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CR Construction Group Holdings Limited

華營建築集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1582)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

The total revenue of the Group for the year ended 31 December 2023 decreased to approximately HK\$5,445.6 million as compared to that of approximately HK\$6,409.4 million (restated) for the year ended 31 December 2022.

The total gross profit of the Group increased to approximately HK\$306.0 million for the year ended 31 December 2023 as compared to that of approximately HK\$256.5 million (restated) for the year ended 31 December 2022.

Profit attributable to the equity holders of the Company for the year ended 31 December 2023 amounted to approximately HK\$71.9 million as compared to that of approximately HK\$72.1 million (restated) for the year ended 31 December 2022. If excluding the restatement resulted from the acquisition under common control of Zhejiang Construction Investment Environment Engineering Company Limited, the previously reported profit attributable to the equity holders of the Company would amount to approximately HK\$56.5 million for the year ended 31 December 2022.

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

The board (the “**Board**”) of directors (the “**Directors**”) of CR Construction Group Holdings Limited (the “**Company**”) hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
REVENUE	6	5,445,560	6,409,429
Contract costs		<u>(5,139,569)</u>	<u>(6,152,931)</u>
Gross profit		305,991	256,498
Other income	6	13,226	8,897
Administrative expenses		(173,038)	(150,424)
Other operating expenses, net		(8,629)	(12,832)
Finance costs	8	<u>(52,649)</u>	<u>(20,263)</u>
PROFIT BEFORE TAX	7	84,901	81,876
Income tax expense	9	<u>(12,676)</u>	<u>(8,936)</u>
PROFIT FOR THE YEAR		<u>72,225</u>	<u>72,940</u>
Attributable to:			
Owners of the Company		71,887	72,106
Non-controlling interests		<u>338</u>	<u>834</u>
		<u>72,225</u>	<u>72,940</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS			
OF THE COMPANY			
Basic and diluted	11	<u>HK14.38 cents</u>	<u>HK14.42 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
PROFIT FOR THE YEAR	72,225	72,940
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(10,140)</u>	<u>(35,533)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(10,140)	(35,533)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	62,085	37,407
Attributable to:		
Owners of the Company	61,975	38,272
Non-controlling interests	<u>110</u>	<u>(865)</u>
	62,085	37,407

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		27,031	28,935
Right-of-use assets		37,348	48,578
Operating concession rights		32,980	34,855
Receivables and contract assets under service concession arrangements		240,471	149,184
Other intangible assets		291	307
Prepayments and deposits		8,165	9,169
Deferred tax assets		7,407	3,665
Total non-current assets		353,693	274,693
CURRENT ASSETS			
Receivables and contract assets under service concession arrangements		7,098	6,326
Contract assets		2,564,727	2,114,130
Trade receivables	12	816,354	873,426
Prepayments, deposits and other receivables		99,754	53,758
Amounts due from an intermediate holding company		6,744	15,000
Amounts due from fellow subsidiaries		45,288	40,546
Loan to a fellow subsidiary		–	33,025
Tax recoverable		1,726	5,754
Restricted bank balance		–	168
Cash and cash equivalents		235,971	158,153
Total current assets		3,777,662	3,300,286
CURRENT LIABILITIES			
Trade and retention payables	13	1,534,292	1,514,497
Other payables, accruals and provision		1,192,425	930,584
Interest-bearing bank borrowings	14	344,984	172,239
Amounts due to an intermediate holding company		9,143	4,187
Amounts due to fellow subsidiaries		15,824	17,266
Loans from an intermediate holding company		274,143	18,988
Lease liabilities		21,856	18,765
Tax payable		10,534	5,080
Total current liabilities		3,403,201	2,681,606
NET CURRENT ASSETS		374,461	618,680
TOTAL ASSETS LESS CURRENT LIABILITIES		728,154	893,373

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Provision		5,700	5,700
Lease liabilities		16,043	28,953
Interest-bearing bank borrowings	14	70,599	24,965
Deferred tax liabilities		963	–
		<hr/>	<hr/>
Total non-current liabilities		93,305	59,618
		<hr/>	<hr/>
Net assets		634,849	833,755
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	5,000	5,000
Reserves		614,388	811,315
		<hr/>	<hr/>
		619,388	816,315
Non-controlling interests		15,461	17,440
		<hr/>	<hr/>
Total equity		634,849	833,755
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NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

31 December 2023

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. The principal activities of Company and its subsidiaries (collectively referred to as the “**Group**”) are the construction operations which comprised of the provision of building construction works and repair, maintenance, addition and alteration (“**RMAA**”) works in Hong Kong, Malaysia and the United Kingdom and the environmental operations in the People’s Republic of China (the “**PRC**”).

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

2. ACQUISITION UNDER COMMON CONTROL

On 31 January 2023, the Company entered into a share purchase agreement (the “**Share Purchase Agreement**”) with China Zhejiang Construction Group (H.K.) Limited (“**CZH**”), an intermediate holding company of the Company, pursuant to which the Company agreed to purchase the entire issued share capital of Zhejiang Construction Investment Environment Engineering Company Limited (“**ZCIEE**”), a company incorporated in the PRC (the “**Acquisition**”).

The consideration payable under the Share Purchase Agreement for the Acquisition was RMB201,000,000 (approximately HK\$228,409,090). Further details of the Acquisition are set out in the Circular of the Company dated 31 March 2023. The consideration paid was approximately HK\$227,876,000 and the Acquisition was completed on 8 May 2023.

The Company, CZH and ZCIEE were under the common control of Zhejiang Construction Investment Group Company Limited (“**ZCI**”), an intermediate holding company of the Company, before and after the Acquisition. The Acquisition has been accounted for based on the principles of merger accounting as if the Acquisition had occurred on the date when the combining entities first came under the common control of ZCI. Accordingly, the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the year ended 31 December 2023 and 2022 include the results and cash flows of ZCIEE and its subsidiaries (the “**ZCIEE Group**”) from the earliest date presented or since the date when the subsidiaries and/or business first came under the common control of ZCI, where this is a shorter period. The consolidated statement of financial position as at 31 December 2022 have been restated to include the carrying amounts of the assets and liabilities of the ZCIEE Group.

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

Effect on the consolidated statement of profit or loss for the year ended 31 December 2022

	As previously reported	Acquisition of the ZCIEE Group	Consolidation adjustment	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	6,266,589	142,840	–	6,409,429
Contract costs	<u>(6,046,024)</u>	<u>(106,907)</u>	<u>–</u>	<u>(6,152,931)</u>
Gross profit	220,565	35,933	–	256,498
Other income	3,905	4,992	–	8,897
Administrative expenses	(128,937)	(21,487)	–	(150,424)
Other operating expenses, net	(12,677)	(155)	–	(12,832)
Finance costs	<u>(18,579)</u>	<u>(1,684)</u>	<u>–</u>	<u>(20,263)</u>
PROFIT BEFORE TAX	64,277	17,599	–	81,876
Income tax expense	<u>(7,745)</u>	<u>(1,191)</u>	<u>–</u>	<u>(8,936)</u>
PROFIT FOR THE YEAR	<u>56,532</u>	<u>16,408</u>	<u>–</u>	<u>72,940</u>
Attributable to:				
Owners of the Company	56,532	15,574	–	72,106
Non-controlling interests	<u>–</u>	<u>834</u>	<u>–</u>	<u>834</u>
	<u>56,532</u>	<u>16,408</u>	<u>–</u>	<u>72,940</u>

Effect on the consolidated statement of comprehensive income for the year ended 31 December 2022

	As previously reported <i>HK\$'000</i>	Acquisition of the ZCIEE Group <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
PROFIT FOR THE YEAR	56,532	16,408	–	72,940
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	(12,907)	(22,626)	–	(35,533)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(12,907)	(22,626)	–	(35,533)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	43,625	(6,218)	–	37,407
Attributable to:				
Owners of the Company	43,625	(5,353)	–	38,272
Non-controlling interests	–	(865)	–	(865)
	43,625	(6,218)	–	37,407

Effect on the consolidated statement of financial position as at 31 December 2022

	At previously reported <i>HK\$'000</i>	Acquisition of the ZCIEE Group <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	25,998	2,937	–	28,935
Right-of-use assets	48,322	256	–	48,578
Operating concession rights	–	34,855	–	34,855
Receivables and contract assets under service concession arrangements	–	149,184	–	149,184
Other intangible assets	–	307	–	307
Prepayments and deposits	9,169	–	–	9,169
Deferred tax assets	3,500	165	–	3,665
Total non-current assets	86,989	187,704	–	274,693
CURRENT ASSETS				
Receivables and contract assets under service concession arrangements	–	6,326	–	6,326
Contract assets	2,064,030	50,100	–	2,114,130
Trade receivables	861,294	12,132	–	873,426
Prepayments, deposits and other receivables	49,010	4,748	–	53,758
Amounts due from an intermediate holding company	–	15,000	–	15,000
Amounts due from fellow subsidiaries	–	40,546	–	40,546
Loan to a fellow subsidiary	–	33,025	–	33,025
Tax recoverable	5,754	–	–	5,754
Restricted bank balance	–	168	–	168
Cash and cash equivalents	93,278	64,875	–	158,153
Total current assets	3,073,366	226,920	–	3,300,286
CURRENT LIABILITIES				
Trade and retention payables	1,491,780	22,717	–	1,514,497
Other payables, accruals and provision	848,985	81,599	–	930,584
Interest-bearing bank borrowings	170,000	2,239	–	172,239
Amounts due to an intermediate holding company	4,187	–	–	4,187
Amounts due to fellow subsidiaries	–	17,266	–	17,266
Loans from an intermediate holding company	18,988	–	–	18,988
Lease liabilities	18,765	–	–	18,765
Tax payable	3,905	1,175	–	5,080
Total current liabilities	2,556,610	124,996	–	2,681,606
NET CURRENT ASSETS	516,756	101,924	–	618,680
TOTAL ASSETS LESS CURRENT LIABILITIES	603,745	289,628	–	893,373

	At previously reported <i>HK\$'000</i>	Acquisition of the ZCIEE Group <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Provision	5,700	–	–	5,700
Lease liabilities	28,953	–	–	28,953
Interest-bearing bank borrowings	–	24,965	–	24,965
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-current liabilities	34,653	24,965	–	59,618
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets	569,092	264,663	–	833,755
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
EQUITY				
Share capital	5,000	212,134	(212,134)	5,000
Reserves	564,092	35,089	212,134	811,315
	<hr/>	<hr/>	<hr/>	<hr/>
Non-controlling interests	569,092	247,223	–	816,315
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity	569,092	264,663	–	833,755
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Effect on the consolidated statement of financial position as at 1 January 2022

	At previously reported <i>HK\$'000</i>	Acquisition of the ZCIEE Group <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	24,468	4,238	–	28,706
Right-of-use assets	62,717	457	–	63,174
Operating concession rights	–	39,606	–	39,606
Receivables and contract assets under service concession arrangements	–	126,827	–	126,827
Other intangible assets	–	284	–	284
Prepayments and deposits	8,261	–	–	8,261
Deferred tax assets	428	693	–	1,121
Total non-current assets	95,874	172,105	–	267,979
CURRENT ASSETS				
Receivables and contract assets under service concession arrangements	–	4,811	–	4,811
Contract assets	1,745,968	58,665	–	1,804,633
Trade receivables	707,195	14,169	–	721,364
Prepayments, deposits and other receivables	29,390	7,808	–	37,198
Amounts due from an intermediate holding company	–	8,779	–	8,779
Amounts due from fellow subsidiaries	–	49,205	–	49,205
Amounts due from a related party	–	211	–	211
Loan to a fellow subsidiary	–	36,081	–	36,081
Tax recoverable	336	–	–	336
Restricted bank balance	–	320	–	320
Cash and cash equivalents	69,137	47,214	–	116,351
Total current assets	2,552,026	227,263	–	2,779,289
CURRENT LIABILITIES				
Trade and retention payables	1,116,519	31,338	–	1,147,857
Other payables, accruals and provision	724,785	109,282	–	834,067
Interest-bearing bank borrowings	130,000	2,446	–	132,446
Amounts due to an intermediate holding company	28,058	–	–	28,058
Amounts due to fellow subsidiaries	–	4,904	–	4,904
Loans from an intermediate holding company	20,089	–	–	20,089
Lease liabilities	21,288	–	–	21,288
Tax payable	5,610	1,113	–	6,723
Total current liabilities	2,046,349	149,083	–	2,195,432
NET CURRENT ASSETS	505,677	78,180	–	583,857
TOTAL ASSETS LESS CURRENT LIABILITIES	601,551	250,285	–	851,836

	At previously reported <i>HK\$'000</i>	Acquisition of the ZCIEE Group <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Provision	7,000	–	–	7,000
Lease liabilities	38,384	–	–	38,384
Interest-bearing bank borrowings	–	31,801	–	31,801
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-current liabilities	45,384	31,801	–	77,185
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets	556,167	218,484	–	774,651
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
EQUITY				
Share capital	5,000	175,377	(175,377)	5,000
Reserves	551,167	41,139	175,377	767,683
	<hr/>	<hr/>	<hr/>	<hr/>
Non-controlling interests	556,167	216,516	–	772,683
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity	–	1,968	–	1,968
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity	556,167	218,484	–	774,651
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3.1 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**”) and the disclosure requirements of the Hong Kong Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. 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 less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

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

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{1,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ^{1,4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

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

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation *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. OPERATING SEGMENT INFORMATION

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

- (i) The construction operations segment engages in contract works as a main contractor primarily in respect of building construction works and RMAA works in Hong Kong, Malaysia and the United Kingdom.
- (ii) The environmental operations segment engages in construction, rehabilitation and operation of sewage and reclaimed water treatment plants as well as water distribution plants and other environmental related facilities and infrastructure in the PRC.

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/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss is measured consistently with the Group’s profit before tax except that interest income, corporate and other unallocated expenses, finance costs (other than interest on lease liabilities and discounted amounts of retention payables arising from the passage of time) are excluded from such measurement.

Segment assets exclude balances/loans with related parties, tax recoverable and deferred tax assets, as these assets are managed on a group basis.

Segment liabilities exclude balances/loans with related parties, interest-bearing bank borrowings, tax payable and deferred tax liabilities and as these liabilities are managed on a group basis.

There were no material intersegmental sales and transfers during the reporting period.

Year ended 31 December	Construction operations		Environmental operations		Total	
	2023	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (note 6)						
Sales to external customers	5,231,681	6,266,589	213,879	142,840	5,445,560	6,409,429
Segment results	130,791	95,447	19,110	16,705	149,901	112,152
<u>Reconciliation:</u>						
Interest income					1,932	2,803
Corporate and other unallocated expenses					(23,958)	(20,431)
Finance costs (other than interest on lease liabilities and discounted amounts of retention payables arising from passage of time)					(42,974)	(12,648)
Profit before tax					84,901	81,876
Income tax expense					(12,676)	(8,936)
Profit for the year					72,225	72,940

As at 31 December	Construction operations		Environmental operations		Total	
	2023	2022	2023	2022	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Segment assets	3,576,967	3,151,099	493,223	325,890	4,070,190	3,476,989
<u>Reconciliation:</u>						
Amounts due from an intermediate holding company					6,744	15,000
Amounts due from fellow subsidiaries					45,288	40,546
Loan to a fellow subsidiary					–	33,025
Tax recoverable					1,726	5,754
Deferred tax assets					7,407	3,665
Total assets					<u>4,131,355</u>	<u>3,574,979</u>
Segment liabilities	2,598,618	2,394,181	171,698	104,318	2,770,316	2,498,499
<u>Reconciliation:</u>						
Amounts due to an intermediate holding company					9,143	4,187
Amounts due to fellow subsidiaries					15,824	17,266
Loans from an intermediate holding company					274,143	18,988
Interest-bearing bank borrowings					415,583	197,204
Tax payable					10,534	5,080
Deferred tax liabilities					963	–
Total liabilities					<u>3,496,506</u>	<u>2,741,224</u>

Year ended 31 December	Construction operations		Environmental operations		Total	
	2023	2022	2023	2022	2023	2022
		(Restated)		(Restated)		(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information						
Depreciation of property, plant and equipment	8,754	10,250	893	1,156	9,647	11,406
Depreciation of right-of-use assets	22,216	21,127	161	168	22,377	21,295
Amortisation of operating concession rights	–	–	1,385	1,449	1,385	1,449
Amortisation of other intangible assets	–	–	82	208	82	208
Impairment of trade receivables	1,968	8,398	977	309	2,945	8,707
Impairment/(reversal of impairment) of contract assets	2,316	3,888	1,486	(233)	3,802	3,655
Impairment of receivables and contract assets under service concession arrangements	–	–	–	12	–	12
Capital expenditure	7,941	11,940	375	433	8,316	12,373

Geographical information

(a) Revenue from external customers

	2023	2022
		(Restated)
	HK\$'000	HK\$'000
Hong Kong	4,513,815	5,807,707
Chinese Mainland	213,879	142,840
Malaysia	168,877	203,610
United Kingdom	548,989	255,272
Total revenue	5,445,560	6,409,429

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

(b) *Non-current assets*

	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Hong Kong	59,638	71,780
Chinese Mainland	35,675	38,355
Malaysia	1,791	2,691
United Kingdom	3,603	2,900
	<u>100,707</u>	<u>115,726</u>
Total non-current assets	<u>100,707</u>	<u>115,726</u>

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

Information about major customers

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

	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Customer A	*	855,393
Customer B	671,898	689,388
	<u>671,898</u>	<u>689,388</u>

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

6. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>	5,436,917	6,403,358
<i>Revenue from other source</i>		
Finance income from service concession arrangements	8,643	6,071
	<u>8,643</u>	<u>6,071</u>
Total	<u>5,445,560</u>	<u>6,409,429</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
(A) Types of goods or services		
<u>Construction operations segment</u>		
Building construction works	4,703,000	4,995,343
RMAA works	528,681	1,271,246
	<u>5,231,681</u>	<u>6,266,589</u>
 <u>Environmental operations segment</u>		
Construction and rehabilitation services for environmental related facilities	128,874	65,119
Sewage and reclaimed water treatment services	68,717	63,323
Water distribution services	7,645	8,327
	<u>205,236</u>	<u>136,769</u>
 <i>Total revenue from contracts with customers</i>	<u><u>5,436,917</u></u>	<u><u>6,403,358</u></u>
 <i>Revenue from other sources</i>		
Finance income from service concession arrangements	8,643	6,071
	<u>8,643</u>	<u>6,071</u>
 Total revenue	<u><u>5,445,560</u></u>	<u><u>6,409,429</u></u>
 (B) Geographical markets		
<u>Hong Kong</u>		
Construction operations segment	4,513,815	5,807,707
 <u>Chinese Mainland</u>		
Environmental operations segment	205,236	136,769
 <u>Malaysia</u>		
Construction operations segment	168,877	203,610
 <u>United Kingdom</u>		
Construction operations segment	548,989	255,272
	<u>548,989</u>	<u>255,272</u>
 <i>Total revenue from contracts with customers</i>	<u><u>5,436,917</u></u>	<u><u>6,403,358</u></u>
 <i>Revenue from other sources</i>		
Finance income from service concession arrangements	8,643	6,071
	<u>8,643</u>	<u>6,071</u>
 Total revenue	<u><u>5,445,560</u></u>	<u><u>6,409,429</u></u>

	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
(C) Timing of revenue recognition		
<u>Goods transferred at a point in time</u>		
Environmental operations segment	7,645	8,327
<u>Services transferred over time</u>		
Construction operations segment	5,231,681	6,266,589
Environmental operations segment	197,591	128,442
	<u>5,429,272</u>	<u>6,395,031</u>
<i>Total revenue from contracts with customers</i>	5,436,917	6,403,358
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	8,643	6,071
	<u>8,643</u>	<u>6,071</u>
Total revenue	<u>5,445,560</u>	<u>6,409,429</u>
<u>Other income</u>		
Bank interest income	1,088	837
Interest income from a loan to a fellow subsidiary	844	1,966
Consultancy services income	–	1,944
Insurance compensation	7,700	–
Government grants (<i>note</i>)	1,322	1,763
Others	2,272	2,387
	<u>2,272</u>	<u>2,387</u>
Total other income	<u>13,226</u>	<u>8,897</u>

Note: Being wage subsidies provided by the Government of Hong Kong Special Administrative Region (the “**HKSAR Government**”) under the Employment Support Scheme (“**ESS**”) and subsidies for the incurred operating expenses arising from research and development activities provided by The People’s Government of Zhejiang Province. There are no unfilled conditions or contingencies related to these subsidies.

7. PROFIT BEFORE TAX

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

	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Contract costs	5,139,569	6,152,931
Depreciation of property, plant and equipment	9,647	11,406
Less: Amount included in contract costs	<u>(2,262)</u>	<u>(5,522)</u>
Amount included in administrative expenses	<u>7,385</u>	<u>5,884</u>
Depreciation of right-of-use assets	22,377	21,295
Less: Amount included in contract costs	<u>(6,870)</u>	<u>(2,241)</u>
Amount included in administrative expenses	<u>15,507</u>	<u>19,054</u>
Amortisation of operating concession rights included in contract costs	1,385	1,449
Amortisation of other intangible assets	82	208
Less: Amount included in contract costs	<u>(3)</u>	<u>(114)</u>
Amount included in administrative expenses	<u>79</u>	<u>94</u>
Lease payments not included in the measurement of lease liabilities	52,961	52,640
Less: Amount included in contract costs	<u>(51,499)</u>	<u>(49,599)</u>
Amount included in administrative expenses	<u>1,462</u>	<u>3,041</u>
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	449,303	410,115
Pension scheme contributions	<u>25,717</u>	<u>21,767</u>
	475,020	431,882
Less: Amount included in contract costs	<u>(375,286)</u>	<u>(345,456)</u>
Amount included in administrative expenses	<u>99,734</u>	<u>86,426</u>

	2023	2022
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	4,204	4,690
Impairment of trade receivables*	2,945	8,707
Impairment of contract assets*	3,802	3,655
Impairment of receivables and contract assets under service concession arrangements*	–	12
Loss/(gain) on disposal of items of property, plant and equipment, net*	(607)	76
Loss on modification of leases*	39	–
Foreign exchange differences, net*	1,937	(36)
Research and development expenses**	17,510	10,379
	<u> </u>	<u> </u>

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

** Research and development expenses are included in “administrative expenses” on the face of the consolidated statement of profit or loss.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	30,598	12,648
Interest on a loan from an intermediate holding company	12,376	–
Interest in discounted amounts of retention payables arising from the passage of time	8,507	6,627
Interest on lease liabilities	1,168	988
	<u> </u>	<u> </u>
Total	52,649	20,263
	<u> </u>	<u> </u>

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	8,381	8,217
Underprovision in prior years	1,517	184
Current – elsewhere	5,714	3,143
Deferred	(2,936)	(2,608)
	<u>12,676</u>	<u>8,936</u>
Total tax charge for the year	<u>12,676</u>	<u>8,936</u>

10. DIVIDEND

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim – HK1.5 cents (2022: HK2.5 cents) per ordinary share	7,500	12,500
Proposed final – HK1.8 cents (2022: HK1.8 cents) per ordinary share	9,000	9,000
	<u>16,500</u>	<u>21,500</u>

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$71,887,000 (2022 (restated): HK\$72,106,000), and the weighted average number of ordinary shares of 500,000,000 (2022: 500,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 31 December 2022.

12. TRADE RECEIVABLES

	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Trade receivables	832,747	887,241
Impairment	(16,393)	(13,815)
	<hr/>	<hr/>
Net carrying amount	816,354	873,426
	<hr/> <hr/>	<hr/> <hr/>

The Group's trading terms with its customers are on credit. The Group's credit period with customers range from 14 to 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Within 1 month	527,255	580,154
1 to 2 months	87,964	155,930
2 to 3 months	30,569	22,762
3 to 12 months	110,944	63,298
1 to 2 years	59,359	51,282
Over 2 years	263	–
	<hr/>	<hr/>
	816,354	873,426
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE AND RETENTION PAYABLES

		2023	2022 (Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<i>(a)</i>	848,529	836,361
Retention payables	<i>(b)</i>	685,763	678,136
		<hr/>	<hr/>
Total		1,534,292	1,514,497
		<hr/> <hr/>	<hr/> <hr/>

Notes:

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

	2023	2022 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	15,181	88,101
1 to 2 months	110,293	198,711
2 to 3 months	176,712	234,621
Over 3 months	546,343	314,928
	<hr/>	<hr/>
Total	848,529	836,361
	<hr/> <hr/>	<hr/> <hr/>

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

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

14. INTEREST-BEARING BANK BORROWINGS

	31 December 2023			31 December 2022 (Restated)		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate (%)	Maturity	HK\$'000
Current						
Bank loans – unsecured	Hong Kong Interbank Offered Rate ("HIBOR")+ 1.4% – 1.6%	On demand	210,000	HIBOR+ 1.4% – 1.7%	On demand	170,000
Bank loans – secured	3.9%	2024	132,420			–
Bank loans – secured	3.8%	2024	357			–
Bank loans – secured	China Loan Prime Rate ("LPR")	2024	2,207	LPR	2023	2,239
Total – current			344,984			172,239
Non-current						
Bank loans – secured	3.8%	2025-2032	48,198			–
Bank loans – secured	LPR	2025-2034	22,401	LPR	2024-2034	24,965
Total – non-current			70,599			24,965
Total			415,583			197,204

	2023	2022
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	344,984	172,239
In the second year	5,163	2,239
In the third to fifth years, inclusive	24,565	6,717
Beyond five years	40,871	16,009
	<hr/>	<hr/>
Total	415,583	197,204
	<hr/> <hr/>	<hr/> <hr/>

15. SHARE CAPITAL

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
10,000,000,000 (2022: 10,000,000,000) ordinary shares of HK\$0.01 each	100,000	100,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
500,000,000 (2022: 500,000,000) ordinary shares of HK\$0.01 each	5,000	5,000
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW

Construction Operations

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

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

As at 31 December 2023, the Group had 44 projects on hand with an aggregate original contract sum of approximately HK\$27.5 billion, which includes projects in progress and projects that have been awarded to the Group but not yet commenced.

During the Reporting Period, the Group had been awarded 15 new projects with an aggregate original contract sum of approximately HK\$6.0 billion and had completed 19 projects with an aggregate original contract sum of approximately HK\$4.3 billion.

During the Reporting Period, the Group received a total of 53 honours, including the Group has been awarded the “The Most Outstanding Construction Engineering Service of the Year” by Hong Kong Commercial Times; succeeded in being named as a finalist award at the “Green Building Award 2023 – New Building Category – Completed Project (Commercial) award” for its “Data Centre Development in Kwai Chung” project; succeeded in being selected as ‘The 2023 Qianjiang Cup for Quality Engineering Award’ for its projects including “The Kwun Tong Town Centre residential development”, Hong Kong Metropolitan University Jockey Club Institute of Healthcare” and “Hong Kong Science and Technology Park 6W Building”. During the Reporting Period, the Group has appeared in 873 articles by media platforms at provincial level and above, namely China Daily, Zhejiang Satellite TV and SingTao Daily.

Environmental Operations

The acquisition of ZCIEE in May 2023 is expected to further diversify the Group's business. Leveraging on existing contracts and the network, licences and qualifications of ZCIEE, the Group can expand and venture into the environmental improvement and protection related construction services; and sewage and reclaimed water treatment services. As such, the Group, since May 2023, is also engaged in construction, rehabilitation and operation of sewage and reclaimed water treatment plants as well as water distribution plants and other environmental related facilities and infrastructure in the People's Republic of China (the "PRC").

The PRC government is committed to addressing environmental issues, developing ecological conservation and achieving sustainable development, regulating relevant industries and companies as well as leading them towards high-quality growth, which was reflected in ecological and environmental protection guidelines and policies such as the Urban Waste Sorting and Treatment Facility Development Scheme for the 14th Five-Year Plan Period and the Urban Waste water Treatment and Recycling Program for the 14th Five-Year Plan Period. Taking into account of (i) stable revenue stream contributed by ZCIEE and its subsidiaries as seen from its historical combined financial performance; (ii) the PRC government's commitment in environmental industry; and (iii) the expected stable demand of environmental improvement and protection related services in the PRC, the Group is optimistic about the cash flow and profitability of the Group in environmental improvement and protection related construction services; and sewage and reclaimed water treatment services.

As at 31 December 2023, the Group had 17 projects on hand with an aggregate original contract sum of approximately HK\$0.3 billion.

THE PROSPECTS

During the Reporting Period, the global and Hong Kong economies were in a phase of recovery, and the progress of construction bidding gradually returned to pre-pandemic levels.

Subsequent to 31 December 2023, the Group has been further awarded 4 new projects relating to 3 building construction works contracts with original contract sum of approximately HK\$96.4 million and 1 RMAA works contract an with original contract sum of approximately HK\$599.0 million.

The group has also placed significant emphasis on technological innovation to enhance its core competitiveness in the construction industry. The total expenditure for research and development was approximately HK\$17.5 million. Our self-developed “CR Smart Site Safety System” (tentative name) has integrated various systems, including environmental sensors, Enertainers, gate monitoring systems, Building Information Modeling (BIM), artificial intelligence-based safety monitoring systems and IoT system. Managerial staffs can comprehensively and in real-time monitor the construction site through a mobile and web portal, ensuring the safety of construction activities. At the same time, the Group implements smart helmets in certain construction sites, which can detect the heart rate, blood pressure, and body temperature of site workers, as well as provide real-time location tracking. These smart helmets also incorporate Radio Frequency Identification (RFID) tags for correspondence with the heavy machines equipped with RFID sensors on the site. If any workers enter unauthorised restricted areas, the alarm system will be triggered, ensuring safety for workers.

As construction digitalisation continues to accelerate, the Group is keeping pace with the industry by adopting more digital tools to enhance management and construction safety, aligning with the government’s development of smart site.

In addition, ZCIEE collaborates with various universities for technological research. This includes conducting research and development of the technology for rural wastewater treatment with Zhejiang University of Technology, as well as conducting research on fly ash melting technology in partnership with Zhejiang Gongshang University. These research outcomes contribute to enhancing the technological level of the environmental industry.

The outlook for 2024 should remain stable. The government has recently announced in the Hong Kong Budget 2024-2025 that they have cancelled all demand-side management measures for residential properties, namely the Special Stamp Duty (SSD), Buyer’s Stamp Duty (BSD), and New Residential Stamp Duty (NRSD). Additionally, with ongoing projects in new development areas like the Northern Metropolis, they are anticipated to have a positive impact on our Group’s business. However, the Group will still face challenges such as talent shortages in the construction industry. To address these challenges, the Group will enhance the utilisation of the Labour Importation Scheme for the Construction Sector, continuing to dedicate efforts to seek out new and potential construction opportunities for profitable growth. Additionally, leveraging our industry experience and expertise, our Group is keen to explore suitable business opportunities in the construction sector both locally and overseas.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately HK\$963.8 million or approximately 15.0% from approximately HK\$6,409.4 million for the year ended 31 December 2022 to approximately HK\$5,445.6 million for the Reporting Period.

Construction Operations

- *Building Construction Works*

The revenue generated from the building construction works decreased by approximately HK\$292.3 million or approximately 5.9% from approximately HK\$4,995.3 million for the year ended 31 December 2022 to approximately HK\$4,703.0 million for the Reporting Period. The decrease was mainly due to the decrease in revenue generated from newer projects and existing projects to the Group during the Reporting Period.

- *RMAA Works*

The revenue generated from the RMAA works decreased by approximately HK\$742.6 million or approximately 58.4% from approximately HK\$1,271.3 million for the year ended 31 December 2022 to approximately HK\$528.7 million for the Reporting Period. The decrease was mainly attributable to existing projects were closed to completion during the Reporting Period.

Environmental Operations

The revenue generated from the environmental operations increased by approximately HK\$71.1 million or approximately 49.8% from approximately HK\$142.8 million for the year ended 31 December 2022 to approximately HK\$213.9 million for the Reporting Period. The increase was mainly attributable to increase in revenue from new and existing projects from construction and rehabilitation services during the Reporting Period.

Contract Costs

The Group's contract costs primarily consisted of subcontracting costs, material costs, direct staff costs, site overheads and provision for rectification works and claims. The contract costs of the Group decreased by approximately HK\$1,013.3 million or approximately 16.5% from approximately HK\$6,152.9 million for the year ended 31 December 2022 to approximately HK\$5,139.6 million for the Reporting Period. Such decrease was in line with the decrease in revenue and was mainly attributable to the decrease in subcontracting costs, material costs, direct staff costs and site overheads for new and existing projects, which was partially offset by increase in provision for rectification works and claims, during the Reporting Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from approximately HK\$256.5 million for the year ended 31 December 2022 to approximately HK\$306.0 million for the Reporting Period. The Group's gross profit margin was approximately 4.0% and 5.6% for each of the two years ended 31 December 2022 and 2023, respectively.

Construction Operations

- ***Building Construction Works***

The gross profit of building construction works was approximately HK\$204.4 million for the Reporting Period, representing an increase of approximately HK\$57.2 million from approximately HK\$147.2 million for the year ended 31 December 2022. The gross profit margin increased from approximately 2.9% for the year ended 31 December 2022 to approximately 4.3% for the Reporting Period. The increase in gross profit and gross profit margin was mainly due to additional cost incurred for variation orders for projects during the prior period, while the respective revenue were only certified during the Reporting Period.

- ***RMAA Works***

The gross profit of RMAA works was approximately HK\$61.7 million for the Reporting Period, representing a decrease of approximately HK\$11.7 million from the gross profit of approximately HK\$73.4 million for the year ended 31 December 2022. The gross profit margin increased by approximately 5.9 percentage points from approximately 5.8% for the year ended 31 December 2022 to approximately 11.7% for the Reporting Period. The decrease in gross profit and increase in gross profit margin was mainly due to decrease in revenue from RMAA works projects with higher gross profit margin during the Reporting Period.

Environmental Operations

The gross profit of environmental operations was approximately HK\$39.9 million for the Reporting Period, representing an increase of approximately HK\$4.0 million from the gross profit of approximately HK\$35.9 million for the year ended 31 December 2022. The gross profit margin decreased by approximately 6.4 percentage points from approximately 25.1% for the year ended 31 December 2022 to approximately 18.7% for the Reporting Period. The increase in the gross profit and decrease in gross profit margin for the Reporting Period was mainly due to increase in revenue from construction and rehabilitation services which contributed lower gross profit margin during the Reporting Period.

Other Income

The other income of the Group increased by approximately HK\$4.3 million, from approximately HK\$8.9 million for the year ended 31 December 2022 to approximately HK\$13.2 million for the Reporting Period. The increase was mainly attributable to the insurance compensation received during the Reporting Period, which was partially offset by the absence of consultancy services income generated by CR Construction (U.K.) Company Limited during the Reporting Period.

Administrative Expenses

Administrative expenses of the Group increased from approximately HK\$150.4 million for the year ended 31 December 2022 to approximately HK\$173.0 million for the Reporting Period. The increase was mainly due to the increase in staff costs, research and development expenses, and professional service fee incurred during the Reporting Period. The increase in staff costs was mainly attributable to increase in number of staff and increment of salaries while additional professional service fee was incurred for the acquisition of ZCIEE during the Reporting Period.

Other Operating Expenses, net

The other operating expenses of the Group decreased by approximately HK\$4.2 million, from approximately HK\$12.8 million for the year ended 31 December 2022 to approximately HK\$8.6 million for the Reporting Period. The decrease was primarily due to the decrease in expected credit losses provisioning on trade receivables and contract assets according to HKFRS 9 charged to consolidated statement of profit or loss during the Reporting Period.

Finance Costs

The finance costs of the Group increased from approximately HK\$20.3 million for the year ended 31 December 2022 to approximately HK\$52.6 million for the Reporting Period. The increase was mainly due to the increase in the Hong Kong Interbank Offered Rate (HIBOR) on bank loans and additional borrowings from banks and an intermediate holding company during the Reporting Period.

Income Tax Expense

The income tax expense increased by approximately HK\$3.8 million, or representing approximately 42.7%, from approximately HK\$8.9 million for the year ended 31 December 2022 to approximately HK\$12.7 million for the Reporting Period. The increase was mainly due to the utilisation of tax losses for offsetting against assessable profits during the year ended 31 December 2022. The effective tax rates were approximately 10.9% and 14.9% for each of the two years ended 31 December 2022 and 2023, respectively.

Net Profit and Adjusted Net Profit

The net profit for the year of the Group decreased by approximately HK\$0.7 million, or approximately 1.0%, from approximately HK\$72.9 million for the year ended 31 December 2022 to approximately HK\$72.2 million for the Reporting Period. The net profit margin for the two years ended 31 December 2022 and 2023 were approximately 1.1% and 1.3%, respectively.

If excluding the restatement resulted from the acquisition of ZCIEE, the previously reported net profit and net profit margin of the Group would amount to approximately HK\$56.5 million and 0.9% for the year ended 31 December 2022, respectively.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 906 employees as at 31 December 2023 (31 December 2022: 883). Total staff costs of the Group (excluding the Directors' remuneration) for the Reporting Period were approximately HK\$464.7 million (2022: approximately HK\$419.0 million). If excluding the restatement resulted from the acquisition of ZCIEE, the Group had a total of 757 employees as at 31 December 2022, and total staff costs of the Group (excluding the Directors' remuneration) for the year ended 31 December 2022 were approximately HK\$393.5 million. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees. The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary, bonus and other cash subsidies system. The Group conducts review on salary adjustment, discretionary bonuses and promotions based on the performance of each employee twice a year. The emoluments of the Directors and the senior management are decided by the Board with reference to the recommendation from the remuneration committee of the Company, having considered factors such as the Group's financial performance and the individual performance of the Directors, etc.

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

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

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OF SUBSIDIARIES

Acquisition of entire equity interest in ZCIEE

On 31 January 2023, the Company and China Zhejiang Construction Group (H.K.) Limited (the “**Seller**”), one of the controlling shareholders of the Company, entered into the share purchase agreement (the “**Share Purchase Agreement**”), pursuant to which the Company has conditionally agreed to acquire and the Seller has conditionally agreed to sell to the Company the entire equity interest in ZCIEE at the Consideration of RMB201,000,000 (equivalent to approximately HK\$228,409,090) (the “**Acquisition**”). The ZCIEE is principally engaged in construction, rehabilitation and operation of sewage and reclaimed water treatment plants as well as water distribution plants and other environmental related facilities and infrastructure in the PRC. The Acquisition constituted a major transaction and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules. For further details of the Acquisition, please refer to the announcements of the Company dated 31 January 2023 and 10 February 2023, respectively and the circular of the Company dated 31 March 2023.

The resolution of the Acquisition was duly passed at the extraordinary general meeting of the Company held on 28 April 2023. All the conditions precedent under the Share Purchase Agreement have been fulfilled, the completion took place on 8 May 2023 and the ZCIEE has become a wholly-owned subsidiary of the Company and the financial results of the ZCIEE and its subsidiaries has been consolidated into the consolidated financial statements of the Company based on the principles of merger accounting.

The Company considers that the Acquisition represents an opportunity for the Group to diversify and venture into the environmental improvement and protection related construction services; and sewage and reclaimed water treatment services in the PRC, which contributes to the cash flow and profitability of the Group.

CAPITAL EXPENDITURE

During the Reporting Period, the Group invested approximately HK\$8.3 million (2022: approximately HK\$12.4 million) on acquisition of property, plant and equipment and intangible assets. Capital expenditure was principally funded by internal resources.

CAPITAL COMMITMENTS

The Group had capital commitments of approximately HK\$16.2 million as at 31 December 2023 (2022: approximately HK\$26.0 million).

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no other contingent liabilities as at 31 December 2023:

- (a) As at 31 December 2023, performance bonds of approximately HK\$1,800.1 million (2022: approximately HK\$1,518.0 million) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work.

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

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

FOREIGN EXCHANGE EXPOSURE

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

GEARING RATIO

As at 31 December 2023, the gearing ratio of the Group, which is calculated by dividing net debt with equity attributable to equity holders of the Company plus net debt, was approximately 42.3% (2022: approximately 6.6%). Net debt includes interest-bearing bank borrowings and loans from an intermediate holding company, less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Reporting Period, the Group maintained a healthy liquidity position, with working capital financed mainly by internal and external resources.

As at 31 December 2023, the Group reported net current assets of approximately HK\$374.5 million, as compared with approximately HK\$618.7 million as at 31 December 2022. As at 31 December 2023, the Group's cash and cash equivalents were approximately HK\$236.0 million, representing an increase of approximately HK\$77.8 million as compared to approximately HK\$158.2 million as at 31 December 2022. Analysis of the maturity profile of the interest-bearing bank borrowings of the Group as at 31 December 2023 and 31 December 2022 is set out in the note 14 to the consolidated financial information of this announcement.

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

DEBTS AND CHARGE ON ASSETS

The Group had interest-bearing bank borrowings of approximately HK\$415.6 million as at 31 December 2023 (2022: HK\$197.2 million). As at 31 December 2023, the Group pledged receivables and contract assets under service concession arrangements with net book value of HK\$174.6 million (31 December 2022 (restated): HK\$44.4 million), and shares of ZCIEE held by the Group to bank to finance loans in the PRC.

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

TREASURY POLICY

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group may from time to time consider appropriate new business opportunities and when appropriate, in order to enhance its Shareholders' value. Save as disclosed herein, there was no specific plan for material investments or capital assets as at 31 December 2023.

DIVIDEND

The Board recommended the payment of a final dividend of HK1.8 cents (2022: HK1.8 cents) per Share for the Reporting Period. The proposed dividend will be payable on or before Friday, 26 July 2024, subject to the approval of the Shareholders at the forthcoming 2024 Annual General Meeting ("AGM") of the Company to be held on Friday, 21 June 2024.

CLOSURE OF THE REGISTER OF MEMBERS

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

The register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, during which period no transfers of Shares shall be effected. In order to qualify for attending and voting at the AGM to be held on Friday, 21 June 2024, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 17 June 2024.

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

The register of members of the Company will also be closed from Friday, 28 June 2024 to Wednesday, 3 July 2024, both days inclusive, in order to determine the entitlement of the Shareholders who are entitled to receive the final dividend, during which period no transfers of Shares shall be effected. In order to qualify for the entitlement of final dividend, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 27 June 2024.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Listing Rules as its own code of corporate governance since the Listing Date.

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

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

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

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company's auditor, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held on Friday, 21 June 2024 and the notice of the AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

PUBLICATION OF THE ANNUAL RESULTS AND 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

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

Hong Kong, 21 March 2024

As at the date of this announcement, the Company has three executive directors, namely Mr. Guan Manyu, Mr. Li Kar Yin and Mr. Chan Tak Yiu; three non-executive directors, namely Mr. Yang Haojiang, Ms. Ding Shaojian and Mr. Fan Jingbo; and four independent non-executive directors, namely The Honourable Tse Wai Chun Paul JP, Mr. Ho Man Yiu Ivan, Mr. Lau Pak Shing and Mr. Lai Yuk Fai Stephen JP.