group invested approximately HK\$11.9 million (2021: approximately HK\$9.0 million) on acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources.

CAPITAL COMMITMENTS

The Group had capital commitments of approximately HK\$0.4 million as at 31 December 2022 (2021: approximately HK\$1.9 million).

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no other contingent liabilities as at 31 December 2022:

- (a) As at 31 December 2022, performance bonds of approximately HK\$1,499.5 million (2021: HK\$1,416.5 million) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work.

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

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

FOREIGN EXCHANGE EXPOSURE

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

GEARING RATIO

As at 31 December 2022, the gearing ratio of the Group, which is calculated by dividing net debt by the total capital plus net debt, was approximately 14.9% (2021: approximately 16.4%). Net debt includes interest-bearing bank borrowings, amounts due to an intermediate holding company and loans from an intermediate holding company, less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 December 2022, the Group reported net current assets of approximately HK\$516.8 million, as compared with approximately HK\$505.7 million as at 31 December 2021. As at 31 December 2022, the Group's cash and cash equivalents were approximately HK\$93.3 million, representing an increase of approximately HK\$24.2 million as compared to approximately HK\$69.1 million as at 31 December 2021.

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

DEBTS AND CHARGE ON ASSETS

The Group had interest-bearing bank borrowings of approximately HK\$170.0 million as at 31 December 2022 (2021: HK\$130.0 million). Analysis of the maturity profile of the interest-bearing bank borrowings of the Group as at 31 December 2022 and 31 December 2021 is set out in the note 15 to the consolidated financial information of this announcement.

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

TREASURY POLICY

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group may from time to time consider appropriate new business opportunities as and when appropriate, in order to enhance its Shareholders' value. Save as disclosed herein, there was no specific plan for material investments or capital assets as at 31 December 2022.

DIVIDEND

The Board recommended the payment of a final dividend of HK1.8 cents (2021: HK1.8 cents) per Share for the year ended 31 December 2022. The proposed dividend will be payable on or before Friday, 28 July 2023, subject to the approval of the Shareholders at the forthcoming 2023 Annual General Meeting (“AGM”) of the Company to be held on Friday, 23 June 2023.

CLOSURE OF THE REGISTER OF MEMBERS

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

The register of members of the Company will be closed from Monday, 19 June 2023 to Friday, 23 June 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, during which period no transfers of Shares shall be effected. In order to qualify for attending and voting at the AGM to be held on Friday, 23 June 2023, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 16 June 2023.

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

The register of members of the Company will also be closed from Thursday, 29 June 2023 to Monday, 3 July 2023, both days inclusive, in order to determine the entitlement of the Shareholders who are entitled to receive the final dividend, during which period no transfers of Shares shall be effected. In order to qualify for the entitlement of final dividend, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 28 June 2023.

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

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

The audit committee of the Company had, together with the management and external auditor of the Company, reviewed the accounting principles and policies adopted by the Group, risk management and internal controls, financial reporting matters and annual results of the Group for the year ended 31 December 2022.

SUBSEQUENT EVENT

Save as disclosed above, as at date of this announcement, there is a significant event that requires additional disclosures or might affect the Group after the Reporting Period.

On 2 March 2023, a fire broke out at the construction site for the Main Contract Works for the Proposed Redevelopment of the Mariners' Club on 11 Middle Road, Tsim Sha Tsui, Hong Kong and caused certain damage to the building structure. The Group is the main contractor for the said construction site. Management is reviewing the incident in its totality and liaising with relevant stakeholders on the accident and an estimate of its financial impact cannot be determined up to the date of this announcement.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company's auditor, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held on Friday, 23 June 2023 and the notice of the AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

PUBLICATION OF THE ANNUAL RESULTS AND 2022 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.cr-construction.com.hk>), and the annual report of the Group for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 23 March 2023

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