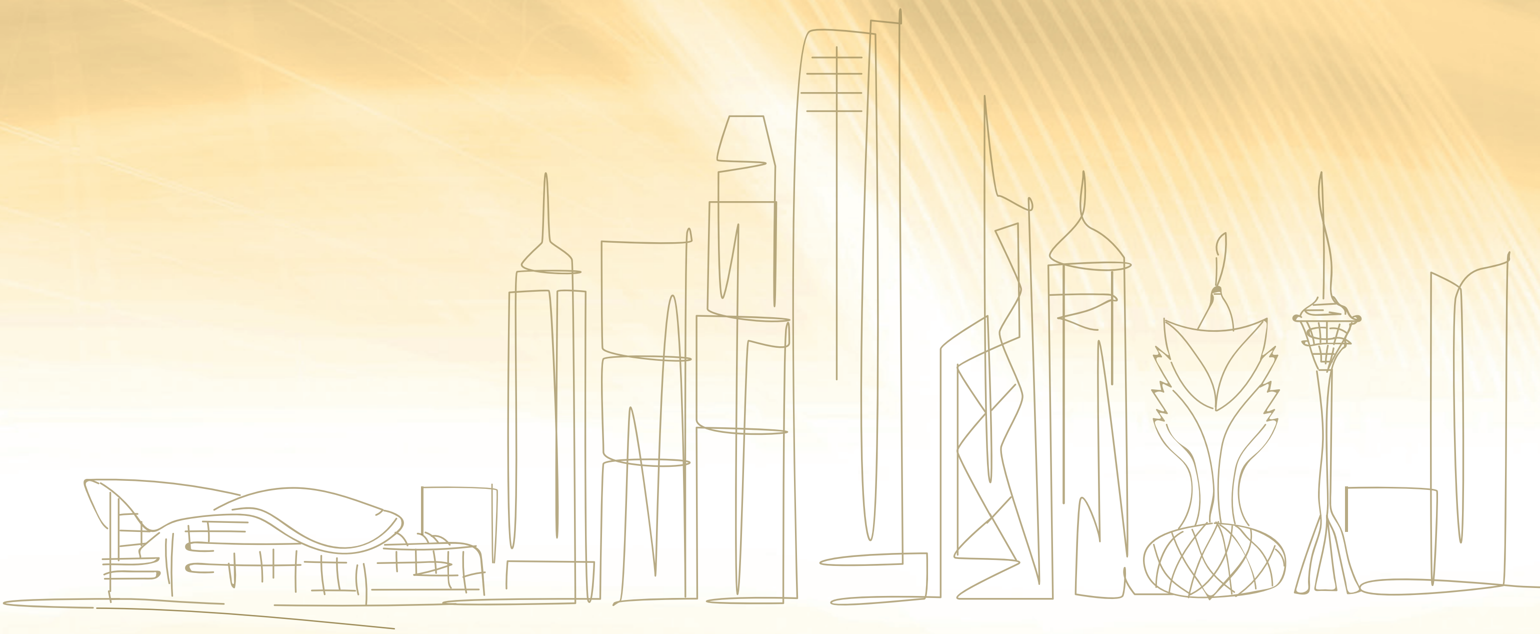
建聯集團有限公司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385



ANNUAL REPORT 2022

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

James Sai-Wing WONG *(Chairman)*
Yuen-Keung CHAN *(Vice Chairman and Managing Director)*
James Sing-Wai WONG
Philip Bing-Lun LAM

Independent Non-Executive Directors

Chi-Chiu WU
Ronald James BLAKE
Anthony King-Yan TONG
Dee-Dee CHAN

AUDIT COMMITTEE

Anthony King-Yan TONG *(Chairman)*
Chi-Chiu WU
Ronald James BLAKE

REMUNERATION COMMITTEE

Chi-Chiu WU *(Chairman)*
Anthony King-Yan TONG
Yuen-Keung CHAN

NOMINATION COMMITTEE

Dee-Dee CHAN *(Chairman)*
Ronald James BLAKE
Anthony King-Yan TONG
James Sing-Wai WONG
Philip Bing-Lun LAM

COMPANY SECRETARY

Yun-Sang LO

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Shanghai Commercial Bank Limited

AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

STOCK CODE

SEHK 00385

BUSINESS ADDRESSES AND CONTACTS

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23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Tel : (852) 2877-3307
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E-mail : general@chinneyhonkwok.com

Chinney Construction Company, Limited

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Hong Kong Spinners Industrial Building, Phase VI
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Kowloon
Hong Kong

Tel : (852) 2371-0100
Fax : (852) 2411-1402
Website: http://www.chinneyconstruction.com.hk
E-mail : chinney@chinney.com.hk

Kin Wing Engineering Company Limited
Kin Wing Foundations Limited

Block A&B, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2415-6509
Fax : (852) 2490-0173
Website : http://www.kinwing.com.hk
E-mail : kwecoltd@kinwing.com.hk

DrilTech Ground Engineering Limited
DrilTech Geotechnical Engineering Limited

Block A&B, 8th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2371-0008
Fax : (852) 2744-1037
Website : http://www.driltech.com.hk
E-mail : driltech@driltech.com.hk

Shun Cheong Electrical Engineering Company Limited
Westco Airconditioning Limited

Block C, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
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Hong Kong

Tel : (852) 2426-3123
Fax : (852) 2481-3463
Website : http://www.shuncheonggroup.com
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Jacobson van den Berg (Hong Kong) Limited

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Cheung Lung Industrial Building
10 Cheung Yee Street
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Website : http://www.jvdb.com
E-mail : info@jvdb.com

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Hong Kong

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Chinney Alliance Engineering Limited

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Tel : (852) 2563-6128
Fax : (852) 2960-1013
Website : http://www.chinney-eng.com
E-mail : focal@chinney-eng.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Chinney Alliance Group Limited (the "Company", collectively with its subsidiaries, the "Group") will be held on Friday, 2 June 2023 at 11:30 a.m. at Artyzen Club, 401A, 4/F Shun Tak Centre (near China Merchants Tower), 200 Connaught Road Central, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company for the year ended 31 December 2022 together with the reports of the directors and the independent auditor thereon.

2. To declare a final dividend for the year ended 31 December 2022.

3. To re-elect directors and to authorise the board of directors to fix the directors' remuneration.

4. To re-appoint auditor and to authorise the board of directors to fix their remuneration.

5. To consider as special business and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) subject to paragraph (c) below, a general mandate be and is hereby unconditionally granted to the directors of the Company to exercise during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers;

(b) the mandate in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the mandate in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted and approved by the shareholders of the Company for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) an issue of shares as scrip dividends or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company; or (iv) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed twenty per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said mandate shall be limited accordingly; and

(d) for the purpose of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or

(iii) the date of the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

"Rights Issue" means an offer of shares in the Company, or an offer of warrants, options or other securities giving rights to subscribe for shares, open for a period fixed by the directors of the Company to the holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company, after making enquiry, may deem necessary or expedient in relation to fractional entitlements or having regard to any legal restrictions under the laws of the relevant place, or the requirements of the relevant regulatory body or any stock exchange in that place)."

By Order of the Board
Yun-Sang Lo
Company Secretary

Hong Kong, 27 April 2023

Notes:

(1) A shareholder entitled to attend and vote at the AGM (and at any adjournment thereof) is entitled to appoint another person as his proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder of the Company.

(2) In order to be valid, a form of proxy in the prescribed form, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or other authority must be completed, signed and deposited with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 48 hours before the time appointed for holding the AGM (and at any adjournment thereof).

(3) Where there are joint registered holders of any shares, any one of such joint holders may vote at the AGM (and at any adjournment thereof), either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(4) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), any vote of shareholders at a general meeting must be taken by poll and the Company must announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. The chairman of the meeting will therefore put each of the resolutions to be proposed at the AGM to be voted by way of a poll pursuant to the Bye-laws of the Company (the "Bye-laws"). An announcement will be made by the Company following the conclusion of the AGM to inform the results of the AGM.

(5) With regard to resolution 3 in this notice, Mr. Philip Bing-Lun Lam ("Mr. Lam") and Mr. Chi-Chiu Wu ("Mr. Wu") will retire by rotation at the AGM in accordance with bye-law 85 of the Bye-laws. Both Mr. Lam and Mr. Wu, being eligible, will offer themselves for re-election at the AGM.

(6) Details of the directors who stand for re-election at the AGM are set out below:-

Philip Bing-Lun Lam

Aged 80, was appointed as an executive director of the Company in August 2012. He is a director of Shun Cheong Electrical Engineering Company Limited and Chinney Construction Company, Limited, both being major subsidiaries of the Company. Mr. Lam began his career in 1963 with Hang Seng Bank Limited for eleven years, and then joined The University of Hong Kong ("HKU") in 1975 as an Assistant Finance Director. He then worked as the Chief Accountant and Comptroller in Overseas Bank (Canada) in Vancouver for three years from 1982 to 1985. In December 1985, Mr. Lam re-joined HKU and had served as the Director of Finance from 1990 until his retirement on 30 June 2012. He was then asked by the Vice-Chancellor of HKU to be his Senior Advisor for financial, investment and fund-raising matters until June 2014, and had been the Honorary Advisor to the Chairman of The University of Hong Kong Foundation for Educational Development and Research until end of 2019.

Mr. Lam obtained a diploma in management studies from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in 1974. He is a fellow of The Chartered Institute of Management Accountants (UK), the Hong Kong Institute of Certified Public Accountants and an associate of The Certified Management Accountants (Canada), The Chartered Governance Institute (UK) (formerly The Institute of Chartered Secretaries and Administrators (UK)) and The Chartered Institute of Bankers (UK).

Notes: *(continued)*

(6) *(continued)*

Philip Bing-Lun Lam *(continued)*

Mr. Lam is active in community affairs and had served as a member on the Board of Review (Inland Revenue Ordinance) Hong Kong for three years from 1995 to 1998. He had been a member of the Establishment and Finance Committee of the Prince Philip Dental Hospital from early 1990s until his retirement in June 2012. Currently he is a member of the Board of Governors of the Canadian International School of Hong Kong, and a member of the Board of Governors of the Centennial College, a subsidiary of HKU.

Mr. Lam is an executive director of Chinney Kin Wing Holdings Limited (stock code: 1556, "Chinney Kin Wing") and Hon Kwok Land Investment Company, Limited (stock code: 160, "Hon Kwok"). Chinney Kin Wing and Hon Kwok are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He had been an independent non-executive director of Oriental University City Holdings (H.K.) Limited (stock code: 8067) from December 2014 to December 2021, which is listed on the GEM of the Stock Exchange.

Mr. Lam does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO"). Save as disclosed above, Mr. Lam does not hold any other positions in the Company or any members of the Group, and did not hold any directorships in any listed public companies in the past three years. He does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company.

There is no service contract of fixed term entered into between the Company and Mr. Lam. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws. Mr. Lam has an employment contract with the Company which is terminable by either party by serving to another party six months' advance written notice. He is entitled to an annual salary and allowances of HK$2,421,900 which has been fixed by reference to his position, his level of responsibilities and the remuneration policy of the Group. In addition, he is also entitled to a discretionary bonus to be determined by the board of directors of the Company (the "Board") and other employment benefits provided by the Group to all eligible staff.

Save as disclosed above, there is no information to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules, nor any other matters and information need to be brought to the attention of the shareholders of the Company or required to be disclosed pursuant to any of the requirements of the Listing Rules in respect of Mr. Lam.

Notes: *(continued)*

(6) *(continued)*

Chi-Chiu Wu

Aged 59, was appointed as an independent non-executive director of the Company in March 2012. Mr. Wu had been a director and the chief executive officer of Golden Glory Group Pte. Ltd. since 12 September 2013, until he resigned on 15 February 2019, a company incorporated in Singapore as the holding company to develop and operate mixed-use properties in Myanmar, comprising residential, commercial, retail, hotel, and industrial township. He had been an executive director of China Motion Telecom International Limited (stock code: 989, now known as Hua Yin International Holdings Limited), a company listed on the Main Board of the Stock Exchange, since 9 February 2006 and the vice chairman and the chief executive officer of that company since 6 March 2006, until he resigned on 31 March 2013. Mr. Wu holds a Bachelor of Science degree from the University of Toronto, Canada.

Mr. Wu does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Wu does not hold any other positions in the Company or any members of the Group, and did not hold any directorships in any listed public companies in the past three years. He does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company.

There is currently no service contract between the Company and Mr. Wu and he is not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws. Mr. Wu is entitled to a director's fee of HK$320,000 per annum which is based on the Company's remuneration policy adopted for independent non-executive directors of the Company.

Save as disclosed above, there is no information to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules, nor any other matters and information need to be brought to the attention of the shareholders of the Company or required to be disclosed pursuant to any of the requirements of the Listing Rules in respect of Mr. Wu.

(7) At the date hereof, the Board comprises of eight directors, of which four are executive directors, namely Dr. James Sai-Wing Wong, Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam; and four are independent non-executive directors, namely Mr. Chi-Chiu Wu, Mr. Ronald James Blake, Mr. Anthony King-Yan Tong and Ms. Dee-Dee Chan.

RESULTS

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

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK2.50 cents per share for the year ended 31 December 2022 (2021: HK2.75 cents) to the shareholders of the Company whose names appear on the Company's register of members on 14 June 2023. It is expected that the final dividend cheques will be despatched to the shareholders of the Company on or before 5 July 2023.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on 2 June 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 30 May 2023 to 2 June 2023 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 29 May 2023.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2022 is subject to the approval by the shareholders of the Company at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 9 June 2023 to 14 June 2023 (both days inclusive), during which period no share transfers will be registered. The last day for dealing in the Company's share cum entitlements to the proposed final dividend will be 6 June 2023. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 8 June 2023.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND PROSPECTS

Turning to the results and prospects of our businesses:

Foundation piling and ground investigation

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

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

In the past year, the foundation industry witnessed a remarkable upswing in bidding projects, largely due to the Hong Kong Government's efforts to develop the northern New Territories. In addition, the acceleration of construction in public and subsidised housing has played a significant role. Encouragingly, this increase in bidding opportunities came without the need to resort to price-cutting strategies in order to secure contracts.

In spite of the relatively optimistic outlook, costs will continue to pose headwinds. While global inflationary pressures cause volatility in direct material costs, demand for skilled labour and technical personnel in the construction industry locally is driving production cost pressure which together are cutting into our profit margins. Labour shortage is a constant challenge to the industry at large. Many of the current workers are aging and the younger generations are not keen on developing a career in the industry. In anticipation of future business demands, Chinney Kin Wing Group is making a strategic investment in talent development. At the forefront of this initiative was the Chinney Kin Wing Academy launched near the end of 2022. Chinney Kin Wing Academy serves to bolster staff competence by providing comprehensive training for new hires, sharing technical knowledge, and fostering skill development among existing staff under the guidance of department heads. It also seeks to instill a sense of mission in colleagues, encouraging them to contribute to the construction industry and make positive impact on the larger community in Hong Kong. By sharing knowledge and expertise, the management of Chinney Kin Wing hopes to create a culture of achievement that will drive future success.

As we look to the future in 2023, Chinney Kin Wing is committed to optimising the warehouse operations and enhancing information technology capabilities. One of our primary goals is to increase productivity by minimising menial tasks and eliminating unnecessary processes. To achieve this, we are stepping up investing in advanced technologies and developing our information technology workforce to further streamline our operations and increase project efficiency.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Foundation piling and ground investigation *(continued)*

Recognised with the Koden Test accreditation under The Hong Kong Laboratory Accreditation Scheme ("HOKLAS"), our subsidiary DrilTech is set to elevate its field testing services in the drilling industry, bolstered by the application of various categories of testing licenses under the HOKLAS. Moving forward, DrilTech is gearing up to expand its laboratory testing business further under the HOKLAS, which generates added advantage for our business. Additionally, DrilTech is exploring new growth opportunities, with a particular focus on diversifying its service offerings in marine ground investigation, instrumentation and field testing. These strategic moves are expected to result in a diversified income stream for DrilTech and increased returns for our shareholders.

With a focus on improving shareholder returns and maintaining a strong market position, Chinney Kin Wing is shifting its focus towards identifying and leveraging diverse opportunities. To achieve sustainable business development and enhance competitiveness, the segment will adopt different tendering strategies and establish long-term relationships with quality customers, while also diversifying their services.

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

Chinney Kin Wing supports the Government in expediting the implementation of public works projects and remains prudently optimistic about the long-term prospects of the construction market. As one of the most dependable contractors in the foundation industry with an extensive range of specialised machinery and professional team, the management of Chinney Kin Wing is confident to secure more projects and play an instrumental role in the city's landmark projects.

Trading of plastics and chemical products

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

BUSINESS REVIEW AND PROSPECTS *(continued)*

Building related contracting services

Shun Cheong Engineering Group ("Shun Cheong") contributed revenues of HK$2,349 million (2021: HK$2,684 million) with operating profits of HK$11.5 million (2021: HK$82.0 million) from its electrical, HVAC, fire services and pump and drainage businesses. The slow progress of the major projects of the segment caused by the pandemic led to the decrease in revenues. With the delay in site works caused by the pandemic, the budgeted profit margins of certain projects were reduced to reflect the increase in site staff costs, logistics costs and overheads. It is anticipated that the site works of certain projects will have to accelerate in 2023 to catch up to expected completion dates. So, while the revenues of the segment would improve, under the environment of rising skilled labours costs, additional costs for acceleration and increasing interest rate, the operating profit may not improve proportionately. Shun Cheong's management continues to review and improve the efficiency of its operation and profitability of her projects. As at 31 December 2022, the segment had outstanding contract sums of approximately HK$4,971 million, with additional HK$408 million worth contracts awarded subsequent to the year-end.

Building construction

The Group's building construction segment, which consists of Chinney Construction Company, Limited ("Chinney Construction") and Chinney Builders Company Limited, which operate in Hong Kong, and Chinney Timwill Construction (Macau) Company Limited ("Chinney Timwill"), contributed revenues of HK$948 million (2021: HK$1,120 million) and recorded an operating loss of HK$21.4 million (2021: loss of HK$41.5 million). While the segment's Hong Kong operation managed to achieve a slight profit, the Macau operation recorded a loss, which was due to the lack of new projects awarded and additional costs incurred for site works during the second half of the year. Nevertheless, with the renewal of gaming licenses in Macau, which requires the development of overseas tourist markets and non-gaming projects by the licensees, and the reopening of the border, there will be more construction works in the territory which will in turn increase the tender opportunities for Chinney Timwill in Macau. With more projects awarded to Chinney Construction in the second half of 2022 and in 2023, the management of the Construction segment expects improvement in revenues and profitability in the coming years. As at 31 December 2022, the outstanding contract sum stood at approximately HK$604 million. There were new projects worth HK$1,222 million awarded after year-end.

Aviation business

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

Other businesses

The segment includes property held for sale under development which is located in Fanling near the railway station and is still at the planning stage, certain properties held for the Group's own use and certain investment properties. The losses of the segment were mainly attributable to write-down of the property held for sale under development of HK$36.0 million with the downturn of the local residential property market, as well depreciation and other overheads of the Group's properties held for own use.

OUTLOOK

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

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

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

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to thank my fellow directors for their advice and continued support, and staff of all levels for their hard working and contribution for the success during this unusual year.

I would also thank you for the support and loyalty of our shareholders, business partners and other stakeholders who are important to our business development and success.

James Sai-Wing Wong
Chairman

Hong Kong, 28 March 2023

EXECUTIVE DIRECTORS

James Sai-Wing Wong

Aged 84, was appointed as an executive director and the chairman of the Company in 1998. He is the chairman of Chinney Investments, Limited (stock code: 216, "Chinney Investments"), a director of Lucky Year Finance Limited, Chinney Holdings Limited, Newsworthy Resources Limited, Multi-Investment Group Limited and Enhancement Investments Limited ("EIL"), all being substantial shareholders of the Company, and a director of Chinney Capital Limited which is a shareholder of the Company. He is also the chairman of Hon Kwok Land Investment Company, Limited (stock code: 160, "Hon Kwok"). Chinney Investments and Hon Kwok are both listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was appointed a Justice of the Peace for Hong Kong in 1987.

Yuen-Keung Chan

Aged 68, was appointed as an executive director of the Company in 2007. He was then appointed the vice chairman of the Company in March 2011 and the managing director of the Company in March 2012. He has over forty-five years of experience in the construction industry. He is a member of the Chartered Institute of Building. Mr. Chan is the vice chairman, the managing director and an executive director of Chinney Investments (stock code: 216), being substantial shareholders of the Company, and a director of Kin Wing Engineering Company Limited ("KWE"), Shun Cheong Electrical Engineering Company Limited ("SCEE") and Chinney Construction, all being major subsidiaries of the Company. He is also the chairman and an executive director of Chinney Kin Wing (stock code: 1556). Chinney Investments and Chinney Kin Wing are both listed on the Main Board of the Stock Exchange.

James Sing-Wai Wong

Aged 59, was appointed as an executive director of the Company in August 2010. He graduated from the University of Washington with a Bachelor's degree with honors in Economics. He also holds a Juris Doctorate degree from the University of California College of the Law, San Francisco (formerly known as University of California San Francisco, Hastings College of Law), and a Master's degree in Systems Engineering and Information Systems from the Florida Institute of Technology. He is a member of the California Bar as well as a licensed California Real Estate Broker. He has accumulated over thirty years of experience in economics, law, management and information systems in Hong Kong, United States, Canada, the United Kingdom and the Mainland China.

Mr. Wong is the chairman and a director of CAE and Jacobson and a director of Chinney Alliance (China) Limited, Chinney Construction, KWE and SCEE, all being major subsidiaries of the Company.

Mr. Wong is an executive director of Chinney Investments (stock code: 216), a director of Chinney Holdings Limited and Lucky Year Finance Limited, all being substantial shareholders of the Company, and a director of Chinney Capital Limited which is a shareholder of the Company. He is also an executive director of Chinney Kin Wing (stock code: 1556) and Hon Kwok (stock code: 160). Chinney Investments, Hon Kwok and Chinney Kin Wing are listed on the Main Board of the Stock Exchange. He is the son of Dr. James Sai-Wing Wong, the chairman and a substantial shareholder of the Company.

EXECUTIVE DIRECTORS *(continued)*

Philip Bing-Lun Lam

Aged 80, was appointed as an executive director of the Company in August 2012. He is a director of SCEE and Chinney Construction, both being major subsidiaries of the Company. Mr. Lam began his career in 1963 with Hang Seng Bank Limited for eleven years, and then joined The University of Hong Kong ("HKU") in 1975 as an Assistant Finance Director. He then worked as the Chief Accountant and Comptroller in Overseas Bank (Canada) in Vancouver for three years from 1982 to 1985. In December 1985, Mr. Lam re-joined HKU and had served as the Director of Finance from 1990 until his retirement on 30 June 2012. He was then asked by the Vice-Chancellor of HKU to be his Senior Advisor for financial, investment and fund-raising matters until June 2014, and had been the Honorary Advisor to the Chairman of The University of Hong Kong Foundation for Educational Development and Research until end of 2019.

Mr. Lam obtained a diploma in management studies from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in 1974. He is a fellow of The Chartered Institute of Management Accountants (UK), the Hong Kong Institute of Certified Public Accountants and an associate of The Certified Management Accountants (Canada), The Chartered Governance Institute (UK) (formerly The Institute of Chartered Secretaries and Administrators (UK)) and The Chartered Institute of Bankers (UK).

Mr. Lam is active in community affairs and had served as a member on the Board of Review (Inland Revenue Ordinance) Hong Kong for three years from 1995 to 1998. He had been a member of the Establishment and Finance Committee of the Prince Philip Dental Hospital from early 1990s until his retirement in June 2012. Currently he is a member of the Board of Governors of the Canadian International School of Hong Kong, and a member of the Board of Governors of the Centennial College, a subsidiary of HKU.

Mr. Lam is an executive director of Chinney Kin Wing (stock code: 1556) and Hon Kwok (stock code: 160). Chinney Kin Wing and Hon Kwok are listed on the Main Board of the Stock Exchange. He had been an independent non-executive director of Oriental University City Holdings (H.K.) Limited (stock code: 8067) from December 2014 to December 2021, which is listed on the GEM of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chi-Chiu Wu

Aged 59, was appointed as an independent non-executive director of the Company in March 2012. Mr. Wu had been a director and the chief executive officer of Golden Glory Group Pte. Ltd. since 12 September 2013, until he resigned on 15 February 2019, a company incorporated in Singapore as the holding company to develop and operate mixed-use properties in Myanmar, comprising residential, commercial, retail, hotel, and industrial township. He had been an executive director of China Motion Telecom International Limited (stock code: 989, now known as Hua Yin International Holdings Limited), a company listed on the Main Board of the Stock Exchange, since 9 February 2006 and the vice chairman and the chief executive officer of that company since 6 March 2006, until he resigned on 31 March 2013. Mr. Wu holds a Bachelor of Science degree from the University of Toronto, Canada.

Ronald James Blake

Aged 88, was appointed as an independent non-executive director of the Company in 2013. He retired from the Chief Officer of Kowloon-Canton Railway Corporation ("KCRC") in 2012, previously Chief Executive Officer. After retirement in 2013, he was appointed a Project Reviewer to Hong Kong Government for Kai Tak Sports Park inclusive 50,000-seat retractable roof stadium and to Ocean Park Corporation for new Water World project. He was a Senior Director of KCRC since 1997 responsible for KCRC's HK$70 billion expansion programme of railway and stations in tunnel, on viaduct and at grade. Before joining KCRC in 1997, he was Secretary for Works in the Hong Kong Government between 1991 and 1995, overseeing the implementation of the Airport Core Programme and the harbour wing extension of the Hong Kong Conference and Exhibition Centre. Before that, he served with Paul Y. Construction Company, Limited and was engaged in civil engineering and building contracting from 1972 onwards. Mr. Blake began his career in the United Kingdom as a civil/structural engineer with Boulton and Paul, and following service with the Corps of Royal Engineers joined Scott Wilson Kirkpatrick & Partners to return to Hong Kong in 1965.

Mr. Blake was qualified as a Chartered Engineer in 1960 and was awarded the Institution of Civil Engineers Gold Medal in 1997. He was the President of the Hong Kong Institution of Engineers between 1991 and 1992 and later became President of the Federation of Engineering Institutions of South East Asia and the Pacific (FEISEAP), having served as a member of the Executive for three years. He is a fellow member of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, The Institution of Structural Engineers, The Chartered Institution of Highways and Transportation, Hong Kong Academy of Engineering Science.

He was a member of Construction Industry Council from 2001 to 2008 and also a member of the Hong Kong Special Administrative Region Election Committee (Engineer Sub-sector) from 1998 to 2011. In January 2013, he was appointed a member to the Commission on Strategic Development of the Government of Hong Kong Special Administrative Region.

In recognition of his public services, he was awarded OBE and appointed a Justice of Peace by the Hong Kong Government in 1996. He was also awarded the Gold Bauhinia Star by the Government of Hong Kong Special Administrative Region in 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Anthony King-Yan Tong

Aged 66, was appointed as an independent non-executive director of the Company in July 2021. Mr. Tong is a partner and director of Group Talent Global Limited, a company focusing on development of affordable luxury residences in Thailand. Mr. Tong had served 40 years with PricewaterhouseCoopers (the "Firm") in Hong Kong and San Francisco with closed to 30 years as a partner and served many years on the Hong Kong and China Firm's board of partners. He also founded the US Tax Consulting Group of the Firm in Greater China and led the US Tax practice in Asia Pacific until his retirement as partner in 2017. He has strong experience advising on tax issues relating to cross-border mergers and acquisitions, tax efficient financing structures and profit repatriation, structuring of private equity and venture capital funds and investments. Mr. Tong holds a Bachelor of Business Administration degree (major in Accounting) from the University of California, Berkeley and is a US Certified Public Accountant (inactive).

Dee-Dee Chan

Aged 40, was appointed as an independent non-executive director of the Company in December 2021. Ms. Chan is a chief investment officer of Park Lane Capital Holdings Limited, responsible for overall asset allocation, external manager due diligence and selection, and all investment related activities for a single family office portfolio. She has been a director of Hotel ICON Limited since January 2022. She is also a director of Seal of Love Charitable Foundation, responsible for the overall strategic planning and execution for philanthropic activities in Hong Kong, Cambodia, Thailand and Vietnam. She was a vice president of BNP Paribas Wealth Management, specialist in structured equity derivatives. Ms. Chan graduated from Claremont McKenna College with a Bachelor of Arts degree with Honours in French and Politics, Philosophy and Economics, and a Master of Education with Distinction from HKU.

Ms. Chan is currently a Court member and an Institutional Advancement and Outreach Committee member of The Hong Kong University of Science and Technology, and a member of Grants Allocation Committee of Fu Tak Iam Foundation Limited. She has been a member of Governing Committee of the Hong Kong Polytechnic University Foundation since April 2022 and a member of the Council of the Hong Kong Polytechnic University since April 2023.

SENIOR MANAGEMENT

Kwok-Ming Lam

Aged 59, is the managing director of Jacobson which is a major subsidiary of the Company engaged in trading of plastics and chemicals. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Institute of Chartered Accountants in England and Wales. He holds a Master of Science degree in Electronic Commerce from the Hong Kong Polytechnic University. Mr. Lam is an independent non-executive director of Cosmos Machinery Enterprises Limited (stock code: 118) which is listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT *(continued)*

Wing-Sang Yu

Aged 62, is an executive director and concurrently serves as the managing director of Chinney Kin Wing (stock code: 1556) which is listed on the Main Board of the Stock Exchange and a major subsidiary of the Company engaged in foundation piling and site investigation. He has over twenty-five years of experience in the foundation industry and is responsible for formulating corporate development and business strategies, the establishment and ensuring compliance with Chinney Kin Wing Group's core value and leading and training the core management team of Chinney Kin Wing. He holds a Bachelor's degree in Engineering from HKU and a Master's degree in Arts (Christian Studies) from The Chinese University of Hong Kong. He is a corporate member of The Hong Kong Institution of Engineers.

Kwok-Leung Fung

Aged 63, is the director and general manager of Westco Chinney Limited which is a major subsidiary of the Company engaged in installation of air-conditioning systems. He has over thirty years of experience in the field of mechanical engineering. He is a member of American Society of Heating, Refrigerating and Air-conditioning Engineers and Australian Institute of Refrigeration, Air-conditioning and Heating.

Kwok-Keung Wong

Aged 64, is the managing director of CAE, a major subsidiary of the Company engaged in the distribution of aviation system and other hi-tech products. He has over thirty years of experience in marketing of communication and electronic equipment, especially aviation equipment. He holds a Higher Diploma in Marine Electronics from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) and a Master's degree in Business from The University of Newcastle, Australia. He is a member of The Hong Kong Management Association.

Hin-Kwong So

Aged 65, is an executive director and concurrently serves as the general manager of Chinney Kin Wing (stock code: 1556) which is listed on the Main Board of the Stock Exchange and a major subsidiary of the Company engaged in foundation piling and site investigation. Mr. So is the Head of the Execution Panel of Chinney Kin Wing and responsible for the overall management and supervision of the operations of Chinney Kin Wing. Mr. So has over thirty years of experience in site supervision, project management and tendering in various types of foundation, substructure and site formation projects. He holds a Bachelor's degree in Civil Engineering from the National Cheng Kung University.

Chi-Kin Chan

Aged 67, is a director of Shun Cheong Engineering Group Limited and its major subsidiaries, and a director and general manager of SCEE, which are engaged in building related contracting services businesses of the Group. He has over forty years of experience in building services industry. Mr. Chan holds a Higher Diploma in Mechanical Engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). He is a council member of the Association of Registered Fire Service Installation Contractors of Hong Kong Limited.

Yun-Sang Lo

Aged 57, is the company secretary and financial controller of the Company. He has thirty-four years of experience in the accounting field. He holds a Bachelor's degree in Business Administration from The Chinese University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving the standards of corporate conduct and to place importance on its corporate governance systems so as to ensure greater transparency, accountability and protection of shareholders' interests.

This report describes the Company's corporate governance practices and structures that were in place during the financial year, with specific reference to the principles and guidelines of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. In developing and reviewing its corporate governance policies and practices, the Company has sought to adopt a balanced approach.

Throughout the year ended 31 December 2022, in the opinion of the directors of the Company (the "Directors"), the Company has complied with the applicable code provisions of the CG Code, except B.2.2 and C.5.1, which are explained in this report.

CORPORATE CULTURE

A positive and progressive corporate culture across the Group is vital for the Company to achieve its purpose towards the sustainable growth. It is the role of the Board to foster the Group's corporate culture with the core principles of integrity and accountability to guide the behaviours of its employees and ensure that the Company's purpose, values and business strategies are aligned to it.

CORPORATE GOVERNANCE STRUCTURE

The Board believes that a well-balanced corporate governance structure will enable the Company to better manage its business risks and thereby ensure the Company is run in the best interests of its shareholders and other stakeholders. The Board is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. At the same time, it is also charged with the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are currently three board committees, namely Audit Committee, Remuneration Committee and Nomination Committee. All the committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

BOARD OF DIRECTORS

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive Directors. The biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" on pages 15 to 19 of this Annual Report.

The Board currently comprises of four executive Directors and four independent non-executive Directors. The Directors during the financial year and up to the date of the report are set out on page 35 of this Annual Report and are currently as follows:

BOARD OF DIRECTORS *(continued)*

Name of Director

Executive Directors

Dr. James Sai-Wing Wong *(Chairman)*
Mr. Yuen-Keung Chan *(Vice Chairman and Managing Director)*
Mr. James Sing-Wai Wong
Mr. Philip Bing-Lun Lam

Independent Non-Executive Directors

Mr. Chi-Chiu Wu
Mr. Ronald James Blake
Mr. Anthony King-Yan Tong
Ms. Dee-Dee Chan

Independent non-executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group through their contributions in board meetings.

The Board considers that each independent non-executive Director is independent in character and judgment. The Company has received from each independent non-executive Director a written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules.

Board meetings of the Company were held twice during the year on a regular basis, which deviated from code provision C.5.1 of the CG Code which stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

In view of the simplicity of the Group's businesses, regular board meetings have not been held quarterly during the year. The interim and annual results together with all corporate transactions happened during the year have been reviewed and discussed amongst the Directors at the full board meetings held in the year.

Draft minutes of board meetings are circulated to Directors for comments and the signed minutes are kept by the Company Secretary.

In order to safeguard the interest of individual Director, the Company has also arranged directors' and officers' liability insurance for the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. James Sai-Wing Wong, Chairman of the Company, is responsible for the management of the Board. Mr. Yuen-Keung Chan is the Vice Chairman and Managing Director of the Company. Each division of the Group's business namely Jacobson, CAE, Chinney Kin Wing Group, Chinney Construction and Shun Cheong is managed by its divisional managing directors and/or general managers.

RE-ELECTION OF DIRECTORS

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the provisions of the Bye-laws of the Company (the "Bye-laws"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation save that the Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

Dr. James Sai-Wing Wong, the beneficial owner of Chinney Investments, EIL and Chinney Capital Limited, which collectively holds approximately 73.68% interest in the Company, is the Chairman of the Board to safeguard their investments in the Company. In addition, the Board considers that the continuity of the office of the Chairman and Managing Director provide the Group with a strong and consistent leadership for the smooth operation of the businesses of the Group. As a result, the Board concurred that the Chairman and the Managing Director need not be subject to retirement by rotation.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company Secretary updates Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT *(continued)*

Directors are required to submit to the Company annually details of training sessions undertaken by them in each financial year for the Company to maintain a training record for its Directors. According to the training records maintained by the Company, the training received by each of the Directors during the year ended 31 December 2022 is summarised as follows:

Name of Director	Type of trainings
Executive Directors	
Dr. James Sai-Wing Wong	B
Mr. Yuen-Keung Chan	A, B
Mr. James Sing-Wai Wong	A, B
Mr. Philip Bing-Lun Lam	A, B
Independent Non-Executive Directors	
Mr. Chi-Chiu Wu	A, B
Mr. Ronald James Blake	A, B
Mr. Anthony King-Yan Tong	A, B
Ms. Dee-Dee Chan	A, B

A: attending seminars/conferences/workshops/forums

B: reading newspapers, journals and updates relating to the economy, environmental protection business or director's duties and responsibilities etc.

CORPORATE GOVERNANCE FUNCTION

The Board is collectively responsible for performing the corporate governance duties including:

(a) to develop, review and update the Company's policy and practices on corporate governance;

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

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

(d) to review the Company's compliance with the CG Code and disclosure in the "Corporate Governance Report"; and

(e) to perform such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2022. Securities interests in the Company and its associated corporations held by each of the Directors are set out in the "Report of the Directors" on pages 31 to 39 of this Annual Report.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises two independent non-executive Directors namely Mr. Chi-Chiu Wu (chairman of the Remuneration Committee) and Mr. Anthony King-Yan Tong and an executive Director namely Mr. Yuen-Keung Chan. The role of the Remuneration Committee is to review and recommend to the Board on the remuneration packages of all executive Directors.

The Chairman of the Board receives no salary and determines the remuneration of all other executive Directors, taking reference to market pay, individual performance and a bonus scheme, which has been in place prior to the establishment of the Remuneration Committee. Details of remuneration packages of the executive Directors during the year are set out under heading "Directors' Remuneration" on pages 103 to 105 of this Annual Report.

A Remuneration Committee meeting was held in March 2022, during which the remuneration packages of all executive Directors for the year have been reviewed individually and the proposal for year 2022 remuneration adjustment and 2021 bonus distribution were considered. Draft minutes of the Remuneration Committee meeting is circulated to members of Remuneration Committee for comments and the signed minutes is kept by the Company Secretary.

NOMINATION COMMITTEE

The Nomination Committee was established on 31 December 2021 and it currently comprises three independent non-executive Directors namely Ms. Dee-Dee Chan (chairman of the Nomination Committee), Mr. Ronald James Blake and Mr. Anthony King-Yan Tong and two executive Directors namely Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam.

The terms of reference of the Nomination Committee are available on the Stock Exchange's website and the Company's website.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, selecting or making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession, and assessing the independence of the independent non-executive Directors.

In order to maintain a diversity of perspectives among Board members, the Company adopted a board diversity policy which stated that the Company considers a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural background, educational background, professional expertise, industry experience, skills and knowledge, in addition to factors based on the Group's business models and specific needs from time to time.

NOMINATION COMMITTEE *(continued)*

The Nomination Committee monitors the implementation of the board diversity policy and report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives. The Nomination Committee reviews the board diversity policy, as appropriate, to ensure the effectiveness of the board diversity policy. The Nomination Committee also discusses any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

A Nomination Committee meeting was held in March 2022 for reviewing the structure, size and composition, and assessing the independence of the independent non-executive Directors. Draft minutes of the Nomination Committee meeting is circulated to members of Nomination Committee for comments and the signed minutes is kept by the Company Secretary.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors namely Mr. Anthony King-Yan Tong (chairman of the Audit Committee), Mr. Chi-Chiu Wu and Mr. Ronald James Blake.

The terms of reference for the Audit Committee has been adopted in line with the CG Code. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management and the external auditor the financial reporting matters, to review the financial statements of the Group before their submission to the Board for approval and to review the effectiveness of the internal control and risk management system of the Group, both the half year results for the six months ended 30 June 2022 and the annual results for the year ended 31 December 2022.

The work performed by the Audit Committee during the year ended 31 December 2022 included reviews of the following:

– the directors' report and the consolidated financial statements for the year ended 31 December 2021 of the Group, with a recommendation to the Board for approval;

– the consolidated financial statements for the six months ended 30 June 2022 of the Group, with a recommendation to the Board for approval;

– the audit fees for the year ended 31 December 2021 proposed by the external auditor, with a recommendation to the Board for approval;

– the new accounting policies and practices adopted by the Group;

– the internal control and risk management system of the Group; and

– the litigation cases of the Group.

The Audit Committee met two times during the year. Draft minutes of the Audit Committee meetings are circulated to members of Audit Committee for comments and the signed minutes are kept by the Company Secretary.

ATTENDANCE AT MEETINGS OF THE BOARD, REMUNERATION,NOMINATION AND AUDIT COMMITTEES AND GENERAL MEETINGS

	Attended/Eligible to attend During the year ended 31 December 2022						
Name of Director	Board Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meetings	Annual General Meeting held on 2 June 2022	Special General Meeting held on 2 June 2022	Special General Meeting held on 28 November 2022
Executive Directors							
Dr. James Sai-Wing Wong	1/2	N/A	N/A	N/A	0/1	0/1	0/1
Mr. Yuen-Keung Chan	2/2	1/1	N/A	N/A	1/1	1/1	1/1
Mr. James Sing-Wai Wong	2/2	N/A	1/1	N/A	1/1	1/1	0/1
Mr. Philip Bing-Lun Lam	2/2	N/A	1/1	N/A	1/1	1/1	1/1
Independent Non-Executive Directors							
Mr. Chi-Chiu Wu	2/2	1/1	N/A	2/2	1/1	1/1	0/1
Mr. Ronald James Blake	1/2	N/A	1/1	2/2	1/1	1/1	1/1
Mr. Anthony King-Yan Tong	2/2	1/1	1/1	2/2	1/1	1/1	1/1
Ms. Dee-Dee Chan	2/2	N/A	1/1	N/A	1/1	1/1	1/1

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, the Group has engaged its external auditor, Ernst & Young, to provide the following services and their respective fees charged are set out as follows:

Services rendered	Fees paid/payable *HK$'000*
Audit services	**3,985**
Non-audit services (review and other services)	**1,152**

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibilities for maintaining the Group's systems of internal control and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance to minimise risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. The Group has dedicated internal audit function who reviews the effectiveness of the risk management and internal control systems from time to time in order to ensure that they meet with the dynamic and ever changing business environment.

During the year, the Audit Committee has reviewed the Group's internal control system and considered the internal audit report with the executive Directors and financial controller. The review covers all material controls, including financial, operational and compliance controls and risk management of the Group and such systems have been considered reasonably effective and adequate.

The Group regularly reminds the Directors and relevant employees for the compliance of policies regarding the inside information, and provide them with update on the appropriate guidelines or policies to ensure the compliance with regulatory requirements.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the independent auditor of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 40 to 46 of this Annual Report.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). Pursuant to which, in considering the declaration and payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements and future business growth and take into account the following factors of the Group:

a. financial results;

b. cash flow situation;

c. business conditions and strategies;

d. future operations and earnings;

e. capital requirements and expenditure plans;

f. interests of shareholders;

g. any restrictions on payment of dividends; and

h. any other factors that the Board may consider relevant.

The Board has discretion to declare and distribute dividends to the shareholders of the Company, subject to the Bye-laws and all applicable laws and regulations. The Board will review the Dividend Policy from time to time and may exercise its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

SHAREHOLDERS' RIGHTS

1. The way in which shareholders can convene a special general meeting

Pursuant to bye-law 58 of the Bye-laws and Section 74 of the Bermuda Companies Act 1981, shareholders holding at the date of deposit of the requisition in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene a special general meeting and/or add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must be signed by the requisitionists and deposited at the principal place of business of the Company at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong (the "Principal Place of Business") for the attention of the Company Secretary.

The requisition will then be verified with the Company's Branch Share Registrar and Transfer Office in Hong Kong and upon its confirmation that the requisition is proper and in order, the Company Secretary will forward the requisition to the Board and the Board shall convene and hold such general meeting within two months after the deposit of such requisition. Moreover, if within twenty-one days of such deposit, the Board fails to proceed to convene such general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

2. Procedures for shareholders to propose a person for election as a director of the Company

Pursuant to bye-law 86 of the Bye-laws, any shareholder (other than the person to be proposed for election as a director), who wishes to propose a person other than a retiring Director for election as a director of the Company at a general meeting, should lodge a duly signed written notice given of his intention to propose such person for election and a notice signed by the person to be proposed of his willingness to be elected at the Company's Principal Place of Business or the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, shall be at least 10 business days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 10 business days prior to the date of such general meeting.

3. The procedures for sending enquiries to the Board

Shareholders and other stakeholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the Principal Place of Business and the Company Secretary shall then forward the same to the appropriate executives of the Company or members in the Board for further handling.

SHAREHOLDERS' RIGHTS *(continued)*

4. The procedures for putting forward proposals at shareholders' meetings

To put forward proposals at an annual general meeting or a special general meeting, the shareholders shall submit a written notice of those proposals with the detail contact information to the Company Secretary at the Principal Place of Business. The request will be verified with the Company's Branch Share Registrar and Transfer Office in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting. Moreover, the notice period to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to bye-law 59(1) of the Bye-laws:

(a) for an annual general meeting shall be called by not less than twenty-one clear days' notice; and

(b) for all special general meetings may be called by not less than fourteen clear days' notice.

COMMUNICATIONS WITH SHAREHOLDERS

The Company has established a shareholders communication policy and reviews it on a regular basis to ensure its effectiveness. The Board recognises the importance of good communications with all shareholders and is committed to maintaining a policy of open and timely disclosure of relevant information on its attributes to shareholders and other stakeholders through the publication of interim and annual reports, public announcements and other public circulars, all of which are available on the Company's website.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Shareholders are encouraged to attend the annual general meeting for which not less than twenty-one clear days' prior notice is given. The Chairman of the Board as well as the chairman of the board committees (or in their absence, other members of the committees) together with the external auditor are available to answer shareholders' questions at the meeting. At the annual general meeting, each substantially separate issue will be considered by a separate resolution, including the election of individual director, and the poll procedures will be clearly explained.

The Board has reviewed the implementation and effectiveness of the shareholders communication policy. Having considered the multiple channels of communication and engagement in place, it is satisfied that the shareholders communication policy has been properly implemented during the year under review and is effective.

The Directors herein present their report and the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries comprise the trading of plastic and chemical products, the provision of building related contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and provision of maintenance services, superstructure construction works and foundation piling works and sub-structure works for both public and private sectors in Hong Kong and Macau, distribution and installation of aviation system and other hi-tech products, property holding and development and investment holding. Details of the principal subsidiaries and their activities are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2022 and the Group's financial position at that date are set out in the financial statements on pages 47 to 147.

The Board recommends the payment of a final dividend of HK2.50 cents per share for the year ended 31 December 2022 (2021: HK2.75 cents) to the shareholders of the Company whose names appear on the Company's register of members on 14 June 2023. Upon the shareholders' approval at the forthcoming AGM, it is expected that the final dividend cheques will be despatched to the shareholders on or before 5 July 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2022 and outlook are set out in the Chairman's Statement on pages 9 to 14 of this Annual Report and in this section. The Group's capital and financial risk management objectives and policies are set out in note 42 to the financial statements on pages 140 to 145 of this Annual Report.

The Group is committed to build an environmental-friendly corporation with the aim to conserve natural resources. The Group has taken initiatives to reduce energy consumption and encourage recycle of office supplies and other materials. The Group will continue to review and promote its environmental policies.

During the year ended 31 December 2022, there were no breach of or non-compliance with applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

Relationship with employees, customers and suppliers

The Group's relationships with its employees are set out in the "Employees and remuneration policies" section below.

The Group recognises the importance of maintaining good relationships with business partners, customers, suppliers and sub-contractors to achieve its long-term business growth and development. Accordingly, the Group has kept good communications and shared business updates with them when appropriate.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts for the Group at the end of the reporting period amounted to HK$539.5 million (31 December 2021: HK$551.7 million). These include trust receipt loans, bank loans and lease liabilities. Current liabilities made up 90.3% (31 December 2021: 89.5%) of all these interest-bearing debts. The current ratio stood at 1.5 (31 December 2021: 1.5). Total cash and cash equivalents, represented by unpledged cash and bank balances were HK$760.7 million as at 31 December 2022 (31 December 2021: HK$648.8 million).

The Group had a total of HK$2,620 million undrawn facilities extended from banks and financial institutions at year-end available for its working capital, trade finance and issue of performance/surety bonds. The gearing ratio of the Group, measured by total interest-bearing borrowings of HK$539.5 million over the equity attributable to the owners of the Company of HK$2,085.2 million, was 25.9% as at 31 December 2022 (31 December 2021: 26.0%).

The Group prudently manages its financial positions and has sufficient liquidity to sustain projects and operations for the foreseeable future.

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. Forward contracts of a non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group when desirable.

Pledge of assets

As of 31 December 2022, certain properties having an aggregate book value of HK$142.7 million and property held for sale under development of HK$73.5 million were pledged to banks to secure bank loans and general banking facilities extended to the Group.

Contingent liability

As of 31 December 2022, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure performance/surety bonds in the aggregate amount of HK$909.0 million issued in favour of the Group's clients in its ordinary course of business. This amount included performance/surety bonds issued in favour of the clients of the Chinney Kin Wing Group of HK$270.5 million to which corporate guarantees and indemnities were provided by Chinney Kin Wing Group.

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

Employees and remuneration policies

The Group employed approximately 1,670 staff in Hong Kong and other parts of the People's Republic of China (the "PRC") as of 31 December 2022. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**5,898,359**	6,799,821	4,941,712	5,219,559	6,047,951
PROFIT FOR THE YEAR	**14,286**	94,370	143,753	143,779	210,434
Attributable to:					
– Owners of the Company	**(10,197)**	77,379	124,084	130,983	195,867
– Non-controlling interests	**24,483**	16,991	19,669	12,796	14,567
	14,286	94,370	143,753	143,779	210,434

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**4,835,896**	4,935,496	4,280,337	3,954,661	3,658,368
TOTAL LIABILITIES	**(2,583,319)**	(2,667,911)	(2,148,004)	(1,902,915)	(1,706,990)
NON-CONTROLLING INTERESTS	**(167,381)**	(146,900)	(130,217)	(123,259)	(118,113)
	2,085,196	2,120,685	2,002,116	1,928,487	1,833,265

The information set out above does not form part of the audited financial statements.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, 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 arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's reserves available for distribution to shareholders amounted to HK$324,382,000 as at 31 December 2022, of which HK$14,872,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$60,978,000, may be distributed to shareholders of the Company in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 36% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

James Sai-Wing Wong *(Chairman)*
Yuen-Keung Chan *(Vice Chairman and Managing Director)*
James Sing-Wai Wong
Philip Bing-Lun Lam

Independent Non-Executive Directors

Chi-Chiu Wu
Ronald James Blake
Anthony King-Yan Tong
Dee-Dee Chan

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

RE-ELECTION OF RETIRING DIRECTOR

In accordance with bye-law 85 of the Bye-laws, Mr. Philip Bing-Lun Lam ("Mr. Lam") and Mr. Chi-Chiu Wu ("Mr. Wu") will retire by rotation at the forthcoming AGM. Mr. Lam and Mr. Wu, being eligible, will offer themselves for re-election.

The proposed re-election of Mr. Wu as independent non-executive Director was made in accordance with the nomination policy of the Company and took into account a wide range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services, with due regard of the benefits of diversity as set out under the board diversity policy of the Company.

The Nomination Committee had also assessed and reviewed the written confirmation of independence of Mr. Wu based on the independence criteria as set out in Rule 3.13 of the Listing Rules and is satisfied that as at the date of this report, Mr. Wu remained independent in accordance with Rule 3.13 of the Listing Rules.

In addition, the Nomination Committee has evaluated the performance of Mr. Wu and is of the view that Mr. Wu has provided valuable contributions to the Company and has demonstrated his abilities to provide independent, balanced and objective view to the Company's affairs. The Nomination Committee is also of the view that Mr. Wu would bring to the Board his own perspective, skills and experience, as further described in his biography as set out on page 17 of this Annual Report, and can contribute to the diversity of the Board taking into account his diversified educational background and professional experience. The Board, with the recommendation of Nomination Committee, believes that the re-election of Mr. Wu as the independent non-executive Director would be in the best interests of the Company and its shareholders as a whole and recommends his re-election at the forthcoming AGM.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 19 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The remuneration of the executive Directors is reviewed by the Remuneration Committee having regard to the Company's operating results, individual performance of the Directors and comparable market statistics. Details of the Directors' remuneration are set out in note 9 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in note 36 to the financial statements and the section "Connected transactions" below, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

CONNECTED TRANSACTIONS

The Company has the followings connected transactions during the year:

(a) On 12 July 2018, Chinney Construction, an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Gold Famous Development Limited ("Gold Famous"), an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, as the employer for the construction works to be carried out by Chinney Construction as the main contractor for the construction and development of a data centre at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong at a total contract sum of HK$757,838,691.70 (the "Construction Framework Agreement"). The entering into the Construction Framework Agreement constituted a connected transaction of each of Chinney Investments, Hon Kwok and the Company under the Listing Rules. The transaction was approved by independent shareholders of Chinney Investments, Hon Kwok and the Company at their respective general meetings held on 24 August 2018.

Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok and the Company dated 12 July 2018 and a circular of the Company dated 8 August 2018. Revenues of HK$6,185,000 were recognised by Chinney Construction during the year ended 31 December 2022.

CONNECTED TRANSACTIONS *(continued)*

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

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

***Long positions in ordinary shares of the Company*:**

	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
Name of Director	Personal interests	Family interests	Corporate interests	Total	
James Sai-Wing Wong	–	–	438,334,216 *(Note)*	438,334,216	73.68%

Note: Amongst these shares, 21,996,000 shares are held by Chinney Capital Limited, 173,093,695 shares are held by Multi-Investment Group Limited, and 243,244,521 shares are held by EIL, all of which Dr. James Sai-Wing Wong is a director and a controlling shareholder and has beneficial interests.

Save as disclosed above, as at 31 December 2022, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

Save as disclosed, no contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, the interests and short positions of those persons in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

***Long positions in ordinary shares of the Company*:**

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	*1, 2, 3*	Interest through controlled corporations	438,334,216	73.68%
Lucky Year Finance Limited	*1*	Interest through a controlled corporation	173,093,695	29.10%
Chinney Holdings Limited	*1*	Interest through a controlled corporation	173,093,695	29.10%
Chinney Investments	*1*	Interest through a controlled corporation	173,093,695	29.10%
Newsworthy Resources Limited	*1*	Interest through a controlled corporation	173,093,695	29.10%
Multi-Investment Group Limited	*1*	Beneficial owner	173,093,695	29.10%
EIL	*2*	Beneficial owner	243,244,521	40.89%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Long positions in ordinary shares of the Company: *(continued)*

Notes:

1. Dr. James Sai-Wing Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of 173,093,695 shares by virtue of Section 316 of the SFO;

2. EIL is beneficially wholly-owned by Dr. James Sai-Wing Wong; and

3. 21,996,000 shares are held by Chinney Capital Limited, which is beneficially wholly-owned by Dr. James Sai-Wing Wong.

Save as disclosed above, as at 31 December 2022, no person, other than the Directors, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

AUDITOR

Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD
Yuen-Keung Chan
Director

Hong Kong, 28 March 2023

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Chinney Alliance Group Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Chinney Alliance Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 147, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for construction contracts	
For the year ended 31 December 2022, the Group recognised revenue from construction contracting businesses amounting to HK$5,325,877,000. The Group has recognised revenue from the provision of construction services over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred, forecasting the costs to complete a contract, valuing contract variations, claims and potential liquidated damages and estimating the provision for onerous contracts. Relevant disclosures are included in notes 3.2 and 5 to the financial statements.	We performed the following procedures in relation to revenue recognition for construction services: • evaluating the significant judgements made by management, through an examination of project documentation, key contracts and variation orders; • discussing the status of projects under construction, including estimated costs to completion, assessment of potential liquidated damages for major contracts and provision for onerous contracts with management, finance, and technical personnel of the Group; • testing the controls of the Group over its processes to record/estimate contract revenue, actual costs incurred and the estimated total costs; • checking, on a sampling basis, the payment certificates issued by the architects employed by contract customers, payment applications from subcontractors and invoices from suppliers; and • checking the estimated total costs for satisfaction of the construction contracts to the subcontractors and suppliers' quotations, and comparing the actual costs incurred with the estimated total costs for satisfaction of the construction services to assess the status of the projects on a sampling basis.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets	
As at 31 December 2022, the Group recorded trade receivables and contract assets of HK$814,871,000 and HK$1,502,671,000, respectively. The measurement on the Group's trade receivables and contract assets under the expected credit loss ("ECL") approach was estimated by management through the application of management judgements and estimations. The credit terms granted by the Group to the customers generally up to two months. Management performs periodic assessments on the recoverability of trade receivables and contract assets based on information including credit profiles of different customers, ageing of trade receivables, historical settlement records, subsequent settlement or billing status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considers forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. Relevant disclosures are included in notes 3.2, 24 and 27 to the financial statements.	We performed the following procedures in relation to impairment assessment of trade receivables and contract assets: • assessing and testing the Group's processes and controls relating to the monitoring of trade receivables and contract assets; and • evaluating the expected credit loss provisioning methodology, key data inputs and assumptions, including both historical and forward-looking information, used to determine the expected credit losses by taking into account factors such as historical settlement pattern, ageing of trade receivables, subsequent settlements of trade receivables and subsequent transfers of contract assets to trade receivables, data of the gross domestic product and consumer price index used in forward-looking information, and other relevant information on a sampling basis.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of a property held for sale under development	
The Group had a property held for sale under development of HK$73,485,000 as at 31 December 2022. The carrying amount of the property held for sale under development is stated at the lower of cost and net realisable value. During the year, a write-down of a property held for sale under development to net realisable value of HK$36,000,000 was recorded in profit or loss. Determination of net realisable value of the property held for sale under development involved critical accounting estimates on the selling price, costs to make the sale and the costs to completion. Given the significant balance of the property held for sale under development and the involvement of critical accounting estimates, assessment of net realisable value of the property held for sale under development is considered as a key audit matter. Relevant disclosures are included in notes 3.2 and 23 to the financial statements.	We performed the following procedures in relation to recoverability of a property held for sale under development: • obtaining an understanding of the management's internal control and process of the assessment of the recoverability of a property held for sale under development; • evaluating the property construction cycle with particular focus on, but not limited to, reviewing the cost budgeting for estimated costs to completion; • evaluating management's assessment about the estimated selling price less the estimated cost to make the sale and the estimated cost to completion by checking the recent market transaction prices of properties with comparable locations and conditions, where applicable; and • comparing the latest estimated costs to completion to the budget approved by management and examining the supporting document such as construction contracts, internal correspondences and approvals.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

Ernst & Young
Certified Public Accountants

Hong Kong
28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	5	**5,898,359**	6,799,821
Cost of sales/services provided		**(5,328,840)**	(6,153,262)
Gross profit		**569,519**	646,559
Other income	5	**6,277**	4,077
Selling and distribution costs		**(23,903)**	(22,366)
Administrative expenses		**(517,737)**	(496,027)
Other operating income, net	6	**28,776**	12,438
Changes in fair value of investment properties, net	15	**(2,051)**	565
Deficit from revaluation of property, plant and equipment	14	**(5,418)**	(40)
Finance costs	7	**(18,701)**	(15,900)
PROFIT BEFORE TAX	8	**36,762**	129,306
Income tax expense	11	**(22,476)**	(34,936)
PROFIT FOR THE YEAR		**14,286**	94,370
Attributable to:			
Owners of the Company		**(10,197)**	77,379
Non-controlling interests		**24,483**	16,991
		14,286	94,370
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted		**HK(1.7) cents**	HK13.0 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
PROFIT FOR THE YEAR		**14,286**	94,370
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations and net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(20,333)**	3,276
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of leasehold land and owned buildings	*14*	**14,327**	70,931
Income tax effect	*32*	**(1,971)**	(7,463)
		12,356	63,468
Change in fair value of an equity investment at fair value through other comprehensive income		**780**	3,672
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**13,136**	67,140
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(7,197)**	70,416
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,089**	164,786
Attributable to:			
Owners of the Company		**(19,129)**	142,365
Non-controlling interests		**26,218**	22,421
		7,089	164,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,106,137**	1,261,394
Investment properties	15	**117,439**	23,118
Investment in an associate	17	**121**	121
Investment in a joint venture	18	**–**	–
Equity investment at fair value through other comprehensive income	19	**7,217**	6,437
Goodwill	20	**14,369**	14,369
Financial assets at fair value through profit or loss	21	**26,578**	19,995
Deposits	26	**12,354**	7,671
Deferred tax assets	32	**3**	3
Total non-current assets		**1,284,218**	1,333,108
CURRENT ASSETS			
Inventories	22	**85,369**	96,198
Property held for sale under development	23	**73,485**	106,697
Contract assets	27	**1,502,671**	1,653,825
Trade receivables	24	**814,871**	834,974
Amount due from a related company	25	**9,651**	18,112
Amount due from a joint venture	18	**967**	967
Prepayments, deposits and other receivables	26	**284,780**	232,339
Tax recoverable		**19,222**	10,439
Cash and cash equivalents	28	**760,662**	648,837
Total current assets		**3,551,678**	3,602,388
CURRENT LIABILITIES			
Trade, bills and retention monies payables	29	**773,023**	1,085,827
Trust receipt loans	31	**132,895**	119,978
Other payables and accruals	30	**1,166,285**	878,944
Tax payable		**17,456**	15,903
Interest-bearing bank borrowings	31	**349,755**	368,759
Lease liabilities	16	**4,429**	4,934
Total current liabilities		**2,443,843**	2,474,345
NET CURRENT ASSETS		**1,107,835**	1,128,043
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,392,053**	2,461,151

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Other payable	30	–	41,325
Lease liabilities	16	52,432	58,072
Deferred tax liabilities	32	87,044	94,169
Total non-current liabilities		139,476	193,566
Net assets		2,252,577	2,267,585
EQUITY			
Equity attributable to owners of the Company			
Issued capital	33	59,490	59,490
Reserves	34	2,025,706	2,061,195
		2,085,196	2,120,685
Non-controlling interests		167,381	146,900
Total equity		2,252,577	2,267,585

On behalf of the Board
James Sai-Wing Wong
Director

On behalf of the Board
Yuen-Keung Chan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the Company										
	Issued capital	Share premium account	Contributed surplus	Asset revaluation reserve	Fair value reserve (non-recycling)	Legal reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2021	59,490	60,978	120,946	295,989	(278)	1,505	6,952	1,456,534	2,002,116	130,217	2,132,333
Profit for the year	–	–	–	–	–	–	–	77,379	77,379	16,991	94,370
Other comprehensive income for the year:											
Surplus on revaluation of leasehold land and owned buildings, net of tax	–	–	–	58,038	–	–	–	–	58,038	5,430	63,468
Exchange differences related to foreign operations	–	–	–	–	–	–	3,276	–	3,276	–	3,276
Change in fair value of an equity investment at fair value through other comprehensive income	–	–	–	–	3,672	–	–	–	3,672	–	3,672
Total comprehensive income for the year	–	–	–	58,038	3,672	–	3,276	77,379	142,365	22,421	164,786
Release of revaluation reserve on leasehold land and owned buildings to retained profits	–	–	–	(10,951)	–	–	–	10,951	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(5,738)	(5,738)
Final 2020 dividend declared	–	–	–	–	–	–	–	(23,796)	(23,796)	–	(23,796)
At 31 December 2021	59,490	60,978*	120,946*	343,076*	3,394*	1,505*	10,228*	1,521,068*	2,120,685	146,900	2,267,585

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the Company										
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Legal reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	59,490	60,978	120,946	343,076	3,394	1,505	10,228	1,521,068	2,120,685	146,900	2,267,585
Profit for the year	–	–	–	–	–	–	–	(10,197)	(10,197)	24,483	14,286
Other comprehensive income for the year:											
Surplus on revaluation of leasehold land and owned buildings, net of tax	–	–	–	10,621	–	–	–	–	10,621	1,735	12,356
Exchange differences related to foreign operations	–	–	–	–	–	–	(20,333)	–	(20,333)	–	(20,333)
Change in fair value of an equity investment at fair value through other comprehensive income	–	–	–	–	780	–	–	–	780	–	780
Total comprehensive income for the year	–	–	–	10,621	780	–	(20,333)	(10,197)	(19,129)	26,218	7,089
Release of revaluation reserve on leasehold land and owned buildings to retained profits	–	–	–	(12,963)	–	–	–	12,963	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(5,737)	(5,737)
Final 2021 dividend declared (note 12)	–	–	–	–	–	–	–	(16,360)	(16,360)	–	(16,360)
At 31 December 2022	59,490	60,978*	120,946*	340,734*	4,174*	1,505*	(10,105)*	1,507,474*	2,085,196	167,381	2,252,577

* These reserve accounts comprise the consolidated reserves of HK$2,025,706,000 (2021: HK$2,061,195,000) in the consolidated statement of financial position.

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**36,762**	129,306
Adjustments for:			
Finance costs	7	**18,701**	15,900
Fair value gains on derivative financial instruments	6	**–**	(3,958)
Fair value changes in financial assets at fair value through profit or loss	6	**(3,725)**	(8,872)
Changes in fair value of investment properties, net	15	**2,051**	(565)
Deficit from revaluation of property, plant and equipment	14	**5,418**	40
Depreciation of property, plant and equipment (excluding right-of-use assets)	8	**85,868**	80,666
Depreciation of right-of-use assets	8	**36,555**	35,535
Impairment of trade receivables	6	**9,458**	–
Write-down of a property held for sale under development to net realisable value	8	**36,000**	–
Provision/(write-back of provision) for inventories	8	**5,104**	(2,131)
Transfer of items of property, plant and equipment to costs of construction contracts	14	**2,620**	2,490
Loss on disposal of items of property, plant and equipment, net	6	**3**	2,016
Interest income	5	**(3,024)**	(145)
		231,791	250,282
Decrease/(increase) in inventories		**5,725**	(10,820)
Increase in property held for sale under development		**(1,068)**	(4,002)
Decrease/(increase) in contract assets		**151,154**	(252,726)
Decrease/(increase) in trade receivables		**10,645**	(4,101)
Decrease in an amount due from a related company		**8,461**	7,420
Decrease in derivative financial instruments		**–**	11,028
Increase in prepayments, deposits and other receivables		**(57,124)**	(82,159)
Increase/(decrease) in trade, bills and retention monies payables		**(312,804)**	363,611
Increase in other payables and accruals		**246,016**	52,133
Cash generated from operations		**282,796**	330,666
Interest received		**3,024**	145
Interest paid		**(20,194)**	(16,562)
Dividends paid		**(16,360)**	(23,796)
Dividends paid to non-controlling shareholders		**(5,737)**	(5,738)
Hong Kong profits tax paid, net		**(26,477)**	(28,836)
Overseas taxes paid		**(12,296)**	(3,327)
Net cash flows from operating activities		**204,756**	252,552

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(71,473)**	(113,122)
Proceeds from disposal of items of property, plant and equipment		**158**	417
Purchase of financial assets at fair value through profit or loss		**(2,858)**	(4,135)
Distribution from financial assets at fair value through profit or loss		**–**	514
Net cash flows used in investing activities		**(74,173)**	(116,326)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in trust receipt loans	38(b)	**12,917**	(82,618)
New bank loans	38(b)	**330,505**	322,769
Repayment of bank loans	38(b)	**(349,412)**	(137,533)
Decrease in pledged time deposits		**–**	529
Principal portion of lease payments	38(b)	**(5,526)**	(6,738)
Net cash flows from/(used in) financing activities		**(11,516)**	96,409
NET INCREASE IN CASH AND CASH EQUIVALENTS		**119,067**	232,635
Cash and cash equivalents at beginning of year		**648,837**	417,874
Effect of foreign exchange rate changes, net		**(7,242)**	(1,672)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**760,662**	648,837
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**537,664**	616,634
Non-pledged time deposits with original maturity of less than three months when acquired	28	**222,998**	32,203
Cash and cash equivalents as stated in the consolidated statement of cash flows		**760,662**	648,837

1. CORPORATE AND GROUP INFORMATION

Chinney Alliance Group Limited (the "Company") is a limited liability company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the Company's head office and principal place of business is located at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

During the year, the Group was engaged in the following principal activities:

- trading of plastic and chemical products
- provision of building related contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and provision of maintenance services
- superstructure construction works for both public and private sectors in Hong Kong and Macau
- foundation piling, and drilling and site investigation for both public and private sectors in Hong Kong and Macau
- distribution and installation of aviation system and other hi-tech products
- property holding and development and investment holding

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Apex Aluminium Fabricator Company Limited	Hong Kong	HK$9,452,000	–	100	Contracting of building aluminium works
Apex Curtain Wall and Windows Company Limited	Hong Kong	HK$10,000	–	100	Contracting of building aluminium works
Best Treasure Limited	British Virgin Islands	US$1	–	100	Investment holding
Chinney Alliance Corporate Treasury Limited	Hong Kong	HK$2	–	100	Treasury function

1. CORPORATE AND GROUP INFORMATION *(continued)*

***Information about subsidiaries** (continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Chinney Alliance Engineering Limited	Hong Kong	HK$10,000	–	100	Distribution and installation of aviation system, mechanical, electrical and building supplies, and other hi-tech products
Chinney Alliance Trading (BVI) Limited	British Virgin Islands	HK$360,001	100	–	Investment holding
Chinney Builders Company Limited	Hong Kong	HK$2	–	100	Building construction
Chinney Construction (BVI) Limited	British Virgin Islands	US$10,000	–	100	Investment holding
Chinney Construction Company, Limited	Hong Kong	HK$22,200,000	–	100	Building construction
Chinney Construction Group Limited	British Virgin Islands	US$1	–	100	Investment holding
Chinney Electrical Supplies Limited	Hong Kong	HK$100,000	–	100	Trading of electrical, air-conditioning and other building supplies products
Chinney Kin Wing Holdings Limited ("Chinney Kin Wing")#	Bermuda	HK$150,000,000	74.5	–	Investment holding
Chinney Kin Wing Property Limited	Hong Kong	HK$10,000	–	74.5	Investment holding
Chinney Shun Cheong Building Services Engineering Limited	Hong Kong	HK$100	–	100	Installation and maintenance of air-conditioning, extra low voltage, waste water treatment, water pumps and fire prevention and fighting systems

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chinney Shun Cheong E&M (Shenzhen) Company Limited*	People's Republic of China ("PRC")	RMB25,000,000	–	100	Trading of building decoration materials and electrical and mechanical equipment
Chinney Shun Cheong Investment Co. Ltd.	Macau	MOP100,000	–	100	Trading of generators, electrical and mechanical engineering materials and equipment
Chinney Tim Wai Co., Ltd.	Macau	MOP25,000	–	100	Property holding
Chinney Timfai Construction (Macau) Company Limited	Macau	MOP1,500,000	–	100	Property holding
Chinney Timwill Construction (Macau) Company Limited	Macau	MOP1,500,000	–	100	Building construction and foundation piling
DMT-Jacobson Holdings Limited	British Virgin Islands	US$2,000,000	–	100	Investment holding
DrilTech Geotechnical Engineering Limited	Hong Kong	HK$20,000,000	–	74.5	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering Limited	Hong Kong	HK$20,000,000	–	74.5	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering (Macau) Limited	Macau	MOP1,000,000	–	74.5	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering (Singapore) Pte. Ltd.	Singapore	S$25,000	–	74.5	Drilling, site investigation and related ground engineering construction

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Everest Engineering Company Limited	Hong Kong	HK$10,000	–	74.5	Basement construction work
Forever Ascent Investment Limited	Hong Kong	HK$1	–	100	Property holding
Gina Enterprises Limited	Hong Kong	HK$2	–	100	Property holding
Jackson Mercantile Trading Company Limited	Hong Kong	Ordinary HK$2,000; Non-voting deferred HK$5,000,000	–	100	Property holding
Jacobson van den Berg (China) Limited	Hong Kong	HK$1,000,000	–	100	Trading of electrical and mechanical and other products
Jacobson van den Berg (Hong Kong) Limited	Hong Kong	Ordinary HK$1,000; Non-voting deferred HK$35,486,600	–	100	Investment holding and agency trading of industrial products
Jacobson van den Berg (Properties) Limited	Hong Kong	HK$2	–	100	Property holding
Kin Wing Chinney (BVI) Limited	British Virgin Islands	US$208	–	74.5	Investment holding
Kin Wing Engineering Company Limited	Hong Kong	HK$20,000,000	–	74.5	Foundation piling
Kin Wing Foundations Limited	Hong Kong	HK$5,800,000	–	74.5	Foundation piling
Kin Wing Machinery & Transportation Limited	Hong Kong	HK$100	–	74.5	Equipment and machinery leasing
Kinwing Engineering (Macau) Company Limited	Macau	MOP1,000,000	–	74.5	Foundation piling
LabTech Testing Limited	Hong Kong	HK$10,000	–	74.5	Construction material testing

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Lei Kee Development Company Limited	Hong Kong	HK$2	–	100	Property holding
Lindeteves Jacoberg (China) Limited	Hong Kong	HK$170,000	–	100	Property holding
Right Able Limited	Hong Kong	HK$1	–	100	Property holding
Shun Cheong Building Services Limited	Hong Kong	HK$1,000,000	–	100	Multi-discipline building services
Shun Cheong Building Services (Macau) Limited	Macau	MOP100,000	–	100	Installation and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems
Shun Cheong Electrical Engineering Company Limited	Hong Kong	"A" ordinary HK$6,000,000; Non-voting deferred HK$4,000,000	–	100	Design, installation, repair and maintenance of electrical and mechanical systems
Shun Cheong Electrical Products Factory Limited	Hong Kong	HK$1,000,000	–	100	Trading of electrical installation products
Shun Cheong Engineering Group Limited	British Virgin Islands	US$100	–	100	Investment holding
Shun Cheong Management Limited	Hong Kong	HK$2	–	100	Provision of management services
Shun Cheong Real Estates Limited	Hong Kong	HK$10,000	–	100	Property holding
Shun Cheong Trade and Development Company Limited	Hong Kong	HK$663,000	–	100	Trading of electrical generators

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Strong Link Limited	Hong Kong	HK$10,000	–	100	Property holding and development
Tegan Holdings Limited	Hong Kong	HK$2	–	100	Property holding
Westco Airconditioning Limited	Hong Kong	HK$10,000,000	–	100	Design, installation and maintenance of heating, ventilation and air-conditioning systems
Westco Chinney Limited	Hong Kong	HK$3,000,000	–	100	Sale and installation of air-conditioning systems
Zeta International Limited	British Virgin Islands	US$1	–	100	Property holding
東莞東寶龍燈光設備有限公司* (Dongguan Dongbaolong Light Equipment Co., Ltd., for identification only)	PRC	HK$55,000,000	–	100	Manufacturing of cable containment products and air ducts and property holding
雅各臣(深圳)貿易有限公司* (Jacobson (Shenzhen) Trading Company Limited, for identification only)	PRC	HK$20,000,000	–	100	Trading of industrial products

* These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

\# A company listed on the Main Board of the Stock Exchange.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2.1 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. They have been prepared under the historical cost convention, except for leasehold land and buildings included in property, plant and equipment, investment properties, equity investment at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company 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.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

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

2.2 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	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022. The amendments did not have any significant impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 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)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimate*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

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

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of an associate and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investments in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or a joint venture is included as part of the Group's investments in an associate or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in a joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

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

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Business combinations and goodwill** (continued)*

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its leasehold land and owned buildings classified as property, plant and equipment, investment properties at fair value, an equity investment at fair value through other comprehensive income, derivative financial instruments and financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Buildings	Over the lease terms or 2%
Leasehold improvements	Over the lease terms or 10% - $33\frac{1}{3}$%
Plant and machinery	6% - 25%
Furniture, fixtures and equipment	10% - $33\frac{1}{3}$%
Yacht	10%
Motor vehicles	15% - 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Leases

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

Group as a lessee

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(a) Right-of-use assets

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

Leased land and buildings	Over the lease terms
Leasehold land	Over the lease terms

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of leasehold land including in right-of-use assets are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(b) Lease liabilities

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

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

The Group's lease liabilities are separately presented in the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investment at fair value through other comprehensive income is not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income and unlisted club debentures that are not solely payments of principal and interest.

Derecognition of financial assets

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

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

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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

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

Impairment of financial assets

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

General approach

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

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

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and bills payables, trust receipt loans, retention monies payable, financial liabilities included in other payables and accruals, lease liabilities and interest-bearing bank borrowings.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties held for sale under development

Properties held for sale under development intended to be held for sale after completion.

Properties held for sale under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and cost to make the sale. On completion of construction, the properties are transferred to completed properties held for sale. Properties held for sale under development are classified as current assets.

Cash and cash equivalents

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

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

Provisions

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

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

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

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

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

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

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

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

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

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

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

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

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

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

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the consumer products.

(b) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

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

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

Employee benefits

The Group operates two types of defined contribution retirement benefit schemes, including a Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance and an Occupational Retirement Schemes Ordinance retirement benefit scheme (the "ORSO Scheme"), for all of its employees who are eligible to participate in the MPF Scheme or ORSO Scheme.

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

The ORSO Scheme is managed by an independent trustee. The Group makes monthly contributions to the scheme at 5% to 15% of the employees' basic salaries while the employees are not required to make any contributions. The employees are entitled to receive 100% of the contributions made by the Group together with the accrued earnings thereon upon retirement or leaving the Group after completing 10 years of service or at a reduced scale of 30% to 90% after completing three to nine years of service. Forfeited contributions and related earnings are used to reduce the contributions payable by the Group.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Prior to the MPF Scheme becoming effective, certain member companies of the Group operated defined contribution provident fund schemes (the "Provident Funds") under the Occupational Retirement Schemes Ordinance for those employees who were eligible to participate. The Provident Funds operated in a similar way to the MPF Scheme, except that when an employee left the Provident Funds prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. Upon implementation of the MPF Scheme, the Provident Funds have been frozen and no further contributions have been made by the Group or the eligible employees after that date. The eligible employees are entitled to receive their funds in accordance with the rules of the Provident Funds when they leave the Group.

The assets of both types of scheme are held separately from those of the Group in independently administered funds.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 5% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Dividends

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

Foreign currencies

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue recognition for construction services

For the year ended 31 December 2022, the Group recognised revenue from construction contracting businesses amounting to HK$5,325,877,000. The Group has recognised revenue from the provision of construction services over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred, forecasting the costs to complete a contract, valuing contract variations, claims and potential liquidated damages and estimating the provision for onerous contracts. When forecasting the costs to complete a contract, key assumptions are made based on past experience and quotation from subcontractors and suppliers, which may be changed if the future economic environment has changed.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was HK$14,369,000 (2021: HK$14,369,000). Further details are given in note 20 to the financial statements.

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties and revaluation of leasehold land and owned buildings

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The carrying amounts of investment properties, leasehold land and owned buildings at 31 December 2022 were HK$117,439,000 (2021: HK$23,118,000), HK$658,980,000 (2021: HK$694,957,000) and HK$38,310,000 (2021: HK$132,142,000), respectively.

Provision for expected credit losses on trade receivables and contract assets

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 24 and note 27 to the financial statements, respectively.

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of net realisable value of properties held for sale under development

Properties held for sale under development are stated at the lower of cost and net realisable value. The estimated net realisable value is the estimated selling price less cost to make the sale and the estimated cost of completion (if any), which are estimated based on the best available information. The carrying amount of a property held for sale under development at 31 December 2022 was HK$73,485,000 (2021: HK$106,697,000). Further details are given in note 23 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment and investment in an associate at 31 December 2022 were HK$1,106,137,000 (2021: HK$1,261,394,000) and HK$121,000 (2021: HK$121,000), respectively. Further details are given in notes 14 and 17 to the financial statements, respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

- the plastic and chemical products segment consists of importing, marketing and distributing plastic and chemical products;
- the building related contracting services segment consists of the provision of contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and the provision of maintenance services;
- the foundation piling and ground investigation segment consists of the foundation piling and substructure construction works for both public and private sectors;
- the building construction segment consists of superstructure construction works for both public and private sectors;
- the aviation segment consists of the distribution and installation of aviation system and other hi-tech products; and
- the others segment consists of property holding and development, and investment holding.

4. OPERATING SEGMENT INFORMATION *(continued)*

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, changes in fair value of investment properties, deficit from revaluation of property, plant and equipment as well as unallocated corporate gains and expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, tax recoverable, an equity investment at fair value through other comprehensive income, certain financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2022

	Plastic and chemical products HK$'000	Building related contracting services HK$'000	Building construction HK$'000	Foundation piling and ground investigation HK$'000	Aviation HK$'000	Others HK$'000	Total HK$'000
Segment revenue (note 5)							
Sales to external customers	450,592	2,348,631	948,025	1,801,475	349,636	–	5,898,359
Intersegment sales	129	3,340	1,954	4,368	–	–	9,791
Other revenue	462	17	213	2,633	1	–	3,326
	451,183	2,351,988	950,192	1,808,476	349,637	–	5,911,476
Reconciliation:							
Elimination of intersegment sales							(9,791)
Revenue							5,901,685
Segment results	7,567	11,479	(21,442)	116,170	7,359	(39,679)	81,454
Reconciliation:							
Fair value change in financial assets at fair value through profit or loss							3,350
Interest income and unallocated gains							2,951
Unallocated expenses							(43,524)
Changes in fair value of investment properties							(2,051)
Deficit from revaluation of property, plant and equipment							(5,418)
Profit before tax							36,762
Segment assets	342,539	1,643,949	651,455	1,529,160	317,027	285,737	4,769,867
Reconciliation:							
Elimination of intersegment receivables							(10,932)
Equity investment at fair value through other comprehensive income							7,217
Financial assets at fair value through profit or loss							20,178
Corporate and other unallocated assets							49,566
Total assets							4,835,896
Segment liabilities	42,826	1,083,402	268,966	823,923	192,991	45,914	2,458,022
Reconciliation:							
Elimination of intersegment payables							(10,932)
Corporate and other unallocated liabilities							136,229
Total liabilities							2,583,319
Other segment information:							
Investment in an associate	–	–	–	121	–	–	121
Impairment of trade receivables	–	–	–	9,458	–	–	9,458
Provision/(write-back of provision) for inventories included in cost of inventories sold	5,004	100	–	–	–	–	5,104
Write-down of a property held for sale under development to net realisable value included in cost of inventories sold	–	–	–	–	–	36,000	36,000
Depreciation	8,346	20,220	8,527	71,418	4,167	9,745	122,423
Capital expenditure*	1,768	7,090	171	59,560	2,858	26	71,473

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021

	Plastic and chemical products HK$'000	Building related contracting services HK$'000	Building construction HK$'000	Foundation piling and ground investigation HK$'000	Aviation HK$'000	Others HK$'000	Total HK$'000
Segment revenue (note 5)							
Sales to external customers	572,250	2,683,680	1,119,749	2,042,378	381,764	–	6,799,821
Intersegment sales	63	1,863	77,674	–	–	–	79,600
Other revenue	727	27	46	246	1	–	1,047
	573,040	2,685,570	1,197,469	2,042,624	381,765	–	6,880,468
Reconciliation:							
Elimination of intersegment sales							(79,600)
Revenue							6,800,868
Segment results	25,452	82,005	(41,465)	81,699	13,393	(3,653)	157,431
Reconciliation:							
Fair value change in financial assets at fair value through profit or loss							7,997
Interest income and unallocated gains							3,030
Unallocated expenses							(39,677)
Changes in fair value of investment properties							565
Deficit from revaluation of property, plant and equipment							(40)
Profit before tax							129,306
Segment assets	385,265	1,780,299	783,313	1,216,057	373,881	348,668	4,887,483
Reconciliation:							
Elimination of intersegment receivables							(17,253)
Equity investment at fair value through other comprehensive income							6,437
Financial assets at fair value through profit or loss							14,839
Corporate and other unallocated assets							43,990
Total assets							4,935,496
Segment liabilities	85,435	1,159,355	386,403	600,273	236,165	68,489	2,536,120
Reconciliation:							
Elimination of intersegment payables							(17,253)
Corporate and other unallocated liabilities							149,044
Total liabilities							2,667,911
Other segment information:							
Investment in an associate	–	–	–	121	–	–	121
Provision/(write-back of provision) for inventories included in cost of inventories sold	(2,003)	30	–	–	(158)	–	(2,131)
Depreciation	7,531	20,726	8,027	68,738	3,230	7,949	116,201
Capital expenditure*	419	15,740	752	72,762	2,506	20,943	113,122

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2022	2021
	HK$'000	*HK$'000*
Hong Kong	**5,070,852**	5,895,650
Mainland China and Macau	**827,507**	904,171
	5,898,359	6,799,821

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

(b) Non-current assets

	2022	2021
	HK$'000	*HK$'000*
Hong Kong	**971,294**	936,659
Mainland China and Macau	**252,282**	347,853
	1,223,576	1,284,512

The non-current asset information above is based on the locations of the assets and excludes an investment in an associate, an investment in a joint venture, an equity investment at fair value through other comprehensive income, goodwill, financial assets at fair value through profit or loss, the non-current portion of deposits and deferred tax assets.

Information about major customers

During the years ended 31 December 2022 and 31 December 2021, none of the Group's revenue derived from transactions with a single external customer amounted to 10 percent or more of the Group's revenue.

5. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	2022 *HK$'000*	2021 *HK$'000*
Revenue from contracts with customers		
Sale of goods	**572,482**	769,469
Construction services	**5,325,877**	6,030,352
	5,898,359	6,799,821

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2022

Segments	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Building construction *HK$'000*	Foundation piling and ground investigation *HK$'000*	Aviation *HK$'000*	Total *HK$'000*
Types of goods or services						
Sale of goods	450,592	121,890	–	–	–	572,482
Construction services	–	2,226,741	948,025	1,801,475	349,636	5,325,877
Total revenue from contracts with customers	450,592	2,348,631	948,025	1,801,475	349,636	5,898,359
Geographical markets						
Hong Kong	393,753	1,795,243	732,929	1,801,475	347,452	5,070,852
Mainland China and Macau	56,839	553,388	215,096	–	2,184	827,507
Total revenue from contracts with customers	450,592	2,348,631	948,025	1,801,475	349,636	5,898,359
Timing of revenue recognition						
Goods transferred at a point in time	450,592	121,890	–	–	–	572,482
Services transferred over time	–	2,226,741	948,025	1,801,475	349,636	5,325,877
Total revenue from contracts with customers	450,592	2,348,631	948,025	1,801,475	349,636	5,898,359

5. REVENUE AND OTHER INCOME *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2021

Segments	Plastic and chemical products *HK$'000*	Building related contracting *HK$'000*	Building construction *HK$'000*	Foundation piling and ground investigation *HK$'000*	Aviation *HK$'000*	Total *HK$'000*
Types of goods or services						
Sale of goods	572,250	197,219	–	–	–	769,469
Construction services	–	2,486,461	1,119,749	2,042,378	381,764	6,030,352
Total revenue from contracts with customers	572,250	2,683,680	1,119,749	2,042,378	381,764	6,799,821
Geographical markets						
Hong Kong	499,687	2,473,564	501,303	2,042,378	378,718	5,895,650
Mainland China and Macau	72,563	210,116	618,446	–	3,046	904,171
Total revenue from contracts with customers	572,250	2,683,680	1,119,749	2,042,378	381,764	6,799,821
Timing of revenue recognition						
Goods transferred at a point in time	572,250	197,219	–	–	–	769,469
Services transferred over time	–	2,486,461	1,119,749	2,042,378	381,764	6,030,352
Total revenue from contracts with customers	572,250	2,683,680	1,119,749	2,042,378	381,764	6,799,821

5. REVENUE AND OTHER INCOME *(continued)*

***Revenue from contracts with customers** (continued)*

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2022

Segments	Plastic and chemical products HK$'000	Building related contracting services HK$'000	Building construction HK$'000	Foundation piling and ground investigation HK$'000	Aviation HK$'000	Others HK$'000	Total HK$'000
Sales to external customers	450,592	2,348,631	948,025	1,801,475	349,636	–	5,898,359
Intersegment sales	129	3,340	1,954	4,368	–	–	9,791
Other revenue	462	17	213	2,633	1	–	3,326
Segment revenue	451,183	2,351,988	950,192	1,808,476	349,637	–	5,911,476
Intersegment adjustments and eliminations	(129)	(3,340)	(1,954)	(4,368)	–	–	(9,791)
Other revenue classified as other income	(462)	(17)	(213)	(2,633)	(1)	–	(3,326)
Revenue from contracts with customers	450,592	2,348,631	948,025	1,801,475	349,636	–	5,898,359

For the year ended 31 December 2021

Segments	Plastic and chemical products HK$'000	Building related contracting services HK$'000	Building construction HK$'000	Foundation piling and ground investigation HK$'000	Aviation HK$'000	Others HK$'000	Total HK$'000
Sales to external customers	572,250	2,683,680	1,119,749	2,042,378	381,764	–	6,799,821
Intersegment sales	63	1,863	77,674	–	–	–	79,600
Other revenue	727	27	46	246	1	–	1,047
Segment revenue	573,040	2,685,570	1,197,469	2,042,624	381,765	–	6,880,468
Intersegment adjustments and eliminations	(63)	(1,863)	(77,674)	–	–	–	(79,600)
Other revenue classified as other income	(727)	(27)	(46)	(246)	(1)	–	(1,047)
Revenue from contracts with customers	572,250	2,683,680	1,119,749	2,042,378	381,764	–	6,799,821

5. REVENUE AND OTHER INCOME *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022	2021
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction services	**558,137**	471,069

	2022	2021
	HK$'000	*HK$'000*
Revenue recognised from performance obligations satisfied in previous periods:		
Construction services not previously recognised due to constraints on variable consideration	**9,087**	16,964

(ii) Performance obligations

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

Sale of goods

The performance obligation is satisfied upon delivery of the products and payment is generally due within 60 days from delivery, except for new customers, where payment in advance is normally required.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due on delivery to 60 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.

5. REVENUE AND OTHER INCOME *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations (continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022	2021
	HK$'000	*HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	**5,304,650**	5,805,604
After one year	**2,831,242**	2,812,863
	8,135,892	8,618,467

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within five years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2022	2021
	HK$'000	*HK$'000*
Other income		
Interest income	**3,024**	145
Commission income	**75**	42
Others	**3,178**	3,890
	6,277	4,077

6. OTHER OPERATING INCOME, NET

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK$'000	2021 HK$'000
Interest on bank loans and overdrafts	**14,444**	9,283
Interest on lease liabilities (note 16)	**3,856**	4,201
Implicit interest on other payable	**1,894**	3,078
Less: Interest capitalised under a property held for sale under development	**(1,493)**	(662)
	18,701	15,900

8. PROFIT BEFORE TAX

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

	Notes	2022 HK$'000	2021 HK$'000
Cost of inventories sold		**521,070**	646,358
Cost of services provided		**4,807,770**	5,506,904
Depreciation of property, plant and equipment (excluding right-of-use assets)	14	**85,868**	80,666
Depreciation of right-of-use assets	14	**36,555**	35,535
Lease payments not included in the measurement of lease liabilities	16	**9,138**	7,189
Auditor's remuneration:			
Charge for the year		**4,057**	3,986
Underprovision in prior years		**188**	275
		4,245	4,261
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**847,250**	825,760
Pension scheme contributions*		**31,953**	34,244
		879,203	860,004
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**167**	167
Provision/(write-back of provision) for inventories included in cost of inventories sold		**5,104**	(2,131)
Impairment of trade receivables		**9,458**	–
Write-down of a property held for sale under development to net realisable value included in cost of inventories sold		**36,000**	–
Loss on disposal of items of property, plant and equipment, net		**3**	2,016
Government subsidies		**(38,152)**	(3,204)
Net loss/(gain) from a fair value adjustment of investment properties, net		**2,051**	(565)
Fair value changes in financial assets at fair value through profit or loss		**(3,725)**	(8,872)
Fair value gains on derivative financial instruments – transactions not qualifying as hedges		**–**	(3,958)
Foreign exchange differences, net		**3,640**	1,580

* As at 31 December 2022, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

9. DIRECTORS' REMUNERATION

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

	2022	2021
	HK$'000	*HK$'000*
Fees	**1,880**	1,440
Other emoluments:		
Salaries, allowances and benefits in kind	**7,175**	6,531
Performance-related bonuses*	**18,450**	18,330
Pension scheme contributions	**372**	327
	25,997	25,188
	27,877	26,628

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to profit for the year of the Group.

(a) Independent non-executive directors

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

	2022	2021
	HK$'000	*HK$'000*
Chi-Chiu Wu	**320**	251
Ronald James Blake	**320**	251
Anthony King-Yan Tong	**320**	136
Dee-Dee Chan	**320**	3
Yuen-Tin Ng (passed away on 25 February 2021)	**–**	31
	1,280	672

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

9. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and non-executive directors

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2022						
Executive directors:						
James Sai-Wing Wong		–	–	3,000	–	3,000
Yuen-Keung Chan	*(i)*	200	480	10,000	–	10,680
James Sing-Wai Wong	*(ii)*	200	4,355	2,950	372	7,877
Philip Bing-Lun Lam	*(iii)*	200	2,340	2,500	–	5,040
		600	7,175	18,450	372	26,597

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2021						
Executive directors:						
James Sai-Wing Wong		–	–	3,000	–	3,000
Yuen-Keung Chan	*(i)*	200	480	10,000	–	10,680
James Sing-Wai Wong	*(ii)*	200	3,971	2,830	327	7,328
Philip Bing-Lun Lam	*(iii)*	200	2,080	2,500	–	4,780
		600	6,531	18,330	327	25,788
Non-executive director:						
Wendy Kim-See Gan		168	–	–	–	168
		768	6,531	18,330	327	25,956

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

9. DIRECTORS' REMUNERATION *(continued)*

(b) ***Executive directors and non-executive directors*** *(continued)*

Notes:

(i) Included the director's fees of HK$200,000 (2021: HK$200,000) and performance-related bonuses of HK$7,000,000 (2021: HK$7,000,000) as an executive director of Chinney Kin Wing.

(ii) Included the director's fees of HK$200,000 (2021: HK$200,000) and performance-related bonuses of HK$1,000,000 (2021: HK$1,000,000) as an executive director of Chinney Kin Wing.

(iii) Included the director's fees of HK$200,000 (2021: HK$200,000) and performance-related bonuses of HK$1,000,000 (2021: HK$1,000,000) as an executive director of Chinney Kin Wing.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two (2021: three) directors of the Company, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2021: two) non-director highest paid employees for the year are as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Basic salaries and other benefits in kind	**11,309**	7,929
Bonuses paid and payable	**12,230**	8,800
Pension scheme contributions	**798**	681
Gratuity and long service payment	**5,390**	–
	29,727	17,410

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

	Number of employees	
	2022	2021
HK$5,000,001 to HK$5,500,000	**1**	1
HK$11,000,001 to HK$11,500,000	**1**	–
HK$12,000,001 to HK$12,500,000	**–**	1
HK$13,000,001 to HK$13,500,000	**1**	–
	3	2

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022 HK$'000	2021 HK$'000
Current - Hong Kong		
Charge for the year	31,691	37,582
Overprovision in prior years	(241)	(611)
Current - Elsewhere		
Charge for the year	416	2,082
Overprovision in prior years	(294)	(3)
Deferred (note 32)	(9,096)	(4,114)
Total tax charge for the year	22,476	34,936

A reconciliation of the tax expense applicable to profit before tax at the statutory rates to the tax charge for the year at the effective rate is as follows:

	2022 HK$'000	2021 HK$'000
Profit before tax	36,762	129,306
Tax at the applicable statutory tax rates	4,242	20,917
Adjustments in respect of current tax of previous periods	(535)	(614)
Income not subject to tax	(8,186)	(15)
Expenses not deductible for tax	9,683	4,145
Tax losses utilised from previous periods	(3,423)	(4,696)
Tax losses not recognised	13,846	18,241
Others	6,849	(3,042)
Tax charge for the year at the effective rate of 61.1% (2021: 27.0%)	22,476	34,936

12. DIVIDEND

	2022	2021
	HK$'000	*HK$'000*
Proposed final dividend – HK2.50 cents (2021: HK2.75 cents) per ordinary share	**14,872**	16,360

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

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares in issue during the year.

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

The calculations of basic and diluted earnings/(loss) per share are based on:

	2022	2021
	HK$'000	*HK$'000*
Basic		
Profit/(loss) attributable to ordinary equity holders of the Company	**(10,197)**	77,379

	Number of shares	
	2022	2021
Shares		
Number of ordinary shares in issue during the year	**594,899,245**	594,899,245

14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets			Owned assets								
	Leasehold land *HK$'000*	Leased land and buildings *HK$'000*	Sub-total *HK$'000*	Buildings *HK$'000*	Construction in progress *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Yacht *HK$'000*	Motor vehicles *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
31 December 2022												
At 1 January 2022:												
Cost or valuation	694,957	114,839	809,796	132,142	956	68,901	741,178	71,823	16,529	17,336	1,048,865	1,858,661
Accumulated depreciation	–	(39,676)	(39,676)	–	–	(32,317)	(478,280)	(33,582)	(1,081)	(12,331)	(557,591)	(597,267)
Net carrying amount	694,957	75,163	770,120	132,142	956	36,584	262,898	38,241	15,448	5,005	491,274	1,261,394
At 1 January 2022:	694,957	75,163	770,120	132,142	956	36,584	262,898	38,241	15,448	5,005	491,274	1,261,394
Additions	–	4,174	4,174	–	1,083	2,225	62,899	2,642	–	2,624	71,473	75,647
Disposals	–	–	–	–	–	–	(17)	(56)	–	(88)	(161)	(161)
Transfer to investment properties	(21,740)	–	(21,740)	(74,632)	–	–	–	–	–	–	(74,632)	(96,372)
Transfer to costs of construction contracts	–	–	–	–	–	–	(2,620)	–	–	–	(2,620)	(2,620)
Transfer	–	–	–	–	(1,990)	1,990	–	–	–	–	–	–
Surplus/(deficit) on revaluation credited to other comprehensive income	18,065	–	18,065	(3,738)	–	–	–	–	–	–	(3,738)	14,327
Deficit on revaluation charged to profit or loss	(3,121)	–	(3,121)	(2,297)	–	–	–	–	–	–	(2,297)	(5,418)
Depreciation provided during the year	(27,033)	(9,522)	(36,555)	(5,725)	–	(8,835)	(60,832)	(5,956)	(2,400)	(2,120)	(85,868)	(122,423)
Exchange realignment	(2,148)	(4,031)	(6,179)	(7,440)	(49)	(1,762)	(717)	(2,067)	–	(23)	(12,058)	(18,237)
At 31 December 2022, net of accumulated depreciation	658,980	65,784	724,764	38,310	–	30,202	261,611	32,804	13,048	5,398	381,373	1,106,137
At 31 December 2022:												
Cost or valuation	658,980	93,140	752,120	38,310	–	71,077	795,212	71,722	16,529	18,577	1,011,427	1,763,547
Accumulated depreciation	–	(27,356)	(27,356)	–	–	(40,875)	(533,601)	(38,918)	(3,481)	(13,179)	(630,054)	(657,410)
Net carrying amount	658,980	65,784	724,764	38,310	–	30,202	261,611	32,804	13,048	5,398	381,373	1,106,137

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Right-of-use assets			Owned assets								
	Leasehold land *HK$'000*	Leased land and buildings *HK$'000*	Sub-total *HK$'000*	Buildings *HK$'000*	Construction in progress *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Yacht *HK$'000*	Motor vehicles *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
31 December 2021												
At 1 January 2021:												
Cost or valuation	650,399	96,037	746,436	127,277	5,123	48,504	696,399	63,750	693	13,712	955,458	1,701,894
Accumulated depreciation	–	(14,393)	(14,393)	–	–	(24,207)	(435,788)	(27,603)	(166)	(10,802)	(498,566)	(512,959)
Net carrying amount	650,399	81,644	732,043	127,277	5,123	24,297	260,611	36,147	527	2,910	456,892	1,188,935
At 1 January 2021:	650,399	81,644	732,043	127,277	5,123	24,297	260,611	36,147	527	2,910	456,892	1,188,935
Additions	4,846	3,380	8,226	255	4,313	11,345	65,279	7,257	15,836	3,991	108,276	116,502
Disposals	–	–	–	–	–	–	(2,247)	(21)	–	(165)	(2,433)	(2,433)
Lease modification	–	(392)	(392)	–	–	–	–	–	–	–	–	(392)
Transfer	–	–	–	–	(8,578)	8,578	–	–	–	–	–	–
Transfer to costs of construction contracts	–	–	–	–	–	–	(2,490)	–	–	–	(2,490)	(2,490)
Surplus on revaluation credited to other comprehensive income	63,484	–	63,484	7,447	–	–	–	–	–	–	7,447	70,931
Deficit on revaluation charged to profit or loss	(38)	–	(38)	(2)	–	–	–	–	–	–	(2)	(40)
Depreciation provided during the year	(24,549)	(10,986)	(35,535)	(5,566)	–	(8,046)	(58,486)	(5,916)	(915)	(1,737)	(80,666)	(116,201)
Exchange realignment	815	1,517	2,332	2,731	98	410	231	774	–	6	4,250	6,582
At 31 December 2021, net of accumulated depreciation	694,957	75,163	770,120	132,142	956	36,584	262,898	38,241	15,448	5,005	491,274	1,261,394
At 31 December 2021:												
Cost or valuation	694,957	114,839	809,796	132,142	956	68,901	741,178	71,823	16,529	17,336	1,048,865	1,858,661
Accumulated depreciation	–	(39,676)	(39,676)	–	–	(32,317)	(478,280)	(33,582)	(1,081)	(12,331)	(557,591)	(597,267)
Net carrying amount	694,957	75,163	770,120	132,142	956	36,584	262,898	38,241	15,448	5,005	491,274	1,261,394

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes:

(a) The Company's right-of-use of leasehold land, together with the owned buildings are held for own use. The leasehold land in Hong Kong is held on medium-term leases expiring on 30 June 2047. The leasehold land in the Mainland China is held on medium-term leases expiring in 2043.

(b) The Group has lease contracts for buildings used in its operations. Leases of buildings generally have lease terms between two and twenty years.

(c) At 31 December 2022, certain leasehold land and owned properties with an aggregate carrying value of HK$142,700,000 (2021: HK$145,390,000) were pledged to banks to secure bank loans granted to the Group.

At 31 December 2022, other than one of the Group's leasehold land which was revalued at HK$177,000,000 by the directors with reference to a valuation report performed by A.G. Wilkinson & Associates (Surveyors) Limited, independent professionally qualified valuers, at an aggregate open market value based on its existing use basis on 31 December 2022, the Group's remaining leasehold land and owned buildings were revalued individually on 31 December 2022 by Savills Valuation and Professional Services Limited, an independent professionally qualified valuer, at an aggregate open market value of HK$520,290,000 based on their existing uses. A revaluation surplus of HK$14,327,000 and revaluation deficits aggregating HK$5,418,000, resulting from the above valuations, have been credited to other comprehensive income and charged to profit or loss, respectively. Had the leasehold land and owned buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$296,642,000 (2021: HK$397,159,000).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold land and owned buildings:

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Leasehold land and owned buildings	–	–	697,290	697,290

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Leasehold land and owned buildings	–	–	827,099	827,099

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Leasehold land	Owned buildings	Total
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31 December 2021			
Carrying amount at 1 January 2021	650,399	127,277	777,676
Additions	4,846	255	5,101
Depreciation	(24,549)	(5,566)	(30,115)
Surplus on revaluation recognised in other comprehensive income	63,484	7,447	70,931
Deficit on revaluation recognised in profit or loss	(38)	(2)	(40)
Exchange realignment	815	2,731	3,546
Carrying amount at 31 December 2021	694,957	132,142	827,099

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy: *(continued)*

	Leasehold land HK$'000	Owned buildings HK$'000	Total HK$'000
For the year ended 31 December 2022			
Carrying amount at 1 January 2022	694,957	132,142	827,099
Transfer to investment properties	(21,740)	(74,632)	(96,372)
Depreciation	(27,033)	(5,725)	(32,758)
Surplus/(deficit) on revaluation recognised in other comprehensive income	18,065	(3,738)	14,327
Deficit on revaluation recognised in profit or loss	(3,121)	(2,297)	(5,418)
Exchange realignment	(2,148)	(7,440)	(9,588)
Carrying amount at 31 December 2022	658,980	38,310	697,290

Set out below is a summary of the valuation technique used and the key inputs to the valuation of the Group's properties held for own use:

	Valuation technique	Significant unobservable input	Range 2022	2021
Leasehold land and owned buildings held for own use	Direct comparison approach	Prevailing market price (per sq. ft.)	HK$2,368 to HK$11,722	HK$119 to HK$10,667
Carpark held for own use	Direct comparison approach	Prevailing market price (per carpark)	HK$1,550,000 to HK$3,500,000	HK$1,550,000 to HK$3,500,000

The fair value of properties held for own use is determined using the direct comparison approach for valuing these properties in their respective existing condition and use on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristics of the properties which include the location, size, view, floor level, year of completion and other factors collectively. Higher premium for properties with positive characteristics will result in a higher fair value measurement.

15. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
Carrying amount at 1 January	**23,118**	22,553
Net gain/(loss) from a fair value adjustment	**(2,051)**	565
Transfer from property, plant and equipment	**96,372**	–
Carrying amount at 31 December	**117,439**	23,118

The Group's investment properties were revalued on 31 December 2022 based on valuations performed by Savills Valuation and Professional Services Limited and Knight Frank Petty Limited, independent professionally qualified valuers, at HK$117,439,000.

At 31 December 2022 and 2021, none of the Group's investment properties was pledged.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) *HK$'000*	**Significant observable inputs (Level 2) *HK$'000***	**Significant unobservable inputs (Level 3) *HK$'000***	**Total *HK$'000***
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**21,067**	**21,067**
Industrial properties	**–**	**–**	**96,372**	**96,372**

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Recurring fair value measurement for:				
Commercial properties	–	–	23,118	23,118

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	HK$'000
Carrying amount at 1 January 2021	22,553
Net gain from a fair value adjustment recognised in profit or loss	565
Carrying amount at 31 December 2021 and 1 January 2022	**23,118**
Net loss from a fair value adjustment recognised in profit or loss	**(2,051)**
Transfer from property, plant and equipment	**96,372**
Carrying amount at 31 December 2022	**117,439**

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	**Significant unobservable input**	**Range 2022**	2021
Commercial properties	Direct comparison approach	Prevailing market price (per sq.m.)	**HK$30,651 to HK$38,353**	HK$33,259 to HK$41,592
Industrial properties	Direct comparison approach	Prevailing market price (per sq.m.)	**HK$1,132 to HK$1,681**	–

Direct comparison approach

The fair value of investment properties is determined using the direct comparison approach for valuing these properties in their respective existing condition and use on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristics of the properties which include the location, size, view, floor level, year of completion and other factors collectively. Higher prevailing market price for properties with positive characteristics will result in a higher fair value measurement.

16. LEASES

The Group as a lessee

The Group has lease contracts for land and buildings used in its operations. Leases of land and buildings generally have lease terms between one and twenty years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Lease liabilities

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

	2022	2021
	HK$'000	*HK$'000*
Carrying amount at 1 January	**63,006**	65,140
New leases	**4,174**	3,380
Accretion of interest recognised during the year	**3,856**	4,201
Payments	**(9,382)**	(10,939)
Lease modification	**–**	(392)
Exchange re-alignment	**(4,793)**	1,616
Carrying amount at 31 December	**56,861**	63,006
Analysed into:		
Current portion	**4,429**	4,934
Non-current portion	**52,432**	58,072

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

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

	2022	2021
	HK$'000	*HK$'000*
Interest on lease liabilities (note 7)	**3,856**	4,201
Depreciation charge of right-of-use assets	**36,555**	35,535
Deficit on revaluation charged to profit or loss	**3,121**	38
Expense relating to short-term leases (included in cost of services provided and administrative expenses)	**9,138**	7,189
Total amount recognised in profit or loss	**52,670**	46,963

(c) The total cash outflow for leases is disclosed in note 38(c) to the financial statements.

17. INVESTMENT IN AN ASSOCIATE

On 30 September 2020, Chinney Kin Wing Property Limited, an indirect non wholly-owned subsidiary of the Group, entered into an agreement with an independent third party, Profit Gainer Holdings Limited ("Profit Gainer"), for the acquisition of 50% equity interest of Senior Rich Development Limited (the "Acquisition") and two long-term lease agreements of leasehold land pursuant to the Acquisition at a consideration of HK$190,000,000 to be satisfied by (i) an initial deposit of HK$2,000,000; (ii) cash payment of HK$62,000,000 upon completion of the Acquisition; and (iii) payment of the remaining balance of HK$126,000,000 by thirty-six (36) monthly installments with 36 post-dated cheques at HK$3,500,000 each to Profit Gainer upon completion of the Acquisition. Upon completion of the Acquisition, on 28 December 2020, Senior Rich Development Limited became an associate of the Group, with two right-of-use assets recognised by the Group for these two long term lease agreements of leasehold land.

	2022 ***HK$'000***	2021 *HK$'000*
Share of net assets	**121**	121

Particulars of the associate as at 31 December 2022 are as follows:

Name	**Place of incorporation/ registration and business**	**Particulars of registered/ issued capital held**	**Percentage of ownership interest attributable to the Group** 2022	2021	**Principal activities**
Senior Rich Development Limited	Hong Kong	Class "A" voting shares - HK$380	**50**	50	Property investment
		Class "B" non-voting shares - HK$10,000	**50**	50	

The above investment is indirectly held by the Company.

17. INVESTMENT IN AN ASSOCIATE *(continued)*

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	2022	2021
	HK$'000	*HK$'000*
Share of the associate's profit for the year	–	–
Share of an associate's other comprehensive income	–	–
Share of the associate's total comprehensive income	–	–
Aggregate carrying amount of the Group's investment in the associate	**121**	121

18. INVESTMENTS IN JOINT ARRANGEMENTS

Joint venture

	2022	2021
	HK$'000	*HK$'000*
Share of net assets	–	–

The balance with a joint venture is unsecured, interest-free and repayable on demand.

Particulars of the Group's joint venture are as follows:

		Percentage of			
Name	Place of registration and business	Ownership interest	Voting power	Profit sharing	Principal activity
Chinney P & H Studio Co., Ltd. ("Chinney P & H")	Macau	50	50	50	Provision of fitting out works

The above investment in a joint venture is indirectly held by the Company.

18. INVESTMENTS IN JOINT ARRANGEMENTS *(continued)*

Joint venture *(continued)*

The following table illustrates the summarised financial information of Chinney P & H adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2022	2021
	HK$'000	*HK$'000*
Share of the joint venture's assets and liabilities:		
Current assets	**186**	186
Current liabilities	**(484)**	(484)
Net liabilities	**(298)**	(298)
Share of the joint venture's results:		
Total revenue	**–**	–
Total expenses	**–**	–
Loss after tax	**–**	–

The Group has discontinued the recognition of its share of losses of the joint venture because the losses exceeded the Group's investment in the joint venture. In the opinion of the directors of the Company, the Group will not continue to provide further financial support or capital injection to the joint venture. The Group does not have any unrecognised share of losses of the joint venture for the current year (2021: Nil). At 31 December 2022, the aggregate unrecognised share of losses of the joint venture amounted to HK$298,000 (2021: HK$298,000).

Joint operation

Particulars of the Group's joint arrangement is as follows:

Name	**Form of business structure**	**Place of registration and business**	**Percentage of interest attributable to the Group 2022**	**2021**	**Principal activity**
Southa - Shun Cheong 3408 Joint Venture	Unincorporated	Hong Kong	**50**	–	Electrical and mechanical engineering

Under the joint venture agreement, the Group and the other party to the joint arrangement have rights to the assets and obligations to the liabilities relating to the joint arrangement, therefore this body unincorporate is classified as a joint operation.

19. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
Equity investment at fair value through other comprehensive income		
Unlisted equity investment, at fair value	**7,217**	6,437

The above equity investment was irrevocably measured at fair value as the Group considers this investment to be strategic in nature.

20. GOODWILL

	2022 HK$'000	2021 HK$'000
Cost and carrying amount at 1 January and 31 December	**14,369**	14,369
At 31 December:		
Cost	**14,767**	14,767
Accumulated impairment	**(398)**	(398)
Net carrying amount	**14,369**	14,369

Impairment testing of goodwill

For impairment testing, goodwill acquired through business combination has been allocated to three cash-generating units which are involved in building related contracting services, trading of electrical installation products and data centre solution.

Building related contracting services

The recoverable amount of the building related contracting services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management. The discount rate applied to the cash flow projections is 13.2% (2021: 10.0%).

Trading of electrical installation products

The recoverable amount of the trading of electrical installation products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management. The discount rate applied to the cash flow projections is 18.0% (2021: 15.0%).

20. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Data centre solution

The recoverable amount of the data centre solution cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management. The discount rate applied to the cash flow projections is 20.7% (2021: 15.0%).

Assumptions used in the value in use calculation for 31 December 2022 and 2021 are as follows:

Budgeted gross margins: The basis used to determine the value assigned to the budgeted gross margins is the estimated gross margins related to signed but uncompleted construction contracts on hand and estimated product sales of confirmed orders.

Discount rates: The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of the industries of building related contracting services, trading of electrical installation products and data centre solution, budgeted gross margins and discount rates are consistent with external information sources.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss		
Club memberships, at fair value	**5,814**	5,439
Unlisted other investment, at fair value	**20,764**	14,556
	26,578	19,995

The above unlisted investments at 31 December 2022 were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. INVENTORIES

	2022	2021
	HK$'000	*HK$'000*
Raw materials	**71,098**	75,139
Finished goods	**14,271**	21,059
	85,369	96,198

23. PROPERTY HELD FOR SALE UNDER DEVELOPMENT

	2022 HK$'000	2021 HK$'000
Property held for sale under development		
– pending construction expected to be recovered:		
After one year	**73,485**	106,697

At 31 December 2022, the property held for sale under development was pledged to a bank to secure certain bank loans granted to the Group.

24. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**825,380**	836,025
Impairment	**(10,509)**	(1,051)
	814,871	834,974

The Group's trading terms with its customers are mainly on credit. The credit periods range from cash on delivery to 60 days. A longer credit period may be allowed for customers with good business relationships with the Group. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

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

24. TRADE RECEIVABLES *(continued)*

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

	2022 *HK$'000*	2021 *HK$'000*
At beginning of year	**1,051**	1,051
Impairment losses (note 6)	**9,458**	–
At end of year	**10,509**	1,051

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:

As at 31 December 2022

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.12%**	**0.07%**	**0.35%**	**14.90%**	**1.27%**
Gross carrying amount *(HK$'000)*	**527,918**	**168,529**	**65,021**	**63,912**	**825,380**
Expected credit losses *(HK$'000)*	**644**	**113**	**227**	**9,525**	**10,509**

As at 31 December 2021, except for a trade receivable from a doubtful customer with a high default risk of HK$1,051,000, which was fully impaired in the prior years, the expected credit loss rate and the loss allowance for the remaining trade receivables at each ageing category as at 31 December 2021 were assessed to be minimal.

25. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contracting income certified from Honour Well Development Limited ("Honour Well") and Gold Famous Development Limited ("Gold Famous") as at 31 December 2022 and 2021 respectively. Honour Well and Gold Famous are indirect wholly-owned subsidiaries of Hon Kwok Land Investment Company, Limited ("Hon Kwok") of which Dr. James Sai-Wing Wong, a director and a controlling shareholder of the Company, is also a director of and has a beneficial interest in. Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam are common directors of the Company and Hon Kwok.

The amount due from a related company was unsecured, interest-free and repayable within 30 days. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Prepayments	**15,717**	6,739
Deposits and other receivables	**281,417**	233,271
	297,134	240,010
Portion classified as non-current:		
Deposits	**12,354**	7,671
Current portion	**284,780**	232,339

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

27. CONTRACT ASSETS

		31 December	31 December	1 January
		2022	2021	2021
	Notes	***HK$'000***	*HK$'000*	*HK$'000*
Unbilled revenue	*(a)*	**870,130**	1,063,000	849,649
Retention monies receivable	*(b)*	**632,541**	590,825	551,450
		1,502,671	1,653,825	1,401,099

27. CONTRACT ASSETS *(continued)*

Notes:

(a) Unbilled revenue is initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as unbilled revenue are reclassified to trade receivables.

(b) Retention monies receivable are part of the consideration that the customers retain which is payable on successful completion of the contracts in order to provide the customers with assurance that the Group will complete its obligation satisfactorily under the contracts, rather than to provide financing to the customers.

The decrease in contract assets in 2022 was the result of the decrease in the provision of construction services at the end of the year while the increase in contract assets in 2021 was the result of the increase in the provision of construction services at the end of that year.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Within one year	**1,234,426**	1,458,624
After one year	**268,245**	195,201
Total contract assets	**1,502,671**	1,653,825

The Group's trading terms and credit policy with customers are disclosed in note 24 to the financial statements.

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.

At 31 December 2022 and 2021, the loss allowance for contract assets was assessed to be minimal.

28. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	2022	2021
	HK$'000	*HK$'000*
Cash and bank balances	**537,664**	616,634
Time deposits	**222,998**	32,203
	760,662	648,837

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$20,553,000 (2021: HK$19,531,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Certain of the Group's cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE, BILLS AND RETENTION MONIES PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**429,320**	743,465
Bills payable	**12,981**	29,497
Retention monies payable#	**330,722**	312,865
	773,023	1,085,827

Retention monies payable had repayment terms ranging from one to two years.

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
	HK$'000	*HK$'000*
Current to 30 days	**293,457**	580,629
31 to 60 days	**81,247**	109,080
61 to 90 days	**11,690**	20,430
Over 90 days	**42,926**	33,326
	429,320	743,465

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

30. OTHER PAYABLES AND ACCRUALS

	Notes	2022 HK$'000	2021 HK$'000
Contract liabilities	*(a)*	**729,235**	615,946
Other payables	*(b)*	**70,601**	98,128
Accruals		**366,449**	206,195
		1,166,285	920,269
Portion classified as non-current:			
Other payable	*(b)*	**–**	41,325
Current portion		**1,166,285**	878,944

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2022 HK$'000	31 December 2021 HK$'000	1 January 2021 HK$'000
Short-term advances received from customers			
Construction services	**729,235**	615,946	557,402

Contract liabilities include short-term advances received to deliver construction services. The increase in contract liabilities in 2022 and 2021 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of each of the years.

(b) Except for other payable of HK$41,325,000 (2021: HK$81,431,000) which has repayment terms ranging from one month to twelve months (2021: one month to twenty-four months), other payables are non-interest-bearing and have an average term of three months.

31. INTEREST-BEARING BANK BORROWINGS

	31 December 2022			31 December 2021		
	Effective interest rate%	Maturity	HK$'000	Effective interest rate%	Maturity	HK$'000
Current						
Trust receipt loans	4.76 – 7.80	On demand	132,895	1.62 – 2.05	On demand	119,978
Bank loans (note (c))	6.03 – 7.45	2022-2029 or on demand	349,755	1.37 – 6.65	2021-2029 or on demand	368,759
Total			482,650			488,737

Notes:

(a) The Group's bank borrowings were secured by corporate guarantees given by the Company and/or certain subsidiaries. Trust receipt loans were repayable within six months from the date of advance, and bore interest at floating interest rates.

(b) Bank borrowings of HK$482,650,000 as set out above are denominated in Hong Kong dollars and bear interest at floating interest rates.

(c) As at 31 December 2022, bank loans of HK$77,332,000 (2021: HK$84,281,000) were secured by the pledge of certain leasehold land and owned buildings, and property held for sale under development with an aggregate carrying value of HK$216,185,000 (2021: HK$252,087,000) (notes 14 and 23).

The maturity of the above bank borrowings is as follows:

	2022 HK$'000	2021 HK$'000
Analysed into:		
Bank loan and trust receipt loans repayable:		
Within one year or on demand	482,650	488,737

As at 31 December 2022, ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank loans and trust receipt loans, the amounts repayable in respect of the Group's interest-bearing bank borrowings were: within one year of HK$474,926,000 (2021: HK$474,663,000); in the second year of HK$1,228,000 (2021: HK$2,657,000); in the third to fifth years, inclusive of HK$3,930,000 (2021: HK$7,476,000); and over five years of HK$2,566,000 (2021: HK$3,941,000).

32. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

2022

	Depreciation allowance in of excess related depreciation *HK$'000*	Revaluation of properties *HK$'000*	Total *HK$'000*
At 1 January 2022	**45,041**	**54,142**	**99,183**
Deferred tax credited to profit or loss during the year (note 11)	**(4,199)**	**(4,897)**	**(9,096)**
Deferred tax charged to other comprehensive income	**–**	**1,971**	**1,971**
Gross deferred tax liabilities at 31 December 2022	**40,842**	**51,216**	**92,058**

2021

	Depreciation allowance in excess of related depreciation *HK$'000*	Revaluation of properties *HK$'000*	Total *HK$'000*
At 1 January 2021	38,321	52,497	90,818
Deferred tax charged/(credited) to profit or loss during the year (note 11)	6,720	(5,818)	902
Deferred tax charged to other comprehensive income	–	7,463	7,463
Gross deferred tax liabilities at 31 December 2021	45,041	54,142	99,183

32. DEFERRED TAX *(continued)*

Deferred tax assets

2022

	Right-of-use assets HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
Gross deferred tax assets at 1 January and at 31 December 2022	**3**	**5,014**	**5,017**

2021

	Right-of-use assets HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2021	1	–	1
Deferred tax credited to profit or loss during the year (note 11)	2	5,014	5,016
Gross deferred tax assets at 31 December 2021	3	5,014	5,017

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 HK$'000	2021 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**3**	3
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(87,044)**	(94,169)
	(87,041)	(94,166)

32. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

The Group has estimated tax losses arising in Hong Kong of approximately HK$254,478,000 (2021: HK$324,685,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 December 2022, no deferred tax asset was recognised in respect of the tax losses in Hong Kong of HK$224,091,000 (2021: HK$294,296,000). The Group also has tax losses arising in Mainland China of HK$66,022,000 (2021: HK$58,657,000) and Macau of HK$70,801,000 (2021: HK$63,188,000) that will expire in five and three years, respectively, for offsetting against future taxable profits respectively. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and, in the opinion of the directors of the Company, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. SHARE CAPITAL

Shares

	2022 *HK$'000*	2021 *HK$'000*
Authorised:		
2,500,000,000 (2021: 2,500,000,000) ordinary shares of HK$0.10 (2021: HK$0.10) each	**250,000**	250,000
Issued and fully paid:		
594,899,245 (2021: 594,899,245) ordinary shares of HK$0.10 (2021: HK$0.10) each	**59,490**	59,490

There was no movement in the share capital of the Company during the year (2021: Nil)

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 51 and 52 of the financial statements.

35. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2022	2021
Percentage of equity interest held by non-controlling interests:		
Chinney Kin Wing	**25.5%**	25.5%

	2022 *HK$'000*	2021 *HK$'000*
Profit for the year allocated to non-controlling interests:		
Chinney Kin Wing	**24,483**	16,991
Dividends paid to non-controlling interests:		
Chinney Kin Wing	**5,738**	5,737
Accumulated balances of non-controlling interests at the reporting dates:		
Chinney Kin Wing	**167,381**	146,900

The following tables illustrate the summarised financial information of Chinney Kin Wing. The amounts disclosed are before any inter-company eliminations:

	2022 *HK$'000*	2021 *HK$'000*
Revenue	**1,805,843**	2,042,378
Other income	**17,864**	246
Total expenses	**(1,727,683)**	(1,975,931)
Profit for the year	**96,024**	66,693
Total comprehensive income for the year	**102,830**	87,987
Current assets	**1,063,918**	749,008
Non-current assets	**461,743**	465,041
Current liabilities	**(837,094)**	(560,337)
Non-current liabilities	**(35,407)**	(80,882)
Net cash flows from operating activities	**399,389**	252,116
Net cash flows used in investing activities	**(103,254)**	(120,097)
Net cash flows used in financing activities	**(24,394)**	(26,578)
Net increase in cash and cash equivalents	**271,741**	105,441

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2022 HK$'000	2021 HK$'000
Management fee to a major shareholder	(i)	**5,990**	5,728
Share of rental and office expenses with a related company	(ii)	**599**	2,151
Rent paid to related companies	(ii)	**1,040**	–
Construction contracting expenses to related companies	(iii)	**57**	643
Licence fee paid to a related company	(iv)	**216**	82
Sales of goods to related companies	(v)	**(1,604)**	–
Income on maintenance works from related companies	(vi)	**(57)**	(37)
Income from contracting works from related companies	(vii)	**(8,605)**	(898)

Notes:

(i) The management fee was charged by Chinney Investments, Limited ("Chinney Investments") based on the time involvement of the personnel providing services. Dr. James Sai-Wing Wong, a director and a controlling shareholder of the Company, is also a director of and has beneficial interests in Chinney Investments. Mr. James Sing-Wai Wong and Mr. Yuen-Keung Chan are common directors of the Company and Chinney Investments.

(ii) The rental and office expenses were charged by Hon Kwok and its subsidiaries, a subsidiary of Chinney Investments, on an actual basis. Dr. James Sai-Wing Wong is a director of and has a beneficial interest in Hon Kwok. Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam are common directors of the Company and Hon Kwok.

(iii) The construction contracting expenses paid to related companies, which are subsidiaries of Hon Kwok, were negotiated between the concerned parties by reference to prevailing market rates.

(iv) The license fee charged by Hon Kwok was negotiated between the concerned parties by reference to prevailing market rates.

(v) The sales of diesel generators to related companies, which are the subsidiaries of Hon Kwok, were negotiated between the concerned parties by reference to prevailing market rates.

(vi) The income on maintenance works received from Hon Kwok and its subsidiaries was negotiated between the concerned parties by reference to prevailing market rates.

36. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

(vii) The construction contracting income from construction works and revamp works from related companies, which are subsidiaries of Hon Kwok, were negotiated between the concerned parties by reference to prevailing market rates. The transactions constitute connected transactions of the Group and were approved by independent shareholders of the Company at the special general meetings held on 24 August 2018 and 28 November 2022, respectively.

The income from contracting works from a related company, of which Dr. James Sai-Wing Wong is a director and has beneficial interest, was negotiated between the concerned parties by reference to the prevailing market rates. Mr. James Sing-Wai Wong is also a common director of that Company and the Company.

(b) Compensation of key management personnel of the Group:

	2022 ***HK$'000***	2021 *HK$'000*
Short term employee benefits	**117,407**	111,071
Post-employment benefits	**3,529**	3,565
Total compensation paid to key management personnel	**120,936**	114,636

(c) Outstanding balance with a related party:

Details of the Group's balance with a related company as at the end of the reporting period are included in note 25 to the financial statements.

37. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2022 ***HK$'000***	2021 *HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**42,259**	17,000
Capital contribution to financial assets at fair value	**5,343**	7,332
	47,602	24,332

(b) At 31 December 2022, the Group had a lease contract that has not yet commenced. The future lease payments for this non-cancellable lease contract are HK$828,000 due within one year, and HK$828,000 due in the second to fifth years, inclusive.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) *Major non-cash transactions*

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$4,174,000 (2021: HK$3,380,000) and HK$4,174,000 (2021: HK$3,380,000), respectively, in respect of the arrangements for land and buildings.

(b) *Changes in liabilities arising from financing activities*

2022

	Trust receipt loans *HK$'000*	Lease liabilities *HK$'000*	Bank loans *HK$'000*
At 1 January 2022	119,978	63,006	368,759
Changes from financing cash flows	12,917	(5,526)	(18,907)
Non-cash flow:			
New leases	–	4,174	–
Foreign exchange movement	–	(4,793)	(324)
Interest expense	–	3,856	–
Amortisation of loan arrangement fee	–	–	227
Interest paid classified as operating cash flows	–	(3,856)	–
At 31 December 2022	132,895	56,861	349,755

2021

	Trust receipt loans *HK$'000*	Lease liabilities *HK$'000*	Bank loans *HK$'000*
At 1 January 2021	202,596	65,140	183,523
Changes from financing cash flows	(82,618)	(6,738)	185,236
Non-cash flow:			
New leases	–	3,380	–
Lease modification	–	(392)	–
Foreign exchange movement	–	1,616	–
Interest expense	–	4,201	–
Interest paid classified as operating cash flows	–	(4,201)	–
At 31 December 2021	119,978	63,006	368,759

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within operating activities	**12,994**	11,390
Within financing activities	**5,526**	6,738
	18,520	18,128

39. CONTINGENT LIABILITIES

As at 31 December 2022, the Group provided corporate guarantees and indemnities to certain banks and insurance institutions for the issue of performance/surety bonds in an aggregate amount of HK$908,977,000 (2021: HK$1,035,415,000) in favour of the Group's clients in its ordinary course of businesses. This amount included performance/surety issued in favour of the clients of Chinney Kin Wing Group of HK$270,465,000 (2021: HK$253,732,000) to which corporate guarantees and indemnities were provided by Chinney Kin Wing Group.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such *HK$'000*	Financial assets at fair value through other comprehensive income Equity investment *HK$'000*	Financial assets at amortised cost *HK$'000*	Total *HK$'000*
Equity investment at fair value through other comprehensive income	–	7,217	–	7,217
Trade receivables	–	–	814,871	814,871
Amount due from a related company	–	–	9,651	9,651
Amount due from a joint venture	–	–	967	967
Financial assets at fair value through profit or loss	26,578	–	–	26,578
Financial assets included in prepayments, deposits and other receivables	–	–	281,417	281,417
Cash and cash equivalents	–	–	760,662	760,662
	26,578	7,217	1,867,568	1,901,363

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade, bills and retention monies payables	773,023
Trust receipt loans	132,895
Financial liabilities included in other payables and accruals	386,574
Lease liabilities	56,861
Interest-bearing bank borrowings	349,755
	1,699,108

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2021

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such *HK$'000*	Financial assets at fair value through other comprehensive income Equity investment *HK$'000*	Financial assets at amortised cost *HK$'000*	Total *HK$'000*
Equity investment at fair value through other comprehensive income	–	6,437	–	6,437
Trade receivables	–	–	834,974	834,974
Amount due from a related company	–	–	18,112	18,112
Amount due from a joint venture	–	–	967	967
Financial assets at fair value through profit or loss	19,995	–	–	19,995
Financial assets included in prepayments, deposits and other receivables	–	–	233,271	233,271
Cash and cash equivalents	–	–	648,837	648,837
	19,995	6,437	1,736,161	1,762,593

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade, bills and retention monies payables	1,085,827
Trust receipt loans	119,978
Financial liabilities included in other payables and accruals	260,762
Lease liabilities	63,006
Interest-bearing bank borrowings	368,759
	1,898,332

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Equity investment at fair value through other comprehensive income	**7,217**	6,437	**7,217**	6,437
Financial assets at fair value through profit or loss	**26,578**	19,995	**26,578**	19,995
	33,795	26,432	**33,795**	26,432

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade, bills and retention monies payables, trust receipt loans, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, lease liabilities, interest-bearing bank borrowings, an amount due from a related company and an amount due from a joint venture approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of the club membership included in financial assets at fair value through profit or loss was based on quoted prices. The fair value of the unlisted equity investment at fair value through other comprehensive income and unlisted other investment included in financial assets at fair value through profit or loss were derived from the latest transaction prices, market prices or net asset value of the investee which approximates to its fair value. An increase/decrease in the latest transaction prices would result in an increase/decrease in the fair value of the unlisted equity investment and unlisted other investment.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity investment at fair value through other comprehensive income	–	–	7,217	7,217
Financial assets at fair value through profit or loss	–	5,814	20,764	26,578
	–	5,814	27,981	33,795

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity investment at fair value through other comprehensive income	–	–	6,437	6,437
Financial assets at fair value through profit or loss	–	5,439	14,556	19,995
	–	5,439	20,993	26,432

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 (2021: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and bank balances, and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, an amount due from a related company, an amount due from a joint venture, trade, bills and retention monies payables, other payables, and trust receipt loans, which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The interest rates and terms of repayment of interest-bearing bank borrowings are disclosed in note 31 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank borrowings, cash and bank balances, and short-term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expenses are credited or charged to profit or loss as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2022			
Hong Kong dollar	**50**	**(2,500)**	**–**
Hong Kong dollar	**(50)**	**2,500**	**–**
2021			
Hong Kong dollar	50	(2,244)	–
Hong Kong dollar	(50)	2,244	–

* Excluding retained profits

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group requires one of its operating units to use foreign currency forward contracts to eliminate the foreign currency exposures on any individual transactions.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar ("USD"), Canadian dollar ("CAD"), Euro ("EUR") and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (arising from USD, CAD, EUR and RMB denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2022			
If Hong Kong dollar weakens against USD	**1**	**222**	**–**
If Hong Kong dollar strengthens against USD	**(1)**	**(222)**	**–**
If Hong Kong dollar weakens against CAD	**5**	**1,382**	**–**
If Hong Kong dollar strengthens against CAD	**(5)**	**(1,382)**	**–**
If Hong Kong dollar weakens against EUR	**5**	**1,362**	**–**
If Hong Kong dollar strengthens against EUR	**(5)**	**(1,362)**	**–**
If Hong Kong dollar weakens against RMB	**5**	**2,949**	**–**
If Hong Kong dollar strengthens against RMB	**(5)**	**(2,949)**	**–**
2021			
If Hong Kong dollar weakens against USD	1	(82)	–
If Hong Kong dollar strengthens against USD	(1)	82	–
If Hong Kong dollar weakens against CAD	5	610	–
If Hong Kong dollar strengthens against CAD	(5)	(610)	–
If Hong Kong dollar weakens against EUR	5	966	–
If Hong Kong dollar strengthens against EUR	(5)	(966)	–
If Hong Kong dollar weakens against RMB	5	2,704	–
If Hong Kong dollar strengthens against RMB	(5)	(2,704)	–

* Excluding retained profits

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are closely monitored on an ongoing basis to minimise the Group's exposure to bad debts.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Contract assets*	–	–	–	1,502,671	1,502,671
Trade receivables*	–	–	–	825,380	825,380
Amount due from a related company					
– Normal**	9,651	–	–	–	9,651
Amount due from a joint venture					
– Normal**	967	–	–	–	967
Financial assets included in prepayments, deposits and other receivables					
– Normal**	281,417	–	–	–	281,417
Cash and cash equivalents					
– Not yet past due	760,662	–	–	–	760,662
	1,052,697	–	–	2,328,051	3,380,748

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets*	–	–	–	1,653,825	1,653,825
Trade receivables*	–	–	–	836,025	836,025
Amount due from a related company					
– Normal**	18,112	–	–	–	18,112
Amount due from a joint venture					
– Normal**	967	–	–	–	967
Financial assets included in prepayments, deposits and other receivables					
– Normal**	233,271	–	–	–	233,271
Cash and cash equivalents					
– Not yet past due	648,837	–	–	–	648,837
	901,187	–	–	2,489,850	3,391,037

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 27 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables and amounts due from a related company and a joint venture is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and trust receipt loans. The Group's policy is to maintain the Group at a net current asset position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2022

	On demand and/or less than 12 months *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total *HK$'000*
Trade, bills and retention monies payables	773,023	–	–	–	773,023
Lease liabilities	7,851	7,549	14,715	58,257	88,372
Trust receipt loans	132,895	–	–	–	132,895
Financial liabilities included in other payables and accruals	387,249	–	–	–	387,249
Interest-bearing bank borrowings	349,755	–	–	–	349,755
	1,650,773	7,549	14,715	58,257	1,731,294

2021

	On demand and/or less than 12 months *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total *HK$'000*
Trade, bills and retention monies payables	1,085,827	–	–	–	1,085,827
Lease liabilities	9,147	6,779	16,410	69,156	101,492
Trust receipt loans	119,978	–	–	–	119,978
Financial liabilities included in other payables and accruals	221,331	42,000	–	–	263,331
Interest-bearing bank borrowings	368,759	–	–	–	368,759
	1,805,042	48,779	16,410	69,156	1,939,387

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate benchmark reform

For financial instruments based on HIBOR, there is currently no plan to discontinue HIBOR in Hong Kong and it is expected that HIBOR will continue to exist in the market. Therefore, no disclosures for financial instruments based on HIBOR are provided.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is total interest-bearing borrowings divided by the total capital. Total interest-bearing borrowings include trust receipt loans, interest-bearing bank borrowings (excluding bank overdrafts) and lease liabilities. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Trust receipt loans	**132,895**	119,978
Interest-bearing bank borrowings	**349,755**	368,759
Lease liabilities	**56,861**	63,006
Total interest-bearing borrowings	**539,511**	551,743
Equity attributable to owners of the Company	**2,085,196**	2,120,685
Gearing ratio	**25.9%**	26.0%

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 *HK$'000*	2021 *HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**84**	104
Interests in subsidiaries	**208,420**	209,594
Financial assets at fair value through profit or loss	**282**	282
Total non-current assets	**208,786**	209,980
CURRENT ASSETS		
Amounts due from subsidiaries	**312,705**	330,594
Prepayments, deposits and other receivables	**313**	197
Cash and cash equivalents	**16,036**	15,774
Total current assets	**329,054**	346,565
CURRENT LIABILITIES		
Other payables and accruals	**1,626**	1,653
Amounts due to subsidiaries	**61,364**	64,384
Interest-bearing bank borrowings	**30,000**	36,000
Total current liabilities	**92,990**	102,037
NET CURRENT ASSETS	**236,064**	244,528
Net assets	**444,850**	454,508
EQUITY		
Issued capital	**59,490**	59,490
Reserves (note)	**385,360**	395,018
Total equity	**444,850**	454,508

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2021	60,978	120,946	224,307	406,231
Final 2020 dividend declared	–	–	(23,796)	(23,796)
Total comprehensive income for the year	–	–	12,583	12,583
At 31 December 2021 and 1 January 2022	**60,978**	**120,946**	**213,094**	**395,018**
Final 2021 dividend declared	**–**	**–**	**(16,360)**	**(16,360)**
Total comprehensive income for the year	**–**	**–**	**6,702**	**6,702**
At 31 December 2022	**60,978**	**120,946**	**203,436**	**385,360**

* The Company's contributed surplus arose from the capital reorganisation which involved the consolidation of the capital reserve and share premium account in a prior year and the capital reduction involving the cancellation of a portion of the paid-up capital during that year.

There is no specific provision in the Bermuda Companies Act which regulates the use of contributed surplus save that the Company cannot make a distribution out of the contributed surplus to the shareholders if there are reasonable grounds for believing that the Company (i) is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2023.

PARTICULARS OF PROPERTY

31 December 2022

PROPERTY HELD FOR SALE UNDER DEVELOPMENT

Location	Use	Site area *(sq.ft)*	Gross floor area *(sq.ft)*	Development progress (up to 28 March 2023)	Estimated completion date	Attributable interest of the Group *(%)*
HONG KONG						
The remaining portion of lot no. 4960 in DD51, Fanling, New Territories	Residential	13,158	19,737	Planning and design stage	–	100