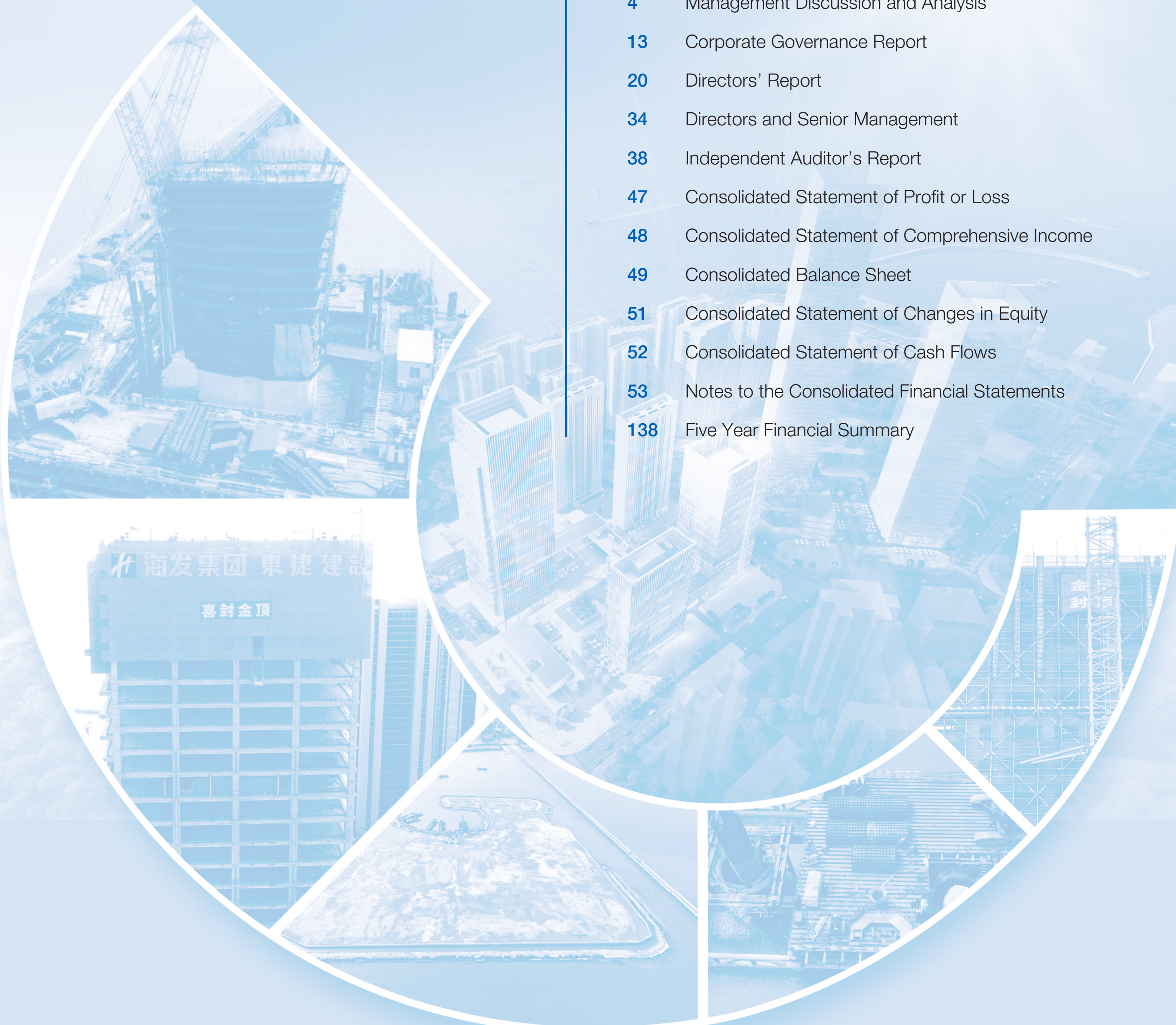
瑞港建設控股有限公司
Prosper Construction Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6816

ANNUAL REPORT 2022

Contents

2	Corporate Information
3	Chairman’s Statement
4	Management Discussion and Analysis
13	Corporate Governance Report
20	Directors’ Report
34	Directors and Senior Management
38	Independent Auditor’s Report
47	Consolidated Statement of Profit or Loss
48	Consolidated Statement of Comprehensive Income
49	Consolidated Balance Sheet
51	Consolidated Statement of Changes in Equity
52	Consolidated Statement of Cash Flows
53	Notes to the Consolidated Financial Statements
138	Five Year Financial Summary



Corporate Information

Executive Directors

Mr. Jiang Hongchang *(Chairman)*
Mr. Liu Yutao *(Chief Operating Officer)*
Mr. Yang Zhenshan
Mr. Yang Honghai
Mr. Ni Chuchen

Non-executive Director

Mr. Cui Qi

Independent Non-executive Directors

Mr. Cheung Chi Man Dennis
Mr. Wang Yaping
Mr. Cheng Xuezhan

Audit Committee

Mr. Cheung Chi Man Dennis *(Chairman)*
Mr. Wang Yaping
Mr. Cheng Xuezhan

Nomination Committee

Mr. Jiang Hongchang *(Chairman)*
Mr. Yang Zhenshan
Mr. Cheung Chi Man Dennis
Mr. Wang Yaping
Mr. Cheng Xuezhan

Remuneration Committee

Mr. Wang Yaping *(Chairman)*
Mr. Cheung Chi Man Dennis
Mr. Cheng Xuezhan
Mr. Jiang Hongchang
Mr. Yang Honghai

Risk Management Committee

Mr. Jiang Hongchang *(Chairman)*
Mr. Cui Qi
Mr. Cheung Chi Man Dennis
Mr. Wang Yaping
Mr. Cheng Xuezhan

Strategy and Investment Committee

Mr. Jiang Hongchang *(Chairman)*
Mr. Yang Honghai
Mr. Cheung Chi Man Dennis
Mr. Wang Yaping
Mr. Cheng Xuezhan

Company Secretary

Mr. Lee Baldwin

Authorised Representatives

Mr. Cui Qi
Mr. Lee Baldwin

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Rooms 03-08, 24/F, Shui On Centre,
6-8 Harbour Road, Wanchai,
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Share Registrar and Transfer Office

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of Communications (Hong Kong) Limited

Stock code

6816

Company Website

www.prosperch.com

Chairman's Statement

On behalf of the board of directors ("Board") of Prosper Construction Holdings Limited ("Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 ("Year 2022" or "Year").

The Year 2022 continued to be a year of full of challenges for the Group. Performance of the Group's general construction contracting business were hampered by movement control administered at various time during the first half of the Year, which led to delay in progress of on-going projects and the launch and negotiation of potential new projects. Limited number of flights in and out of Hong Kong also hindered the negotiation and bidding of marine construction and related projects located overseas. The Group's operation picked up in the second half of the Year as disease control measures were gradually lifted, but the impacts of the COVID outbreak over the past two years, such as disruption to project schedule and supply chain, rising commodity prices etc., still plagued the Group and hurt profitability of our projects.

To prepare ourselves to take on the expectant surge in business activities associated with governmental policies on economic recovery, the Group made a strategic step to take over control of an architecture design service provider in Qingdao with the aim to enhance the Group's reach and competitiveness in the construction market in the PRC. The Group's marine construction and related business segment is also expected to recover in year 2023 as projects in the Philippines and Macao are set to be launched, while negotiation for a number of key projects in Indonesia and the Philippines is actively progressing. The outlook of the marine construction market in Hong Kong remains promising and will be driven by the Lantau Tomorrow Vision blueprint promulgated by the Hong Kong government, which aimed to develop Lantau into a local hub as part of the larger Greater Bay Area megalopolis development by the state council of the Chinese government. The Lantau Tomorrow Vision calls for both conservation as well as development and that Lantau being the largest island in Hong Kong, it is expected marine construction and conservation expertise will be a key element in projects associated therewith, providing tremendous business opportunities to the Group in the medium to long term.

The Group shall follow the strong national development roadmap and is well-positioned to take on opportunities available on the national or cross-nation level in the post-pandemic period brought on by governmental policies to stimulate economy rebound and is confident that its business strategies will drive the Group towards becoming a well-respected integrated construction and engineering solution provider.

On behalf of the Board, I would like to express our heart-felt gratitude to our business partners, shareholders and staff members for their confidence and unwavering support through the particularly harsh operating environment in the past two years. We are confident the Company can overcome the turbulence and steer into smooth sailing in the near future.

JIANG Hongchang
Chairman and Executive Director

29 March 2023

* for information purposes only

Management Discussion and Analysis

Business Review

The Group's General Construction Business was adversely affected by movement control administered in the PRC during first half of the Year 2022, which caused interruption of current projects and delay in launch of new projects. Business and operation picked up in the second half of the year but revenue from this business segment for the Year 2022 overall recorded a decline from the year ended 31 December 2021 ("Year 2021" or "Previous Year").

The Group's Marine Business was mainly driven by projects in Hong Kong, as overseas projects had substantially been completed prior to the Year 2022 and negotiations for new projects had been restricted during the past two years due to COVID outbreak. The Group's existing land reclamation project and trestle bridge project in Macao progressed to the final stage during Year 2022. Meanwhile the Group had entered into a cooperation agreement with the main contractor of a new land reclamation project in Macao, the commencement of which is still pending for administrative clearance from project owner. Furthermore, given the relatively long lead time in completion of projects Macao, profitability were hampered by rising material prices and additional overhead costs.

A summary of the Group's revenue by geographic locations and major projects for the Year 2022 is set out below.

	Revenue recognised in Year 2022 HK$'million	**Contribution to total revenue**
Marine construction works and auxiliary marine related services (collectively, the "Marine Business")		
Hong Kong		
Rock placement for underwater pipeline	206.1	7.1%
Sheet pile cofferdam	26.4	0.9%
Others	49.9	1.7%
Macao		
Reclamation project	97.8	3.4%
Trestle bridge and dredging	35.7	1.2%
Others	30.5	1.4%
Other locations		
Marine construction works	7.8	0.3%
Auxiliary marine services	5.7	0.2%

	Revenue recognised in Year 2022 HK$'million	Contribution to total revenue
General construction contracting services (the "General Construction Business")		
Qingdao		
Technology personnel residential project	189.8	6.6%
Science and technology innovation centre project	156.1	5.4%
Arts and crafts college	221.1	7.7%
Residential development (zone B)	140.8	4.9%
Residential development	127.5	4.4%
Other smaller general construction projects	1,584.0	54.8%
Total	2,879.2	100.0%

As noted above, revenue from General Construction Business contributed approximately HK$2,419.3 million or 84.0% of the Group's revenue for the Year 2022.

Outlook and Prospects

After more than 2 years of restricted business activities since the COVID-19 outbreak, negotiation and planning for a number of projects which were previously halted has gradually resumed. The Group has recently been awarded an auxiliary marine related service project in the Philippines with an estimated contract sum of over US$55 million and our management team is closely monitoring the development of potential marine construction projects under planning by our target customers along the belt-and-road region where it has commendable business record, such as Pakistan and Indonesia.

As part of the governmental initiative for urban development of the Qingdao West Coast New Area, the Group expects a large number of projects to be launched in the foreseeable future. Our management team is currently in negotiation with central government controlled property development operators on potential construction projects and the Group's participation in construction projects related to the Company's controlling shareholder, the Haifa Group, will continue to rise. The Group had been assessing means to strengthen cooperation with architectural and construction design institutes with a view to enhance the competitiveness of our General Construction Business and completed an investment in an architectural design company in January 2023; it is expected such strategic investment will enhance the Group's access to market intelligence, construction solution capability and overall reach and competitiveness for both public and private sector projects.

The status of the Group's key projects on hand is set out below.

Project(s) that have already commenced as at 31 December 2022	Estimated remaining contract value
Qingdao	
Industrial facility	RMB56 million
Commercial building	RMB53 million
Residential development	RMB158 million
Residential development	RMB117 million
Residential development	RMB82 million
Hong Kong	
Structural steel works for ecommerce centre	HK$43.6 million

Project(s) commencing or newly awarded after 31 December 2022	Estimated remaining contract value
Philippines	
Provision of auxiliary marine related services	US$55 million
Hong Kong	
Pier construction at outlying island	HK$79.1 million

Financial Review

Revenue

The Group recorded revenue of HK$2,879.2 million for the Year 2022, representing a decrease of approximately 9.6% from the year ended 31 December 2021 ("Year 2021" or "Previous Year") as a combined result of (i) a decrease in revenue from General Construction Business by approximately HK$257.1 million, mainly from projects in the PRC; (ii) a decrease in revenue from auxiliary marine related services by approximately HK$71.6 million; (iii) an increase in revenue from Marine Construction Works approximately HK$22.0 million. The drop in revenue from the General Construction Business segment was mainly attributable to travelling restrictions administered in the PRC during first half of the Year 2022 which caused interruption of current projects and delay in launch of new projects. Majority of revenue from the Marine Business for the Year 2022 was generated from marine construction projects in Hong Kong, which compensated for the drop in revenue from overseas projects, particularly from auxiliary marine related services, as negotiations for overseas projects had been restricted during the past two years due to COVID outbreak. A breakdown of the Group's revenue from major projects and by geographic location is set out in the section headed "Business Review" above.

Cost of sales and gross profit

Cost of sales for the Year 2022 decreased by 10.8% to HK$2,658.6 million, which is generally consistent with the drop in revenue. Gross profit margin in Year 2022 improved to 7.7%, as compared to 6.4% for Year 2021, which led to a rise in gross profit by 7.6% to HK$220.6 million for Year 2022 despite the drop in revenue. Profit margin of the General Construction Business segment improved to 8.5% for Year 2022 (Year 2021: 6.1%), while on the other hand profit margin of the Marine Business segment decreased to 5.3% for Year 2022 (Year 2021: 8.4%). The rise in profit margin in General Construction business was attributable to new construction solution service introduced during the Year and successful negotiation of settlement compensation for a number of projects. The decline in profit margin in the Marine Business segment was mainly due to additional costs incurred on projects in Macao as a result of rise in material prices.

Provision for impairment losses on financial assets

The Group adopted a systematic approach in assessing the overall risk of default on its financial assets, which resulted in an additional provision of HK$11.3 million made against the Group's receivables and contract assets balances as at 31 December 2022.

Research and development expenses

Research and development expenses increased by HK$6.6 million to HK$17.9 million for the Year 2022 as more resources were allocated to the research and development of curtain wall engineering and construction technology.

Other administrative expenses

Other administrative expenses mainly comprised of staff costs, depreciation and amortisation, professional fees and bad debts written off. Other administrative expenses increased by HK$33.9 million to HK$129.6 million for the Year 2022 mainly as a result of increase in headcount and associated staff cost by HK$17.6 million and rise in professional fees by HK$8.0 million in relation to compliance and licensing matters.

Income tax expenses

Income tax expenses for the Year 2022 mainly comprised profits tax provision for operation in the PRC and provision of deferred tax credits for operation in Macao.

The Group's marine construction business in Macao is subject to Macao complementary income tax at a rate of 12%.

The Group's general construction contracting business in Qingdao is subject to PRC corporate income tax at a rate of 25% except for a subsidiary which qualify as High-New Technology Enterprises which are subject to a tax rate of 15%.

Operating profit, finance costs and profit before tax

Operating results for Year 2022 was hampered by rise in research and development expenses and other administrative expenses as mentioned above. Consequently, the Group's operating profit for Year 2022 grew by approximately HK$4.1 million or 5.8% only.

Furthermore, interest rate was consistently on the rise in both the Hong Kong and the PRC capital market during the Year 2022, which led to an increase in net finance costs by HK$15.5 million.

Overall, the Group recorded a profit before tax of HK$19.8 million for Year 2022, as compared to HK$31.2 million for Year 2021. As majority of the Group's profit was generated from its General Construction Business segment in the PRC through certain non-wholly owned subsidiaries, a portion of such profit is attributable to such non-controlling interest; consequently, the results attributable to equity holders of the Company recorded a loss of approximately HK$12.2 million for the Year 2022, as compared to a profit of HK$2.6 million for the Previous Year.

Property, plant and equipment

As at 31 December 2022, the Group owned a total of 44 units of marine vessels and 190 units of machinery and equipment and an office building in Qingdao, PRC.

The additions to property, plant and equipment during the Year 2022 were mainly related to (i) the construction of a building in Qingdao being used as the operating headquarter for curtain wall business division and (ii) overhaul and modification works on the Group's fleet of vessel.

Trade, retention and notes receivables and amounts due from fellow subsidiaries

The Group's trade, retention and notes receivables increased by approximately HK$304.3 million to HK$860.2 million as at 31 December 2022, of which approximately HK$250.6 million pertained to the Marine Business segment while approximately HK$609.6 million pertained to the General Construction Business segment.

The Group's amounts due from fellow subsidiaries decreased by approximately HK$382.8 million to HK$1,056.9 million as at 31 December 2022 and pertained to the General Construction Business segment which comprised of receivables for works on projects pending settlement by the fellow subsidiaries.

Contract assets/liabilities

Contract assets represent amounts due from customers for contract works performed which had not been billed as at the end of the year. The balance of contract assets as at 31 December 2022 for the Marine Business and General Construction Business was approximately HK$233.2 million and HK$1,396.8 million respectively. Majority of the contract assets in the Marine Business was related to completed projects in Hong Kong which were pending the finalisation of project account. The Group has commenced dispute resolution procedures for the aforesaid projects and based on preliminary assessment by the Group's project legal consultant, the Group is expected to be able to recover not less than the carrying value of the contract assets as at 31 December 2022 for these projects.

Contract liabilities as at 31 December 2022 represent amounts due to contract customers for payment received in excess of revenue recognisable by the Group according to the progress achieved.

Liquidity, Capital Structure and Gearing

The Group's net current asset balance and net debt position as at 31 December 2022 was approximately HK$469.5 million (31 December 2021: HK$727.8 million) and HK$672.8 million (31 December 2021: HK$917.9 million) respectively. The Group's gearing ratio (calculated by dividing total debts by total equity) as at 31 December 2022 was 198.4% and remained relatively stable as compared to the Previous Year (31 December 2021: 203.4%). The Group did not have any unutilised banking facilities as at 31 December 2022 (31 December 2021: Nil).

The maturity and interest rate profits of the Group's borrowings are set out in note 28 to the consolidated financial statements.

Foreign Exchange

Operations of the Group was mainly conducted in Chinese Renminbi ("RMB"), Hong Kong dollars ("HK$"), Macao Patacas ("MOP"), United States dollars ("US$") (together, the "Major Currencies"), Malaysian Ringgit ("MYR") and Indonesian Rupiahs ("IDR"). The Group did not adopt any hedging policy and the Directors consider that the exposure to foreign exchange risks can be mitigated by using the Major Currencies (i) as principal currencies in the Group's contracts with customers; and (ii) to settle payments with its suppliers and operating expenses where possible. In the event that settlement from the Group's customer is received in MYR, IDR or a currency other than the Major Currencies, such currency will be retained for payment of operating expenditures only as required and the remaining foreign currency will be converted to HK$ or US$ promptly.

Capital Expenditures

The Group generally finances its capital expenditures by cash flows generated from its operation and long-term bank borrowings. During the Year 2022, the Group invested approximately HK$12.5 million in overhaul and modification of vessels and approximately HK$26.7 million in construction of building properties, among others.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year 2022.

Significant Investments Held

The Group had not held any significant investments during the Year 2022.

Charges on Assets

As at 31 December 2022, deposits of HK$42.1 million (2021: HK$71.7 million) were pledged to secure for the Group's bank borrowings.

Contingent Liabilities

Save for the disclosure set out in note 31 to the consolidated financial statements, the Group has no material contingent liabilities.

Relationships with Employees, Customers and Suppliers

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners and improving the quality of services to the customers.

Employees and remuneration policies

Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and its workers are provided with regular training courses on operation of different types of machinery, as well as work safety. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The number of staff of the Group by functions as at 31 December 2022 and 2021 are as follows:

	As at 31 December	
	2022	2021
Management and administration	**161**	104
Accounting and finance	**26**	26
Human resources	**7**	9
Project management	**97**	147
Project execution	**347**	345
	638	631

The total staff costs of the Group (including Directors' emoluments, salaries to staff, direct wages and other staff benefits included provident fund contributions and other staff benefits) for the Year 2022 was approximately HK$186.5 million (2021: HK$154.8 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.

Customers and suppliers

The executive Directors and the Group's management team maintain frequent contact with both public and private sector participants in the construction industry in Hong Kong, Macao and overseas to keep abreast of market developments and potential business opportunities. Having been in operation in Hong Kong since 2001, and with the prior experience of the Group's senior management members in managing similar projects overseas, the Group has developed a good reputation in the construction industry. With the Group's experience in working with PRC state-owned construction enterprises and their branch offices in Hong Kong and overseas, the Group has up-to-date information regarding new business opportunities in infrastructure projects to be undertaken or tendered by such construction enterprises in Hong Kong, Macao and Southeast Asia. The Directors believe that the Group has maintained and will be able to continue to maintain good relationships with customers, potential customers, suppliers, subcontractors and other parties involved in the business. The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

Dividend

The board of Directors do not recommend payment of a dividend for the Year 2022.

Environmental Policies

The Group is committed to environment conservation when undertaking its operation and has implemented various systems and measures to minimise the possibility of pollution and to preserve the marine ecological environment, which include but are not limited to the following:

(i) identifying environmental protection requirements in project tender documents and assessing whether the Group has the capability to meet such requirements;

(ii) taking into consideration the environmental impacts in project planning and the design of work method statements;

(iii) equipping all of the Group's vessels with fuel leakage defence equipment for suppressing the spread of floating fuel spills in case of leakage;

(iv) installing facilities as required to prevent contamination, such as silt curtains to prevent sediment pollution when carrying out land reclamation works and underwater bubble curtains to act as a noise barriers to reduce noise level from marine piling works; and

(v) sorting excavated materials from dredging and excavation works for recycling use or disposal, and in case of contaminated sediment, disposing of the excavated materials at designated dumping area according to the relevant regulations.

The Group is accredited with ISO14001 and follows the procedures and requirements of the environmental management system in its operation. There had been no sanctions or penalties imposed on the Group for violation of any environmental laws or regulations during the Year 2022.

Principal Risk and Uncertainty

The Group's operation is subject to general economic and market risks which may affect the competition and profitability of marine construction projects. Furthermore, the Group's ability to successfully bid for or execute projects is dependent on its ability to devise effective and efficient work methods and the availability of vessels and equipment. The Group's operation at overseas locations is susceptible to potential political unrests, changes in business, foreign investment, taxation and currency control regulations at such jurisdictions.

Significant Events After the Financial Year

No significant event has occurred after 31 December 2022 and up to the date of this report which would have a material effect on the Group.

Corporate Governance Report

Corporate Governance Practices

The Company is committed to maintain a high standard of corporate governance and considers that conducting business in an ethical and responsible manner will generate the highest level of benefits to its shareholders and the Group in the long term. The Board will continuously review and improve the Group's corporate governance practices in order to uphold a transparent and effective corporate governance function for the Group.

The Company has adopted the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and has complied with the code provisions throughout the Year 2022, except that the role of chairman of the Board and chief executive officer of the Group were not segregated since 28 June 2022 and have been taken up by the same person, Mr. Jiang Hongchang. The Board is of the view that having the same person as the chairman of the Board and the chief executive officer can ensure unified leadership within the Group and render the overall strategic planning of the Group more effective and efficient. The Board believes that the current arrangement will not impair the balance of power and authority within the Group, and the current structure will enable the Company to make and implement decisions more quickly and effectively.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") and all the Directors confirmed, upon specific enquiry made, that they complied with the Model Code throughout the Year 2022.

The Company has also established guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company and there is no incident of non-compliance with such guidelines by the relevant employees throughout the Year 2022.

Board of Directors

The Board is responsible for leading and directing the Group's business through formulation of overall strategies and policies, evaluation of performance and overseeing the management function. In discharging its duties, the Board acts in good faith with due diligence and care, and makes decisions objectively in the best interests of the Company and its shareholders. The execution of strategies and implementation of policies in the Group's daily operations are delegated to the management team.

The composition of the Board during the Year 2022 and the attendance record of each Director at board meetings and general meetings held during the Year 2022 are set out below.

	Attendance/ Board meetings held	Attendance/ General meetings held
Executive Directors		
Mr. Jiang Hongchang *(Chairman and Chief Executive Officer)*	3/5	0/0
Mr. Liu Yutao *(Chief Operating Officer)*	3/5	0/0
Mr. Yang Zhenshan	6/8	1/1
Mr. Yang Honghai	4/8	1/1
Mr. Ni Chuchen	4/4	0/0
Mr. Cui Qi *(redesignate as non-executive Director on 28 June 2022)*	5/5	1/1
Mr. Wang Xuejun *(Retired on 28 June 2022)*	3/3	0/1
Mr. Ding Hongbin *(Retired on 28 June 2022)*	1/3	0/1
Mr. Jiang Shuang *(Retired on 28 June 2022)*	3/3	0/1
Non-executive Director		
Mr. Cui Qi *(Honorary President) (redesignate as non-executive Director on 28 June 2022)*	3/4	0/0
Independent Non-executive Directors		
Mr. Cheung Chi Man Dennis	8/8	1/1
Mr. Wang Yaping	8/8	1/1
Mr. Cheng Xuezhan	6/8	1/1

Biographic details of and the relationship amongst the Directors are presented in the "Directors and Senior Management" section of this annual report. Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, while each of the non-executive and independent non-executive Directors has been appointed for an initial term of one year except Mr. Cheung Chi Man Dennis, who has been appointed for an initial term of two years. Notwithstanding the specific term of appointment, provisions of the Company's articles of associations require that every Director is subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company.

Each of the Directors has participated in continuous professional development seminar organised by the Company or studied the seminar materials to develop their knowledge and skills during the Year 2022.

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

The composition of the Board provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal and the independent non-executive Directors provide independent judgment in the Board's overall decision making process.

Board Committee

As an integral part of good corporate governance, the Board has established four committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee. The summary of their work during the Year 2022 is as follows:

— developed and reviewed the Company's policies and practices on corporate governance and make recommendations;

— reviewed and monitored the training and continuous professional development of Directors and senior management of the Group;

— reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

— developed, reviewed and monitored the code of conduct and compliance manual applicable to employees of the Group and the Directors; and

— reviewed the Company's compliance with CG Code and disclosure in the corporate governance report.

The composition of each committee and attendance of members at committee meeting held during the Year 2022 are as follow.

Composition of Board committees	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Strategy and Investment Committee
	Attendance/Number of meetings held (C=Chairman; M=Member of the committee)				
Independent Non-executive Directors					
Mr. Cheung Chi Man Dennis	5/5 (C)	2/2 (M)	1/1 (M)	1/1 (M)	1/1 (M)
Mr. Wang Yaping	5/5 (M)	2/2 (C)	1/1 (M)	1/1 (M)	1/1 (M)
Mr. Cheng Xuezhan	4/5 (M)	2/2 (M)	1/1 (M)	1/1 (M)	1/1 (M)
Executive Directors					
Mr. Jiang Hongchang *(appointed to the committee on 28 June 2022)*	N/A	1/1 (M)	0/0 (C)	0/0 (C)	1/1 (C)
Mr. Yang Honghai *(appointed to the committee on 28 June 2022)*	N/A	1/1 (M)	0/0 (M)	N/A	1/1 (M)
Mr. Wang Xuejun *(ceased on 28 June 2022)*	N/A	N/A	1/1 (C)	N/A	N/A
Mr. Yang Zhenshan *(ceased on 28 June 2022)*	N/A	N/A	1/1 (M)	N/A	N/A
Mr. Ding Hongbin *(ceased on 28 June 2022)*	N/A	N/A	N/A	0/1 (M)	N/A
Mr. Jiang Shuang *(ceased on 28 June 2022)*	N/A	N/A	N/A	1/1 (M)	N/A
Non-executive Director					
Mr. Cui Qi	N/A	N/A	N/A	1/1(M)	N/A

Audit committee

The audit committee is primarily responsible for the engagement of the auditor, review of financial information, overseeing the financial reporting system, risk management and internal control systems. Members of the audit committee also acted as members of an independent board committee and provided their advice to the Company's independent shareholders on how to vote on connected transaction and continuing connected transactions entered into during the Year 2022. The audit committee has met with the Company's management to review its interim and final consolidated financial statements for the Year 2022 and met the Company's auditor to discuss auditor's independence, audit approach, key audit matters, results of audit and review on continuing connected transactions for the Year 2022. The audit committee has met with the chairman of the Board and the auditor, separately and without the presence of management, for discussion of matters which may be of sensitive nature. The audit committee has also met with and reviewed the report of the Company's internal control adviser for their review on selected areas of the Group's internal control system for the Year 2022. Further information on the Group's risk management and internal control is set out in the section headed "Risk Management and Internal Control" of this report.

Nomination committee

The nomination committee is responsible for reviewing the structure, size and composition of the Board, identifying suitably qualified individuals to become Board members, assessing the independence of independent non-executive Directors, making recommendations to the board on the appointment or reappointment of Directors and assessing the diversity of Directors. The Company has a policy on diversity of Directors to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. In determining the Board's composition and selection of candidates to the Board, the nomination committee will consider factors including but not limited to gender, age, cultural and education background, or professional experience. It will also ensure that the Board shall comprise members with the following attributes in order to achieve a sufficient balance of knowledge and perspectives in discharging the Board's duties:

— management skills and experience;

— industry specific knowledge and experience relevant to the Group;

— financial management skills and experience; and

— legal and compliance expertise.

The Company does not discriminate on the basis of gender, age and other personal backgrounds in assessing the suitability of candidates for appointment to the Board. The Board also acknowledges stakeholders' expectation and international best practices calling for gender parity and accordingly, the nomination committee will give favourable consideration to gender minority in the selection of candidates amongst those who are equally competent and possess the desired attributes to enhance gender balance of the Board over time.

The procedures to nominate candidates for election as Directors are set out in the section headed "Shareholders' Rights and Investor Relations" below.

The nomination committee has reviewed the independence of independent non-executive Directors and considered the retirement and proposal for appointment of Directors at the Company's annual general meeting during the Year 2022. The nomination committee also provided advice to the Board on determining policy to enhance gender diversity in the composition of the Board and employees in general and will review the effectiveness of gender diversity policy on an annual basis. The nomination committee is of the view that the Board comprises members with suitable qualifications and diversity for leading and governing the Group.

In terms of gender diversity, the Board currently comprised of only male Directors; the nomination committee is in the process of identifying suitably qualified personnel with a view to dispense with a single-gender Board prior to year 2024 and endeavour to achieve greater gender balance over subsequent years. The nomination will also review gender composition of the Company's senior management and general staff, by reference to industrial and demographic statistics etc., on an annual basis and determine the appropriate procedures to take to enhance gender diversity in the workforce as required. The composition of the Group's workforce as at 31 December 2022 is as follows.

	Number of staff	Proportion
Male	502	78.7%
Female	136	21.3%

Remuneration committee

The responsibilities of the remuneration committee are to make recommendations to the Board on policy and structure for Directors' and senior management's remuneration, to make recommendations to the Board on the remuneration of executive and non-executive Directors, and to ensure that no Director is involved in deciding his own remuneration. During the Year 2022, the remuneration committee has assessed the performance of the Directors, reviewed the remuneration of the Directors, considered the remuneration of the newly appointed chief financial officer and made recommendations to the Board thereon.

Strategy and investment committee

The strategy and investment committee was established on 28 June 2022 and is responsible for reviewing and evaluating the Group's development plan and strategy, reviewing and making recommendation to the Board on key investment proposals, and evaluating the Group's risk exposure from investment projects as a whole. The committee held one meeting during the Year 2022 to consider potential acquisition to complement its general construction contracting business.

Risk management committee

The primary duties of the risk management committee are to oversee the Group's risk management and internal control systems, to review risk reports and any material breaches of risk limits, and to review the effectiveness of the Group's risk management system. Further information on the Group's risk management and internal control is set out in the section headed "Risk Management and Internal Control" of this report.

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks to take in achieving the Company's strategic objectives.

The risk management committee supports the Board in ensuring the effectiveness of the risk management and internal control of the Group and reports to the Board on any material issues identified. The risk management committee has commissioned a special review on the Company's procurement and expenditure function of its Marine Business on potential internal control deficiency. Results of the special review on internal control were reported back to the Board and appropriate remedial actions will be administered.

The Group adopted a manual of policies and procedures to provide guidance on compliance with internal control and risk management in various operational and management functions, including but not limited to project tendering, procurement, financial reporting, treasury and risk management etc.

The Company has not established a separate internal audit department; however, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control. The Company has engaged an external independent consultant to conduct a review on the internal control system of the Group during the Year 2022 and to report their findings to the risk management committee and the Board. The review scope for the Year 2022 covered the risk assessment and arrangement function, revenue and sales cycle, human resource management cycle and general management and control assessment.

Based on the review conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Auditor's Remuneration

The remuneration paid to the Company's auditor for the Year 2022 is set out below.

	HK$'000
Audit services provided to the Group	2,899

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibility for the preparation of consolidated financial statements which give a true and fair view of the financial position of the Group. The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 38 to 46 of this annual report. The Directors are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Company Secretary

The Company's company secretary is Mr. Lee Baldwin, who is an external service provider. Mr. Ni Chuchen, executive Director, is the Company's primary contact person with Mr. Lee.

The company secretary is responsible for coordinating the supply of information about the Group to the Directors. All Directors have access to the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

Shareholders' Rights and Investor Relations

One or more shareholders holding not less than 10% of the paid up capital of the Company may convene an extraordinary general meeting by making a requisition in writing, specifying any business for transaction at such meeting, to the Directors or the company secretary.

To propose a candidate for election as a Director at a general meeting, a shareholder should deposit a written proposal, together with a written notice by the candidate indicating his willingness to be elected, to the Company either at its principal place of business in Hong Kong (at Rooms 03-08, 24/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong) or its branch share registrar and transfer office in Hong Kong (Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong) at least seven clear days before the date of the general meeting.

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. The Company maintains a corporate website at www.prosperch.com to disseminate latest information about the Group. The Company's constitution document and terms of reference of board committees are also available for download at Company's website. There has been no change to the Company's constitution document during the Year. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, general meetings to answer questions from shareholders.

Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the Company at our principal place of business in Hong Kong at Rooms 03-08, 24/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

Directors' Report

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

Principal Activities

The principal activity of the Company is investment holdings. The principal activities of the Group are the provision of marine construction services, auxiliary marine related services and general construction contracting services. The principal activities of the subsidiaries of the Company are set out in note 13 to the consolidated financial statements. The segment information of the operations of the Group for the year ended 31 December 2022 is set out in note 5 to the consolidated financial statements.

Business Review

A review on the Group's business for the year ended 31 December 2022 is set out under the section headed "Management Discussion and Analysis" of this annual report.

Results

The Group's results for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on page 47 and 48 of this annual report, respectively.

Dividend Policy and Dividends

The Directors acknowledge the importance of stakeholders' engagement and would contemplate at least two times a year (prior to the announcement of annual and interim results) on the distribution of a dividend. While the Directors endeavour to share the Group's results with shareholders by way of a dividend, the portion and actual amount of distribution out of profits will be determined by the Directors having regard to a variety of factors, including but not limited to the Group's actual and expected operating results and conditions, gearing level, general financial condition, availability of cash, future plans and funding needs for expansion.

The Directors do not recommended the payment of a dividend for the year ended 31 December 2022.

As at the date of this annual report, the Board was not aware of any shareholders who had waived or agreed to waive any dividends.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 21 June 2023 to Tuesday, 27 June 2023 (both days inclusive), during which period no transfer of shares will be registered, for purpose of determining the right to attend and vote at the AGM. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong no later than 4:30 p.m. on Tuesday, 20 June 2023 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof.

Summary Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 138 of this annual report. Such summary does not form part of the audited consolidated financial statements.

Share Capital

Details of movement in the Company's share capital during the year ended 31 December 2022 are set out in note 25(a) to the consolidated financial statements.

Reserves

Details of movement in the Group's and the Company's reserves during the year ended 31 December 2022 are set out in note 25(b) and note 37(b) to the consolidated financial statements, respectively.

The Company's distributable reserves amounted to approximately HK$181.7 million as at 31 December 2022.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 22 June 2016 and no options have been granted, exercised or cancelled since then and up to the date of this annual report.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. It is expected that grantees of an option will make an effort to contribute to the Group's development so as to bring about an increased market price of the Company's shares in order to capitalise on the benefits of the options granted. The Board may, at its absolute discretion, grant options pursuant to the Share Option Scheme to any directors or employees of the Company or its subsidiaries and any other persons (including customer, supplier, adviser or consultant of the Group) on the basis of the Board's opinion as to the grantee's contribution to the development and growth of the Group.

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 80,000,000 shares (being 10% of the shares in issue on 20 July 2016 when the shares of the Company first commenced dealing on the Stock Exchange) (the "General Scheme Limit"). The Company may seek approval of the shareholders in a general meeting to refresh the General Scheme Limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit.

The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option and may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but such period shall end in any event not later than 10 years from the date of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The subscription price for shares under the Share Option Scheme will be a price determined by the Board, but shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The Share Option Scheme will remain in force for a period of 10 years from the date of adoption.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Tax Relief and Exemption

The Company is not aware any holder of securities of the Company is entitled to any tax relief or exemption by reason of their holdings of such securities.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

Directors

The Directors of the Company during the year ended 31 December 2022 and up to the date of this report are as follows:

Executive Directors

Mr. Jiang Hongchang *(Chairman and Chief Executive Officer) (Appointed on 28 June 2022)*
Mr. Liu Yutao *(Chief Operating Officer) (Appointed on 28 June 2022)*
Mr. Yang Zhenshan
Mr. Yang Honghai
Mr. Ni Chuchen *(Appointed on 28 June 2022)*
Mr. Wang Xuejun *(Retired on 28 June 2022)*
Mr. Ding Hongbin *(Retired on 28 June 2022)*
Mr. Jiang Shuang *(Retired on 28 June 2022)*

Non-executive Director

Mr. Cui Qi *(Re-designated as a non-executive Director on 28 June 2022)*

Independent Non-executive Directors

Mr. Cheung Chi Man Dennis
Mr. Wang Yaping
Mr. Cheng Xuezhan

In accordance with the provisions of the Company's articles of association, Mr. Cui Qi, Mr. Yang Zhenshan and Mr. Yang Honghai will retire. Mr. Cui Qi has offered himself for re-election at the Company's forthcoming annual general meeting, while Mr. Yang Zhenshan and Mr. Yang Honghai will not offer themselves for re-election.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual meeting has a service contract with the Company or any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

Directors Interests in Transactions, Arrangements or Contracts

Except as disclosed elsewhere in this annual report, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contracts or arrangements in which any of the Directors was materially interested and which was significant in relation to the Group's business as a whole.

Disclosure of Interests

As at 31 December 2022, the interests and short positions of Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, are as follows:

Directors' interests in the Company

Director	Number of shares/ Position	Percentage of shareholding	Capacity
Mr. Cui Qi	102,000,000 Long position	12.75%	Interest of a controlled corporation(Note)

Directors' interests in associated corporations of the Company

Director	Associated corporations	Percentage of shareholding/ Position	Capacity
Mr. Cui Qi	Sold Jewel Investments Limited ("Solid Jewel")	60.00% Long position	Beneficial owner
Mr. Cui Qi	Sky Hero Global Limited ("Sky Hero")	100.00% Long position	Interest of a controlled corporation (Note)

Note: These Shares were held by Sky Hero, which was wholly owned by Solid Jewel, which was in turn owned as to 60% by Mr. Cui Qi.

So far as the Directors are aware, as at 31 December 2022, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Substantial shareholders' interests in the Company

Shareholder	Number of shares/ Position	Percentage of shareholding	Capacity
Qingdao West Coast Holdings (International) Limited	498,000,000 Long position	62.25%	Beneficial owner
West Coast Investment (Hong Kong) Limited(Note 1)	498,000,000 Long position	62.25%	Interest of a controlled corporation
West Coast Holdings (Hong Kong) Limited(Note 1)	498,000,000 Long position	62.25%	Interest of a controlled corporation
Qingdao West Coast Holding Development Limited* 青島西海岸控股發展有限公司(Note 1)	498,000,000 Long position	62.25%	Interest of a controlled corporation
Qingdao Haifa State-owned Capital Investment and Operation Group Co. Ltd.* 青島海發國有資本投資運營集團有限公司(Note 1)	498,000,000 Long position	62.25%	Interest of a controlled corporation
Qingdao State-owned Assets Supervision and Administration Commission of the State Council	498,000,000 Long position	62.25%	Interest of a controlled corporation
Sky Hero	102,000,000 Long position	12.75%	Beneficial owner
Solid Jewel(Note 2)	102,000,000 Long position	12.75%	Interest of a controlled corporation
Ms. Mu Zhen(Note 3)	102,000,000 Long position	12.75%	Interest of spouse

Notes:

1. Each of these entities was wholly owned and controlled by the Qingdao State-owned Assets Supervision and Administration Commission of the State Council and was deemed under the SFO to be interested in all the Share which are directly and beneficially owned by Qingdao West Coast Holdings (International) Limited.

2. Solid Jewel is deemed or taken to be interested in all the Shares which are beneficially owned by Sky Hero under the SFO. Sky Hero is wholly-owned by Solid Jewel

3. Ms. Mu Zhen is the spouse of Mr. Cui Qi and she is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Cui Qi under the SFO.

* For identification purpose only

Major Customers and Suppliers

During the year ended 31 December 2022, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 48.7% (2021: 47.9%) and 18.1% (2021: 16.7%) of the Group's total turnover, respectively.

During the year ended 31 December 2022, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 14.1% (2021: 11.6%) and 4.5% (2021: 2.5%) of the Group's total cost of sales, respectively.

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

Related Party Transactions

Related party transactions entered into by the Group during the year ended 31 December 2022 are disclosed in note 35 to the consolidated financial statements, which included certain transactions in the section headed "Continuing Connected Transactions" below that constituted continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

Continuing Connected Transactions

During the year ended 31 December 2022, the Group had carried out the following non-exempt continuing connected transactions.

Vessel chartering framework agreement

The Group entered into a vessel chartering framework agreement ("2020 Vessel Chartering Framework Agreement") with Shenzhen Changsheng Marine Engineering Limited* (深圳長盛海事工程有限公司) ("Shenzhen Changsheng"), a connected party, on 18 February 2020 for chartering of vessels. Particulars of the 2020 Vessel Chartering Framework Agreement are set out below.

Date:
18 February 2020

Term:
From 1 January 2020 to 31 December 2022 (both dates inclusive)

Parties:
(i) Prosper Construction Group Limited ("Prosper BVI") (as charterer for and on behalf of the Group)

(ii) Shenzhen Changsheng (as owner)

Connected relationship:
Prosper BVI is a wholly owned subsidiary of the Company.

Shenzhen Changsheng is controlled by executive Director Mr. Cui Qi.

Transaction:
The Group will charter vessels from Shenzhen Changsheng during the term of the 2020 Vessel Chartering Framework Agreement. Prosper BVI has an option to renew the framework agreement for a further period of three years, and for each exercise of a renewal option by Prosper BVI, Shenzhen Changsheng will be deemed to have granted a new option to Prosper BVI for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and subject to the requirements under the Listing Rules.

During the term of the 2020 Vessel Chartering Framework Agreement, members of the Group may enter into individual agreements with Shenzhen Changsheng in respect of the chartering of vessels subject to terms and conditions in compliance with the 2020 Vessel Chartering Framework Agreement.

Reasons for the transaction:
The number of vessels then owned by the Group that were available for imminent deployment outside of Hong Kong is inadequate to support the Group's demand for vessels under its on-going and upcoming projects, the 2020 Vessel Chartering Framework Agreement allows the Group to deploy vessels to its marine construction projects in an efficient and cost-effective manner, without needing to resort to chartering vessels from other third party owners.

The Group has maintained a stable and amicable business relationship with Shenzhen Changsheng since March 2015, the Directors consider that to continue the chartering of vessels from Shenzhen Changsheng by entering into the 2020 Vessel Chartering Framework Agreement is beneficial to the Group's development and allow the Group to undertake an increasing number of marine construction projects in the future.

Annual cap:
Year ending 31 December 2020: HK$26,000,000
Year ending 31 December 2021: HK$27,000,000
Year ending 31 December 2022: HK$27,000,000

Actual transaction amount:
Year ended 31 December 2020: HK$6,753,000
Year ended 31 December 2021: Nil
Year ended 31 December 2022: HK$2,565,000

Construction services framework agreements

The Group entered into a construction services framework agreement ("Construction Services Framework Agreement") with Qingdao Haifa State-owned Capital Investment and Operation Group Co. Ltd.* (青島海發國有資本投資運營集團有限公司) (Previously known as Qingdao West Coast Development (Group) Limited*) ("Qingdao Haifa Group Co.", together with its subsidiaries and/or affiliated companies, the "Haifa Group") on 28 April 2020 for the provision of construction services by the Group to the Haifa Group. The Construction Services Framework Agreement was subsequently amended and supplemented by a supplemental construction services framework agreement ("Supplemental Agreement") entered into between the parties on 3 June 2021. Particulars of the Construction Services Framework Agreement, and where applicable, as amended by the Supplemental Agreement are set out below.

Date:

28 April 2020

Term:

From 29 June 2020 (the date on which approval of the Construction Services Frame Agreement by independent shareholders of the Company was obtained) to 31 December 2022 (both dates inclusive)

Parties:

(i) Qingdao Haifa Group Co. (as owner)

(ii) West Coast Development (Hong Kong) Limited ("West Coast Development HK") (for and on behalf of the Group)

Connected relationship:

Qingdao Haifa Group Co. is a controlling shareholder and the ultimate holding company of the Company holding 62.25% of the Company's issued shares.

West Coast Development HK is a wholly owned subsidiary of the Company.

Transaction:

The Group has agreed to provide construction services to the Haifa Group and may therefore participate in tenders for construction projects of the Haifa Group in the PRC from time to time.

If any tenders submitted by the Group have been awarded in accordance with the tendering procedures of the Haifa Group, the Group shall enter into individual construction contracts (the "Individual Contracts") with the Haifa Group for the provision of construction services by the Group as the contractor subject to terms and conditions of the Construction Services Framework Agreement at fair and reasonable market prices and subject to the requirements under the Listing Rules. The contract sum payable under each of the Individual Contracts will be determined through an open tender process to ensure that the price and terms of the tender submitted by the Group are on normal commercial terms and no less favourable to the Group than those submitted to independent third parties, or the market prices or benchmarks for transactions of similar nature.

Reasons for the transaction:

The Group has expanded its operation into the construction industry in the PRC since year 2020 with the acquisition of Dongjie Construction, which possesses the necessary qualifications and/or licenses to engage in construction projects in the PRC, as part of its strategy to diversify its business. The Group further acquired 34% equity interest in and control over the board of Honghai Curtain Wall in 2021 which served to enhance the Group's service offerings and competitiveness in its general construction contracting business. The Haifa Group is principally engaged in infrastructure construction, land development, real estate development and other industrial investment and operations (including cultural, tourism and financial services).

The entering into of the Construction Services Framework Agreement and the engagement of the Group as contractor upon successful tenders shall allow the Group to strengthen and further develop its construction business in the PRC, widen its business portfolio and enhance its competitiveness in the market.

Having considered the actual transaction amounts between the Haifa Group and the Group for the four months ended 30 April 2021 and the expected progress of and revenue from projects already awarded or under bidding from the Haifa Group, the annual cap of the Construction Services Framework Agreement for the year ending 31 December 2021 was expected to be fully utilised by or around 31 August 2021. Qingdao Haifa Group Co. and West Coast Development HK therefore entered into the Supplemental Agreement on 3 June 2021 to make upward revision to the then existing annual caps of the Construction Services Framework Agreement.

Annual cap (as revised):

Year ending 31 December 2021: HK$1,846,000,000
Year ending 31 December 2022: HK$3,164,000,000
Year ending 31 December 2023: HK$4,746,000,000

Actual transaction amount:

Year ended 31 December 2021: HK$1,825,178,000
Year ended 31 December 2022: HK$1,527,530,000

Engineering services framework agreement

The Group entered into an engineering services framework agreement ("Engineering Services Framework Agreement") with Big Data Company (as defined further below) on 21 July 2022, pursuant to which Big Data Company agreed to provide software development and construction automation engineering project services to Dongjie Construction. Particulars of the Engineering Services Framework Agreement are set out below.

Date:

21 July 2022

Terms:

From 1 January 2022 to 31 December 2022 (both dates inclusive)

Parties:

(i) Dongjie Construction

(ii) Qingdao Big Data Technology Development Group Co., Ltd.* (青島大數據科技發展有限公司) ("Big Data Company"), a company established in the PRC with limited liability

Connected relationship:

Dongjie Construction is a non-wholly owned subsidiary of the Company.

Big Data Company is an indirect non-wholly owned subsidiary of Qingdao Haifa Group Co., a controlling shareholder and ultimate holding company of the Company.

Transaction:

Big Data Company and its subsidiaries (collectively referred to as the "Big Data Group") will provide software development and construction automation engineering project services to Dongjie Construction and its subsidiaries (collectively referred to as the "Dongjie Group"), including but not limited to the software development for construction project industry platform, and intelligent engineering project services for constructions such as parks, communities, hospitals, hotels and office buildings. The pricing of the services for each project under the Engineering Services Framework Agreement shall be determined with reference to the market price or, in the absence of such market price, the agreed price which is fair and reasonable. The Big Data Group may be selected as the project service provider through a tender or quotation process in accordance with the normal procedures, based on the design, equipment, quality standards and construction requirements of individual projects.

Reasons for the transaction:

The Dongjie Group is in the general construction contracting business and the Big Data Group is engaged in supply chain management services, engineering management services, software development services, sales of building materials and other businesses. The expertise of the Big Data Group in the aspects of engineering management service and software development service is aligned with the Dongjie Group and, on the basis of fair market prices, the selection of the Big Data Group as the project subcontractor is able to provide convenient, high-quality, high-efficiency, and cost-effective engineering services to Dongjie Group which are of great benefit to improving the market competitiveness and profitability of both parties.

Annual cap:

Year ending 31 December 2022: HK$21,170,000 (equivalent to RMB18,000,000)

Actual transaction amount:

HK$2,230,000 (equivalent to RMB1,922,000)

Contractual arrangements ("Contractual Arrangements")

Background and reasons for the Contractual Arrangements:

Pursuant to Indonesia law, the maximum foreign ownership in a company engaging in the construction of harbour/port is limited to 67%. The Group has 67% shareholding interest in a subsidiary in Indonesia, namely PT. Indonesia Engineering ("PTIR"). The remaining 33% of the shareholding interest in PTIRis held by Johannes Wargo, who is an Indonesian citizen and independent third party of the Group except for his involvement in the Contractual Arrangements.

To consolidate control over and derive the economic benefits from the remaining 33% of the shareholding interest in PTIR, the Group has, through its subsidiary Hong Kong River Engineering Company Limited ("HKR"), entered into the Contractual Arrangements with Johannes Wargo.

Risks associated with the Contractual Arrangements:

In the event of change in relevant laws and regulations in Indonesia in the future, there is no assurance that the Contractual Arrangements will be considered to be in compliance with the then prevailing laws and regulations; in which case, the Contractual Arrangements may become unenforceable and the Group may be subject to potential losses.

To mitigate such risks, Johannes Wargo has irrevocably appointed HKR to act as his attorney to exercise his rights in connection with the matters concerning his rights as a shareholder of PTIR, including the rights to vote in a shareholders' meeting, sign minutes and to sell his shares. The Group also closely monitors the amount of assets being retained in Indonesia to limit the exposure to potential losses. The amount of revenue derived by the Group through the Contractual Arrangements for the year ended 31 December 2022 amounted to approximately HK$4,335,000.

The Contractual Arrangements comprised the following documents.

1. PTIR Loan Agreements

HKR, as lender, and Johannes Wargo, as borrower, entered into a loan agreement on 5 October 2015 and an amendment and restatement of loan agreement on 5 May 2016 (collectively, the "PTIR Loan Agreements"), pursuant to which HKR agreed to provide a loan ("PTIR Loan") in the sum of IDR1,211,496,000 to Johannes Wargo to acquire 1,320 shares in PTIR ("Johannes Shares"). The PTIR Loan was secured by the Johannes Shares pursuant to the PTIR Pledge of Shares Agreements (as defined below). The PTIR Loan has a term of 10 years and will be automatically renewed upon expiration and shall be due and payable only on demand made at any time by HKR at its sole discretion. No prepayment of the PTIR Loan in whole or in part is permitted at any time during the term of the PTIR Loan Agreements.

2. PTIR Pledge of Shares Agreements

HKR, as pledgee, and Johannes Wargo, as pledgor, entered into a pledge of shares agreement on 5 October 2015 and an amendment and restatement of pledge of shares agreement on 5 May 2016 (collectively, the "PTIR Pledge of Shares Agreements"), pursuant to which Johannes Wargo pledged the Johannes Shares in favour of HKR in order to secure the due and proper repayment of the PTIR Loan and the full performance by Johannes Wargo. Johannes Wargo also undertook not to do any act or sign any documents which may limit the rights of HKR under the PTIR Pledge of Shares Agreements or diminish the value of the Johannes Shares.

3. **PTIR Power of Attorney ("PoA") for Selling Shares**
   Johannes Wargo appointed HKR as his attorney on 5 October 2015 to (i) sell, assign, transfer or otherwise deal with the Johannes Shares; (ii) receive the proceeds of the sale of Johannes Shares; and (iii) represent Johannes Wargo in all matters pertaining to the sale or transfer of the Johannes Shares.

4. **PTIR PoA to Vote**
   Johannes Wargo appointed HKR as his attorney on 5 May 2016 to (i) attend all general meetings of PTIR; (ii) exercise all voting rights with respect to the Johannes Shares; (iii) sign any shareholders resolutions; and (iv) generally exercise all rights and privileges and perform all duties which may be necessary in relation to the Johannes Shares.

5. **PTIR Assignment of Dividends Agreements**
   Johannes Wargo, as assignor, and HKR, as assignee, entered into an assignment of rights to dividends agreement on 5 October 2015 and an amendment and restatement of assignment of rights to dividends agreement on 5 May 2016 (collectively, the "PTIR Assignment of Dividends Agreements"), pursuant to which Johannes Wargo assigned and transferred all his rights and interests in all dividends or other income paid or payable by PTIR with respect to the Johannes Shares to HKR during the term of the PTIR Loan.

During the year ended 31 December 2022, no new contract had been entered into, renewed or reproduced in relation to the Contractual Arrangements under cloned arrangement as set out in the Company's prospectus ("Prospectus") dated 30 June 2016.

The Contractual Arrangements in relation to PTIR have remained unchanged and consistent with the disclosure as set out in the Prospectus.

Review of Continuing Connected Transactions

The independent non-executive Directors have reviewed the continuing connected transactions disclosed above and confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Furthermore, in relation to the Contractual Arrangements, the independent non-executive Directors have reviewed and confirmed that:

(i) the transactions have been entered into in accordance with the relevant terms and conditions of the Contractual Arrangements;

(ii) no dividends or other distributions have been made by PTIR to the holders of its remaining shareholding which are not otherwise subsequently assigned or transferred to the Group; and

(iii) no new contracts were entered into, renewed or reproduced under any cloned arrangement as defined in the Prospectus during the year ended 31 December 2022.

The Company has engaged its auditor to report on the continuing connected transactions in accordance with Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided an unqualified letter to the Board containing their conclusion in relation to the continuing connected transactions for the year ended 31 December 2022 in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Permitted Indemnity Provision

Pursuant to the articles of association of the Company, the Directors are indemnified and secured harmless out of the assets of the Company against all losses and liabilities which may incur or sustain in execution of their duty, except such which they shall incur or sustain through their own fraud or dishonesty.

The Company has taken out directors' liability insurance throughout the year ended 31 December 2022 that provides appropriate insurance cover for the Directors.

Compliance with Laws and Regulations

The operations of the Group are primarily carried out by the Company's subsidiaries in the PRC, Hong Kong, Macao, Indonesia and Malaysia. The Group's establishment and operations shall comply with relevant laws and regulations in each of the above jurisdictions. During the year ended 31 December 2022 and up to the date of this report, the Group's operations have complied with all the relevant laws and regulations in each of the above jurisdictions in all material respects.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float required under the Listing Rules throughout the year ended 31 December 2022 and up to the date of this report.

Auditor

The consolidated financial statements for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers, who will retire, and being eligible, offer themselves for re-appointment. A resolution to re-appoint PricewaterhouseCoopers will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board of
Prosper Construction Holdings Limited

JIANG Hongchang
Chairman and Executive Director

Hong Kong, 29 March 2023

Directors and Senior Management

Executive Directors

Mr. Jiang Hongchang, aged 46, joined the Group in June 2022 and is an executive Director, the chairman of the Board and chief executive officer of the Group. Mr. Jiang is also a director of certain subsidiaries of the Company and the chairman of the nomination committee, risk management committee and strategy and investment committee of the Board and a member of the remuneration committee of the Board. Mr. Jiang leads the Board in formulating business strategies of the Group.

Mr. Jiang holds a bachelor's degree in civil engineering from Shandong University of Technology in the People's Republic of China and is qualified as a senior engineer. Mr. Jiang is currently a Party Committee member, deputy general manager and chief engineer of Qingdao Haifa State-owned Capital Investment and Operation Group Company Limited, the ultimate controlling shareholder of the Company, and is also serving as either chairman or director of Qingdao Xifa Properties Limited* (青島西發置業有限公司), Qingdao Haifa Asset Management Co., Ltd.* (青島海發資產管理有限公司) and Qingdao Haifa Healthcare Group Co., Ltd.* (青島海發康養醫療集團有限公司), all of which are subsidiaries of Qingdao Haifa State-owned Capital Investment and Operation Group Company Limited* (青島海發國有資本投資運營集團有限公司). Mr. Jiang has over 22 years of experience in professional construction engineering management and served at various positions with government bureau and state-owned enterprises from 1999 to present.

Mr. Liu Yutao, aged 48, joined the Group in June 2022 and is an executive Director and chief operating officer of the Group and a director of certain subsidiaries of the Group, including Qingdao Dongjie Construction Engineering Co. Ltd. Mr. Liu is overall in charge of the Group's general construction contracting business segment.

Mr. Liu holds a bachelor's degree in computer and application from China University of Petroleum in the People's Republic of China and is qualified as a senior engineer. Mr. Liu is currently the vice chairman and general manager of Qingdao Dongjie Construction Group Co., Ltd.* (青島東捷建設集團有限公司) and a director of Qingdao Honghai Curtain Wall Co., Ltd.* (青島宏海幕牆有限公司), both of which are subsidiaries of the Company, and is also serving as the vice chairman of Qingdao Haifa Asset Management Co., Ltd.* (青島海發資產管理有限公司), a subsidiary of Qingdao Haifa State-owned Capital Investment and Operation Group Co., Ltd.* (青島海發國有資本投資運營集團有限公司), the ultimate controlling shareholder of the Company. Mr. Liu has over 26 years of experience in professional construction engineering management and served at various positions with state-owned enterprises and governmental office and bureau from 1996 to present.

Mr. Ni Chuchen, aged 41, joined the Group in June 2022 and is an executive Director and a director of certain subsidiaries of the Group, including Hong Kong River Engineering Company Limited. Mr. Ni is mainly responsible for overseeing the corporate management and administrative function of the Group.

He holds a master's degree in fine arts from Peking University and a bachelor's degree in economics from Qingdao University in the People's Republic of China. Mr. Ni has over 16 years of experience in business management, real estate development, corporate governance and cross-cultural communication and served at various positions with private and state-owned enterprises and government office.

Mr. Yang Zhenshan, aged 45, joined the Group in May 2019 and is an executive Director. Mr. Yang holds a bachelor degree in architectural engineering management from Qingdao University of Technology. He has approximately 20 years of experience in construction and engineering management. Mr. Yang has served various positions in the Qingdao West Coast Group since 2012 and is currently the executive deputy general manager of Qingdao West Coast Construction & Development (Group) Co., Ltd.* (青島西發建設開發(集團)有限公司) since July 2018. He has approximately 20 years of experience in construction and engineering management. He was appointed as the general manager of Qingdao West Coast Construction & Development Co., Ltd.* (青島西海岸新區開發建設有限公司) since December 2015.

Mr. Yang is also a director of all key operating subsidiaries of the Group in Hong Kong and Macao and is a member of the nomination committee of the Board. He is primarily responsible for the management of the construction business of the Group in Hong Kong, Macao and overseas locations.

Mr. Yang Honghai ("Mr. Yang HH"), aged 46, is an executive Director and joined the Group in December 2020. Mr. Yang HH holds a bachelor's degree in mechanical and electronic engineering from Tianjin University (天津大學) in the People's Republic of China (the "PRC") and a master of business administration degree (part-time) from the Guanghua School of Management of Peking University (北京大學光華管理學院) in the PRC and is qualified to act as a board secretary under the Shenzhen Stock Exchange in the PRC. Mr. Yang HH has over 22 years of experience in strategy development, shareholdings investment and capital operations. Mr. Yang HH is currently the officer-in-charge of the strategy development centre of 青島西海岸發展(集團)有限公司 Qingdao West Coast Development (Group) Limited* (the ultimate controlling shareholder of the Company), the chief supervisor of 青島西海岸控股發展有限公司 Qingdao West Coast Holding Development Limited* (an intermediate controlling shareholder of the Company), and also a director or supervisor of more than ten subsidiaries of Qingdao West Coast Development (Group) Limited, including 青島西發建設開發(集團)有限公司 Qingdao Xifa Construction Development (Group) Limited*, 青島西發旅遊投資(集團)有限公司 Qingdao Xifa Tourism Investment (Group) Limited* and 青島西海岸金融發展有限公司 Qingdao West Coast Finance Development Co. Ltd.*, etc.

Non-executive Director

Mr. Cui Qi, aged 59, is an non-executive Director and honorary president of the Group. Mr. Cui together with Mr. Yu Ming acquired Hong Kong River Engineering Company Limited and founded the Group in March 2001. He has over 30 years of experience in the marine construction industry. Mr. Cui holds a bachelor's degree in naval port engineering from Hohai University and a master's degree in construction economics and management from Tongji University and is a member of both the Hong Kong Institute of Construction Managers and The Chartered Institute of Building and a fellow member of both the Chartered Institute of Civil Engineering Surveyors and the Institute of Civil Engineers.

Mr. Cui is also a member of the risk management committee of the Board. He is primarily responsible for advising the Board on key business strategies and operation of the Group in Hong Kong, Macao and overseas locations. Mr. Cui is interested in 60% of Solid Jewel Investments Limited ("Solid Jewel") which wholly owned Sky Hero Global Limited ("Sky Hero"), which was beneficially interested in 102,000,000 Shares, representing 12.75% of the Company's issued shares, and is a director of both Solid Jewel and Sky Hero.

Independent Non-executive Director

Mr. Cheung Chi Man Dennis, aged 55, is an independent non-executive Director and joined the Group in August 2017.

Mr. Cheung holds a master's degree in commerce from the University of New South Wales, Australia and a bachelor's degree in mechanical engineering from Imperial College, London, United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a certified tax adviser of The Taxation Institute of Hong Kong. Mr. Cheung has over 20 years experience in financial management, treasury and company secretarial matters and is an independent non-executive director of Sanbase Corporation Limited (Stock code: 8501), which shares are listed on GEM of the Stock Exchange, since January 2020. In the past three years, Mr. Cheung was formerly an independent non-executive director of Lamtex Holdings Limited (Stock code: 1041) from August 2020 to October 2020 and New Western Group Limited (formerly known as Megalogic Technology Holding Limited) (Stock code: 8242) from April 2015 to June 2020.

Mr. Cheung is the chairman of the audit committee and a member of the remuneration committee, nomination committee, risk management committee and strategy and investment committee of the Board.

Mr. Wang Yaping ("Mr. Wang YP"), aged 59, is an independent non-executive Director and joined the Group in October 2018. Mr. Wang YP has over 30 years of experience in law and graduated from East China College of Political Science and Law* 華東政法學院 (now known as East China University of Political Science and Law* 華東政法大學) with a bachelor's degree in law. He was admitted as a PRC lawyer in February 1989 and was accredited as a second-grade lawyer by the Department of Justice of Shandong Province* 山東省司法廳 in June 1998. Mr. Wang YP currently serves as an executive director and a senior partner of Shandong Qingdao Law Office* 山東琴島律師事務所, a vice president of Shandong Lawyers Association, the chief supervisor of Qingdao Lawyers Association* 青島市律師協會, a supervisor of Qingdao Port International Co., Ltd.* 青島港國際股份有限公司 (a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Shanghai Stock Exchange with stock code 6198 and 601298 respectively), a supervisor of Tsingtao Brewery Company Limited 青島啤酒股份有限公司 (a company listed on the Stock Exchange and the Shanghai Stock Exchange, with stock code 00168 and 600600 respectively), and an independent director of Qingdao Tianneng Heavy Industries Co., Ltd.* 青島天能重工股份有限公司 (a company listed on the Shenzhen Stock Exchange, with stock code 300569), an independent director of Qingdao Conson Financial Holdings Co., Ltd.* 青島國信金融控股有限公司, and an independent director of Qingdao BAHEAL Pharmaceutical Co., Ltd* 青島百洋醫藥股份有限公司.

Mr. Wang YP is the chairman of the remuneration committee and a member of the audit committee, nomination committee, risk management committee and strategy and investment committee of the Board.

Mr. Cheng Xuezhan, aged 54, is an independent non-executive Director and joined the Group in December 2018. Mr. Cheng has accumulated over 20 years of experience in financial and business management. Mr. Cheng holds a diploma majoring in English language and literature from Shandong Normal University (山東師範大學) in Jinan, a master's degree in English language and literature from Shandong University (山東大學) in Jinan and a master's degree in business administration from Wright State University in Dayton, Ohio, U.S. Mr. Cheng is currently an independent non-executive director of Qilu Expressway Company Limited, a company listed on the Stock Exchange (stock code: 1576) and he also serves as an assistant general manager of Hualu Holdings Co., Ltd. (華魯控股集團有限公司) and vice chairman of the board of directors and general manager of China Shandong Group Limited (華魯集團有限公司), a director of Hualu International Financial Leasing Co., Ltd. (華魯國際融資租賃有限公司) and a director of Hualu Investment Development Co., Ltd. (華魯投資發展有限公司). During the past three years, Mr. Cheng also served as a director of Shandong Hualu-Hensheng Chemical Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600426) from March 2015 to April 2018. Mr. Cheng is a member of each of the audit committee, remuneration committee, nomination committee, risk management committee and strategy and investment committee of the Board.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the date of this report; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders as at the date of this report; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this report.

Senior Management

Senior management of the Group comprised the executive Directors, who take a direct and active role in the management of the Group's affairs.

Save as disclosed above, each of the senior management (i) did not hold other positions in the Company or other members of the Group; and (ii) had no other relationship with any Directors, senior management members or substantial or controlling shareholders.

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF PROSPER CONSTRUCTION HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Prosper Construction Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 47 to 137, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Accounting for construction contracts – estimated costs and profit recognition
- Impairment assessment of trade, retention and notes receivables and amounts due from fellow subsidiaries and contract assets
- Impairment assessment of goodwill

Key Audit Matters	How our audit addressed the Key Audit Matters
Accounting for construction contracts – estimated costs and profit recognition Refer to note 2.24 in the summary of significant accounting policies, note 4(a), note 5 and note 22 to the consolidated financial statements. For the year ended 31 December 2022, segment results from marine construction works and general construction contracting services amounted to HK$5,665,000 and HK$112,630,000 respectively. The Group applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. Recognition of profit on construction contracts is based on the recognised revenue and estimates of budgeted gross profit as well as the expected recovery of costs arising from additional work performed throughout the contracts, for which significant management judgement and estimates are involved.	Our procedures in relation to management's accounting for the progress towards complete satisfaction of the performance obligation, estimated costs and profit recognition of construction contracts included: • Understood and evaluated the design and operating effectiveness of the internal control and assessment process of the estimation of contract costs and budgeted gross profit and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes in circumstances and susceptibility to management bias or fraud; • Evaluated the outcome of prior period assessment of the estimation of contract costs and budgeted gross profit to assess the effectiveness of management's estimation process by comparing the historical actual gross profit margin to those budgeted to assess the quality of management budgetary process;

Key Audit Matters	How our audit addressed the Key Audit Matters
Profit and cost recognition from construction contracts, as stated above, requires significant time and resources to audit due to the magnitude as well as the significant judgement and estimates involved.	• Inspected material construction contracts of the Group for agreed contract amount and variations, if any; • Checked the Group's efforts to the satisfaction on the Group's performance obligation by reference to the proportion of contract costs incurred for work performed to date to the estimated total construction costs of the selected contracts. We tested, on a sample basis, the revenue recognition based on the Group's efforts and the calculations of gross profit; • Selected, on a sample basis, contracts to examine management's budget of the cost components, such as costs of materials, sub-contracting fees and labour costs. We compared the budgeted component cost to supporting documents including but not limited to invoices, price quotation and rate of labour costs. For each selected contract, we also compared cost component of the actual cost incurred up to year-end to the budgeted cost and obtained explanation from management for any material variation; • Understood the status of projects with the Group's quantity surveyors and project managers, to identify any variations of contracts and claims, and to obtain explanations for fluctuations in margins and changes in budget as well as the expected recovery of variations. Where necessary, we obtained written opinion from the Group's external legal adviser and discussed with the adviser the basis in concluding the minimum amount which would be recovered from the project. We checked relevant evidence including agreements, correspondence with customers, for corroboration of their explanations; and

Key Audit Matters	How our audit addressed the Key Audit Matters
	• Assessed the adequacy of the disclosures related to revenue recognition in the context of the applicable financial reporting framework. Based on the above audit procedures performed, we found that the judgement and estimates adopted by management in determining the estimated contract costs and profit recognition of construction contracts were supported by the evidence we obtained.
Impairment assessment of trade, retention and notes receivables and amounts due from fellow subsidiaries and contract assets Refer to note 2.12 in the summary of significant accounting policies, note 3.1(b), note 4(b), note 20 and note 22 to the consolidated financial statements. As at 31 December 2022, the Group had gross trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets of approximately HK$898,827,000, HK$1,057,612,000 and HK$1,650,915,000 respectively and provision for impairment of approximately HK$38,651,000, HK$743,000 and HK$20,949,000 respectively. Management performed periodic assessment on the recoverability of the trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets and the sufficiency of provision for impairment based on information including credit profile of customers, ageing of the trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going business relationships with the relevant customers.	Our audit procedures in relation to management's impairment assessment of the trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets as at 31 December 2022 included: • Understood and evaluated the design and operating effectiveness of the credit control and impairment assessment process and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity; • Evaluated the outcome of prior period assessment of impairment to assess the effectiveness of management's estimation process by comparing the actual loss incurred with the impairment provision made by management, if any; • Tested, on a sample basis, the accuracy of ageing profile on trade, retention and notes receivables and amounts due from fellow subsidiaries by checking to the underlying invoices; • Challenged management for the status of each of the material trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets past due as at year end and corroborated explanations from management with supporting evidence, such as performing public searches of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records and other correspondence with the customers;

Key Audit Matters	How our audit addressed the Key Audit Matters
Expected credit losses are also estimated by grouping the trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its geographic location and ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. Management also considered 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. We focused on this area due to the fact that the impairment assessment of trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets under the expected credit losses model involved the use of significant management judgement and estimates.	• Assessed the appropriateness of the expected credit loss provision methodology, examined the key inputs on a sample basis to assess their accuracy and completeness, and challenged the assumptions, including both historical and forward-looking information, used to determine the expected credit losses with the involvement of internal valuation expert; • For projects with potential dispute with customers, we discussed with the Group's external legal adviser. We enquired their work performed and discussed with them the basis in concluding the minimum amount the Group is able to realise from the projects. We tested and checked relevant evidence including agreements and correspondence with customers; and • Assessed the adequacy of the disclosures related to the impairment in the context of the applicable financial reporting framework. Based on the above audit procedures performed, we found that the management judgement and estimates used to assess the recoverability of the trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets and determine the impairment provision were supported by the evidence we obtained.

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment assessment of goodwill Refer to note 4(c) and note 17 to the consolidated financial statements. The total goodwill recognised by the Group as of 31 December 2022 amounted to HK$39,990,000, of which HK$15,630,000 and HK$24,360,000 were allocated to the Qingdao Dongjie and Honghai Curtain Wall respectively. Management considers that each of these operating segments constitutes a separate cash-generating unit ("CGU") for the purpose of goodwill impairment assessment. No impairment of goodwill has been recognised as of 31 December 2022. The assessment of goodwill impairment is determined based on value-in-use calculations, and it is inherently judgmental as it requires significant management judgements about future business performance and the discount rates applied to future cash flow forecasts, and accordingly, this is an area of audit focus. Management engaged an independent external valuer to assist them to perform the value-in-use calculations using appropriate valuation methodologies.	Our procedures on auditing management's goodwill impairment assessment mainly included: • Understood and evaluated the design and operating effectiveness of the internal controls and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectively, changes and susceptibility to management bias or fraud; • Evaluated the independent external valuer's objectivity, capability and competency to perform the valuation; • Evaluated the discounted cash flow forecasts underlying the impairment assessment and the process by which they were drawn up, including checking the accuracy of the underlying calculations and checking whether the forecasts were consistent with the latest approved budgets. We also assessed whether all relevant CGUs have been identified;

Key Audit Matters	How our audit addressed the Key Audit Matters
	• Evaluated the key assumptions of the discounted cash flow forecasts by examining corroborating evidence including the terms and conditions of construction contracts already entered into, historical revenue growth rate and third party supplier quotations for construction cost estimation and evaluated the discount rates by assessing the cost of capital for the respective CGUs. We also evaluated the outcome of prior period assessment of goodwill impairment to assess the effectiveness of management's estimation process; and • Examined the results of management's sensitivity analysis around the key assumptions including revenue growth and discount rates to ascertain the extent of change in those assumptions that could result in impairment for individual CGUs. Based on the above audit procedures performed, we found that the judgements involved in the valuation methodologies and assumptions used in the assessment of goodwill impairment were supported by evidence we obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 Directors and The Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

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 Lee Chung Bor.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	5	**2,879,211**	3,185,839
Cost of sales	7	**(2,658,592)**	(2,980,749)
Gross profit		**220,619**	205,090
Other gains, net	6	**13,207**	1,960
Provision for impairment losses on financial assets	20, 21, 22	**(11,261)**	(29,144)
Research and development expenses	7	**(17,934)**	(11,310)
Other administrative expenses	7	**(129,630)**	(95,698)
Operating profit		**75,001**	70,898
Finance income	8	**3,487**	886
Finance costs	8	**(58,734)**	(40,589)
Finance costs, net	8	**(55,247)**	(39,703)
Profit before income tax		**19,754**	31,195
Income tax expenses	9	**(9,216)**	(14,433)
Profit for the year		**10,538**	16,762
(Loss)/profit attributable to:			
Equity holders of the Company		**(12,186)**	2,581
Non-controlling interests		**22,724**	14,181
		10,538	16,762
(Loss)/earnings per share for profit attributable to the equity holders of the Company:			
Basic and diluted (loss)/earnings per share (HK cents)	11	**(1.52)**	0.32

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Profit for the year	**10,538**	16,762
Other comprehensive (loss)/income		
Item that will not be subsequently reclassified to profit or loss		
Currency translation differences	**(6,176)**	–
Item that may be subsequently reclassified to profit or loss		
Currency translation differences	**(23,444)**	6,111
Other comprehensive (loss)/income for the year, net of tax	**(29,620)**	6,111
Total comprehensive (loss)/income for the year	**(19,082)**	22,873
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(35,630)**	7,828
Non-controlling interests	**16,548**	15,045
	(19,082)	22,873

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	331,348	338,007
Investment properties	15	15,561	9,325
Right-of-use assets	16	68,078	66,971
Goodwill	17	39,990	43,310
Intangible assets	18	18,715	23,800
Deposits and prepayments	21	25,473	21,879
Deferred income tax assets	26	7,845	-
		507,010	503,292
Current assets			
Inventories	19	13,259	51,066
Trade, retention and notes receivables	20	860,176	555,893
Amounts due from fellow subsidiaries	20, 35(c)	1,056,869	1,439,642
Deposits, prepayments and other receivables	21	261,065	169,670
Contract assets	22	1,629,966	1,326,736
Time deposits with maturity over 3 months	24	204	22,294
Pledged bank deposits	24	236,978	71,717
Restricted cash	24	4,008	4,799
Cash and cash equivalents	24	324,459	291,838
		4,386,984	3,933,655
Total assets		4,893,994	4,436,947
EQUITY			
Capital and reserves			
Share capital	25(a)	8,000	8,000
Reserves	25(b)	499,792	535,422
		507,792	543,422
Non-controlling interests		116,525	99,977
Total equity		624,317	643,399

Consolidated Balance Sheet (continued)

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	28	**209,395**	476,943
Loan from an intermediate holding company	35(c)	**130,000**	100,000
Lease liabilities	16	**3,348**	912
Deferred income tax liabilities	26	**9,435**	9,886
		352,178	587,741
Current liabilities			
Trade, retention and notes payables	27	**2,599,104**	2,090,501
Accruals and other payables	27	**294,219**	217,980
Contract liabilities	22	**7,646**	22,838
Amounts due to fellow subsidiaries	35(c)	**35,536**	64,435
Amount due to a related company	35(c)	**909**	9
Loan from an intermediate holding company	35(c)	**15,852**	-
Amount due to other partner of joint operation	23	**–**	67
Amounts due to non-controlling interests	33	**47,163**	42,721
Borrowings	28	**883,171**	731,572
Lease liabilities	16	**2,088**	3,849
Income tax payable		**31,811**	31,835
		3,917,499	3,205,807
Total liabilities		**4,269,677**	3,793,548
Total equity and liabilities		**4,893,994**	4,436,947

The consolidated financial statements on pages 47 to 137 were approved by the Board of Directors on 29 March 2023 and were signed on its behalf.

Mr. JIANG Hongchang
Director

Mr. NI Chuchen
Director

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

As at 31 December 2022

	Attributable to owners of the Company								
	Share capital HK$'000 (note 25(a))	**Share premium** HK$'000 (note 25(b))	**Other reserves** HK$'000 (note 25(b))	**Exchange reserves** HK$'000	**Statutory reserve** HK$'000	**Retained earnings** HK$'000	**Sub-total** HK$'000	**Non-controlling interest** HK$'000	**Total** HK$'000
At 1 January 2021	8,000	214,840	23,104	798	1,309	287,141	535,192	19,680	554,872
Profit for the year	–	–	–	–	–	2,581	2,581	14,181	16,762
Other comprehensive income:									
Exchange differences	–	–	–	5,247	–	–	5,247	864	6,111
Total comprehensive income	–	–	–	5,247	–	2,581	7,828	15,045	22,873
Transaction with owners									
Acquisition of a subsidiary (note 29)	–	–	402	–	–	–	402	65,252	65,654
Appropriation to statutory reserves	–	–	–	–	3,595	(3,595)	–	–	–
At 31 December 2021	8,000	214,840	23,506	6,045	4,904	286,127	543,422	99,977	643,399
At 1 January 2022	**8,000**	**214,840**	**23,506**	**6,045**	**4,904**	**286,127**	**543,422**	**99,977**	**643,399**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**(12,186)**	**(12,186)**	**22,724**	**10,538**
Other comprehensive loss:									
Exchange differences	**–**	**–**	**–**	**(23,444)**	**–**	**–**	**(23,444)**	**(6,176)**	**(29,620)**
Total comprehensive income	**-**	**–**	**–**	**(23,444)**	**–**	**(12,186)**	**(35,630)**	**16,548**	**(19,082)**
Transaction with owners									
Appropriation to statutory reserves	**–**	**–**	**–**	**–**	**3,483**	**(3,483)**	**–**	**–**	**–**
At 31 December 2022	**8,000**	**214,840**	**23,506**	**(17,399)**	**8,387**	**270,458**	**507,792**	**116,525**	**624,317**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	32(a)	**388,114**	(558,244)
Interest received		**3,487**	886
Interest paid		**(58,734)**	(41,453)
Income tax paid		**(20,591)**	(8,790)
Net cash generated from/(used in) operating activities		**312,276**	(607,601)
Cash flows from investing activities			
Payments of plant and equipment		**(45,613)**	(102,826)
Payments for acquisition of a subsidiary, net of cash acquired	29	**–**	(58,312)
Payments of intangible assets		**(592)**	(2,400)
Increase in deposits for purchase of plant and equipment		**–**	(2,055)
Proceeds from disposal of plant and equipment	32(b)	**280**	–
Decrease in time deposits with maturity over 3 months		**22,090**	1,553
Increase in pledged bank deposits		**(165,261)**	(48,017)
Net cash used in investing activities		**(189,096)**	(212,057)
Cash flows from financing activities			
Proceeds from borrowings		**582,225**	1,249,210
Repayments of borrowings		**(703,936)**	(413,082)
Loans from an intermediate holding company		**45,852**	–
Principal elements of lease payments		**(4,116)**	(4,759)
Advances from non-controlling interests		**4,441**	41,678
Net cash (used in)/generated from financing activities		**(75,534)**	873,047
Net increase in cash and cash equivalents		**47,646**	53,389
Cash and cash equivalents at beginning of the year		**291,838**	228,821
Effect of foreign exchange rate changes		**(15,025)**	9,628
Cash and cash equivalents at end of the year	24	**324,459**	291,838

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 General information

The Company was incorporated in the Cayman Islands on 6 October 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at room 03-08, 24/F, Shui On Centre, 6-8 Harbour Road, Wan Chai.

The Company is an investment holding company and its subsidiaries provide marine construction services, auxiliary marine related services and general construction contracting services. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountant ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

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

(a) Adoption of new standards, interpretation and amendments to standards

The Group has adopted the following new standards, improvements, interpretation and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2022:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations
Annual Improvements to HKFRSs 2018- 2020 Cycle	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41

The adoption of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) New standards, revised framework and amendments to standards which are not yet effective

The following are new standards, revised framework and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2023 or later periods, but have not been early adopted by the Group:

Amendments to HKAS1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies [1]
Amendments to HKAS 8	Definition of Accounting Estimates [1]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction [1]
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts [1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current [2]
Amendments to HKAS 1	Non-current Liabilities with Covenants [2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback [2]
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause [2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

(1) Effective for the accounting period beginning on 1 January 2023
(2) Effective for the accounting period beginning on 1 January 2024
(3) Effective date to be determined

The Group will apply the above new standards, revised framework and amendments to standards when they become effective. These new standards, revised framework and amendments to standards are not expected to have a material impact on the entity in the current or future reporting periods.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (note 2.3).

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

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

(b) Joint arrangement

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 23.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (c) below), after initially being recognised at cost in the consolidated balance sheet.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividend received or receivable from associated companies are recognised as a reduction in the carrying amount of the investment.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Equity accounting (Continued)

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

(d) Change in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss where appropriate.

2 Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of profit or loss.

2 Summary of significant accounting policies (Continued)

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other gains, net".

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.7 Property, Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2 Summary of significant accounting policies (Continued)

2.7 Property, Plant and equipment (Continued)

Depreciation of both owned and leased plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	35 years
Vessels	20 years
Machinery and equipment	3 - 10 years
Furniture and fixtures	5 years
Motor vehicles	5 - 10 years
Office equipment	3 - 10 years

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

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

Construction in progress is stated at cost less any identified impairment loss. Construction in progress is not depreciated until the construction, installation or production is completed and the relevant assets are ready to be put into operation.

A transfer is made from owner-occupied property to investment property when owner-occupation ceases. The property transfers at the carrying amount.

2.8 Investment properties

Investment properties are interest in land and buildings 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. The Group has adopted the cost model under HKAS 40 to account for its investment properties and such properties is stated at cost less depreciation and any impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of the investment properties to its residual value over its estimated useful life. Depreciation of investment properties is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives of 35 years.

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

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

2 Summary of significant accounting policies (Continued)

2.9 Intangible assets

(a) Goodwill

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

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

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

(b) Licenses, software and patented technology

Licenses, software and patented technology are measured initially at cost or, if acquired in a business combination, fair value at the acquisition date. An intangible asset with a finite useful life is amortised on a straight-line basis over its useful life and carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Licenses	10 years
Software	2 – 4 years
Patented technology	10 years

(c) Contract backlogs

Contract backlogs are identified from business combination when they meet the recognition criteria as follows:

(i) it is probable that the expected future economic benefits that are attributable to the contract backlogs will flow to the Group; and

(ii) the cost of the contract backlogs can be measured reliably.

The contract backlogs have a finite useful life and are amortised on a straight-line basis over the periods in respect of which the related benefits are expected to be received of not more than 5 years.

2 Summary of significant accounting policies (Continued)

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Inventories

Inventories comprise building materials and are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out ("FIFO") basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.12 Investments and other financial assets

(i) Classification

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

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

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

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

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets (Continued)

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the following category:

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

(iv) Impairment

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade, retention and notes receivables, amounts due from fellow subsidiaries, deposits and other receivables and cash and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. The details are disclosed in note 3.1(b).

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss rate of relevant market players, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets (Continued)

(iv) Impairment (Continued)

For trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 20 and 22 for further details.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition, see note 21 for further details.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Trade and other receivables

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

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

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the consolidated statement of profit or loss.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash at bank and deposits held at call with banks with original maturity of three months or less. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated balance sheet. Restricted cash is excluded from cash and cash equivalents.

2 Summary of significant accounting policies (Continued)

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade and other payables

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

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

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

2 Summary of significant accounting policies (Continued)

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the lax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (Continued)

2.21 Employee benefits

(a) Employee leave entitlements

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

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

(b) Retirement benefits

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

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

2 Summary of significant accounting policies (Continued)

2.22 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

An onerous contract exists where the unavoidable cost of meeting the obligations under a contract exceeds the economic benefits expected to be received under that contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The direct cost of fulfilling a contract comprises:

- the incremental costs of fulfilling that contract (for example, direct labour and materials); and
- an allocation of other costs that relate directly to fulfilling contracts.

The Group recognises costs of fulfilling a contract as expense to profit or loss when the contract first became onerous.

2.23 Contingent liabilities

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

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

2 Summary of significant accounting policies (Continued)

2.24 Revenue recognition

(a) Provision of marine construction services and general construction services

Revenue from the marine construction services and general construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group has applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. The Group considers the input method better depicts the Group's performance in transferring control of goods or services to their customers.

For contracts that contain variable consideration (variation order of construction work), the Group estimates the amount of consideration to which it will be entitled using the most likely amount.

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

When there is change in circumstances, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to better predict the circumstances present at the end of the reporting period and the changes in circumstances during the year.

(b) Provision of auxiliary marine related services

The Group provides auxiliary marine related services. Revenue is recognised over time when the relevant services are rendered, and the Group's performance provide all of the benefits received and consumed simultaneously by the customers.

(c) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceed the measure of the remaining unsatisfied performance obligations. In the consolidated balance sheet, the contract assets mainly consist of unbilled revenue and prepayments arising from the construction contracts. Contract liabilities mainly consist of the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

2 Summary of significant accounting policies (Continued)

2.25 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.26 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 Summary of significant accounting policies (Continued)

2.27 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

To determine the incremental borrowing rate, the Group:

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

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 Summary of significant accounting policies (Continued)

2.27 Leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

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

2.28 Dividend distribution

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

2.29 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Group. The directors provide principles for an overall risk management, as well as policies covering specific areas.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The Group's transactions are mainly denominated in HK$, United State dollars ("US$"), Indonesia Rupiah ("IDR"), Renminbi ("RMB"), Vietnamese Dongs ("VND") and Macao Patacas ("MOP"). The majority of assets and liabilities are denominated in HK$, US$, IDR, RMB and MOP, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HK$, IDR, RMB or MOP, which are the functional currencies of the major operating companies within the Group. The Group currently does not hedge its foreign currency exposure.

As HK$ is pegged to US$, management believes that the exchange rate risk for translations between HK$ and US$ do not have material impact to the Group. Management considered that the foreign exchange risk for MOP and VND are minimal since exchange rate fluctuation were minimal.

At 31 December 2022, if RMB had weakened/strengthened by 5% against the HK$ with all other variables held constant, post-tax profit for the year would have been approximately HK$819,000 (2021: HK$1,394,000) higher/lower, mainly as a result of the foreign exchange difference on translation of RMB denominated cash and cash equivalents, trade, retention and notes receivables, amounts due from fellow subsidiaries and trade, retention and notes payables.

At 31 December 2022, if IDR had weakened/strengthened by 5% against the HK$ with all other variables held constant, post-tax profit for the year would have been approximately HK$4,666,000 (2021: HK$nil) lower/higher, mainly as a result of the foreign exchange difference on translation of IDR denominated cash and cash equivalents, trade and retention receivables and trade and retention payables.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow interest rate risk

The Group is exposed to interest rate risk as borrowings are carried at variable rates. It is the Group's policy to maintain its borrowings subject to floating rates, and accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2022, if the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would be HK$2,133,000 (2021: HK$7,289,000 lower/higher) lower/higher, mainly as a result of interest expense on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances, amounts due from fellow subsidiaries, trade, retention and notes receivables, deposits and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

(i) Risk management

For the year ended 31 December 2022, 48.7% (2021: 47.9%) of the Group's revenue was derived from its top five customers. As at 31 December 2022, the Group had concentration of credit risk as 43.4% (2021: 63.6%) of the total trade receivables were due from the Group's top five (2021: five) customers.

Top five customers mainly include state-owned enterprises and other construction companies. To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade and retention receivable to ensure that adequate impairment provision is made for the irrecoverable amounts.

The credit risk on deposits with bank is limited because deposits are in banks with sound credit ratings and good payment history.

For other receivables, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

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

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- significant changes in actual or expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

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

Category	Description	Basis for recognition of expected credit loss
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Debtor frequently repays after due dates but usually settle after due date	Lifetime expected losses
Non-performing	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources, but there are no objective evidence of impairment	Lifetime expected losses
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Asset is written off

(ii) Impairment of financial assets

Trade, retention and notes receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime loss allowance for all trade, retention and notes receivables and contract assets.

To measure the expected credit losses, trade, retention and notes receivables and contract assets have been grouped based on shared credit risk characteristics by different sectors of the customers in different territories. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and retention receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and retention receivables are a reasonable approximation of the loss rates for the contract assets.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade, retention and notes receivables and contract assets (Continued)

The expected loss rates are based on the historical credit loss rate of relevant market players within the year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Accordingly, historical loss rates are adjusted based on expected changes in these factors.

For trade, retention and notes receivables and contract assets relating to accounts in which there are objective evidence that the likelihood of settlement from counterparties are remote, they are assessed individually for impairment allowance. Accordingly specific loss allowance of HK$24,206,000 and HK$6,198,000 (2021: HK$18,530,000 and HK$7,563,000) was made as at 31 December 2022 for trade, retention and notes receivables and contract assets respectively.

As at 31 December 2022, the expected credit losses of these collectively assessed trade, retention and notes receivables and contract assets were HK$14,445,000 and HK$14,751,000 respectively (2021: HK$9,669,000 and HK$14,722,000 respectively) based on expected loss rates ranging from 0.07% - 1.90% (2021: 0.21%-1.86%) applied on different customer sectors.

The loss allowances for trade, retention and notes receivables and contract assets as at 31 December 2022 reconcile to the opening loss allowance as follows:

Trade, retention and notes receivables	**State-owned enterprise** HK$'000	**Non state-owned enterprise** HK$'000	**Total** HK$'000
At 1 January 2021	598	7,337	7,935
Acquisition of a subsidiary (note 29)	142	6,962	7,104
Increase in loss allowance recognised in profit or loss during the year	3,271	12,768	16,039
Unused amount reversed	(211)	(3,178)	(3,389)
Exchange difference	49	461	510
At 31 December 2021 and 1 January 2022	**3,849**	**24,350**	**28,199**
Increase in loss allowance recognised in profit or loss during the year	**91**	**13,542**	**13,633**
Unused amount reversed	**(467)**	**(631)**	**(1,098)**
Exchange difference	**(298)**	**(1,785)**	**(2,083)**
At 31 December 2022	**3,175**	**35,476**	**38,651**

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade, retention and notes receivables and contract assets (Continued)

Contract assets	State-owned enterprise HK$'000	Non state-owned enterprise HK$'000	Total HK$'000
At 1 January 2021	5,639	2,234	7,873
Acquisition of a subsidiary (note 29)	552	3,689	4,241
Increase in loss allowance recognised in profit or loss during the year	521	16,909	17,430
Unused amount reversed	(5,340)	(2,329)	(7,669)
Exchange difference	34	376	410
At 31 December 2021 and 1 January 2022	**1,406**	**20,879**	**22,285**
Increase in loss allowance recognised in profit or loss during the year	**13,263**	**1,122**	**14,385**
Unused amount reversed	**(432)**	**(13,909)**	**(14,341)**
Contract assets written off during the year as uncollectible	**-**	**(168)**	**(168)**
Exchange difference	**(593)**	**(619)**	**(1,212)**
At 31 December 2022	**13,644**	**7,305**	**20,949**

Trade, retention and notes receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade, retention and notes receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Amount due from fellow subsidiaries

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime loss allowance for all amount due from fellow subsidiaries which have been arise from the revenue from general construction services with its fellow subsidiaries.

To measure the expected credit losses, amount due from fellow subsidiaries have been grouped based on shared credit risk characteristics by different sectors of the customers in different territories.

As at 31 December 2022, the expected credit losses of these collectively assessed amounts due from fellow subsidiaries were HK$743,000 (2021: HK$3,030,000) based on expected loss rate at 0.07% (2021: 0.21%) applied on different customer sectors.

The loss allowances for amount due from fellow subsidiaries as at 31 December 2022 reconcile to the opening loss allowance as follows:

	State-owned enterprise HK$'000
At 1 January 2021	508
Increase in loss allowance recognised in profit or loss during the year	2,632
Unused amount reversed	(165)
Exchange difference	55
At 31 December 2021 and 1 January 2022	**3,030**
Decrease in loss allowance recognised in profit or loss during the year	**(2,063)**
Unused amount reversed	**(42)**
Exchange difference	**(182)**
At 31 December 2022	**743**

Amount due from fellow subsidiaries are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on amount due from fellow subsidiaries are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets at amortised cost

For other financial assets at amortised cost, including deposits and other receivables, the expected credit loss is based on the 12 months expected losses. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

For deposit and other receivables relating to accounts in which there are objective evidence that the likelihood of settlement from counterparties are remote, they are assessed individually for impairment allowance. Accordingly specific loss allowance of HK$3,568,000 (2021: HK$3,357,000) was made as at 31 December 2022.

As at 31 December 2022, the expected credit losses of these collectively assessed deposits and other receivables were HK$2,707,000 (2021: HK$2,112,000) based on expected loss rates approximately to 1.09% (2021: 1.86%) applied on counterparties' sectors.

As at 31 December 2022 and 2021, the Group provides for credit losses against other financial assets at amortised cost as follows:

The Group's internal credit rating	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default HK$'000	Carrying amount (net of impairment provision) HK$'000
31 December 2022			
Performing	12 months expected loss	**200,911**	**194,636**
31 December 2021			
Performing	12 months expected loss	133,150	127,681

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets at amortised cost (Continued)

The loss allowances for other financial assets at amortised cost as at 31 December 2022 reconcile to the opening loss allowances as follows:

	State-owned enterprise HK$'000	Non state-owned enterprise HK$'000	Total HK$'000
At 1 January 2021	504	524	1,028
Acquisition of a subsidiary (note 29)	–	137	137
Increase in loss allowance recognised in profit or loss during the year	607	3,716	4,323
Unused amount reversed	(47)	(10)	(57)
Exchange difference	17	21	38
At 31 December 2021 and 1 January 2022	1,081	4,388	5,469
Increase in loss allowance recognised in profit or loss during the year	313	1,461	1,774
Unused amount reversed	(651)	(168)	(819)
Exchange difference	(136)	(13)	(149)
At 31 December 2022	**607**	**5,668**	**6,275**

Cash and cash equivalents

There is no allowance for cash and cash equivalents as at 31 December 2022 (2021: same).

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end dates during the year). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand and less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 31 December 2022				
Trade, retention and notes payables	**2,599,104**	**–**	**–**	**2,599,104**
Accruals and other payables	**263,410**	**–**	**–**	**263,410**
Lease liabilities	**2,116**	**2,045**	**1,438**	**5,599**
Bank loans and interest payables	**917,677**	**191,107**	**27,976**	**1,136,760**
Loans from an intermediate holding company	**23,006**	**136,435**	**–**	**159,441**
Amounts due to fellow subsidiaries	**35,536**	**–**	**–**	**35,536**
Amounts due to non-controlling interests	**47,163**	**–**	**–**	**47,163**
Amount due to a related company	**909**	**–**	**–**	**909**
As at 31 December 2021				
Trade, retention and notes payables	2,090,501	–	–	2,090,501
Accruals and other payables	190,982	–	–	190,982
Lease liabilities	3,932	924	–	4,856
Bank loans and interest payables	760,763	146,913	353,642	1,261,318
Loan from an intermediate holding company	3,740	103,740	–	107,480
Amounts due to fellow subsidiaries	64,435	–	–	64,435
Amount due to other partner of joint operation	67	–	–	67
Amounts due to non-controlling interests	42,721	–	–	42,721
Amount due to a related company	9	–	–	9

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings and loan from an intermediate holding company less cash and cash equivalents, time deposits, restricted cash and pledged bank deposits. The debt-to-equity ratios as at 31 December 2022 and 2021 are as follows:

	2022 **HK$'000**	2021 HK$'000
Borrowings (note 28)	**1,092,566**	1,208,515
Loan from an intermediate holding company (note 35(c))	**145,852**	100,000
Less: cash and cash equivalents, time deposits with maturity over 3 months, restricted cash and pledged bank deposits (note 24)	**(565,649)**	(390,648)
Net debt	**672,769**	917,867
Total equity	**624,317**	643,399
Debt to equity ratio	**107.8%**	142.7%

3.3 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, time deposits, restricted cash, pledged bank deposits, trade, retention and notes receivables, deposits and other receivables, amounts due from fellow subsidiaries and trade, retention and notes payables, accruals and other payables, loans from an intermediate holding company, amount due to a related company, amounts due to non-controlling interests, amount due to fellow subsidiaries, amount due to other partner of joint operation, lease liabilities and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

3 Financial risk management (Continued)

3.4 Financial instruments by category

	2022 HK$'000	2021 HK$'000
Financial assets at amortised cost		
Trade, retention and notes receivables, deposits and other receivables	1,054,812	683,574
Amounts due from fellow subsidiaries	1,056,869	1,439,642
Time deposits with maturity over 3 months	204	22,294
Pledged bank deposits	236,978	71,717
Restricted cash	4,008	4,799
Cash and cash equivalents	324,495	291,838
Total	2,677,366	2,513,864
Financial liabilities at amortised cost		
Trade, retention and notes payables, accruals and other payables	2,862,514	2,281,483
Loans from an intermediate holding company	145,852	100,000
Amount due to a related company	909	9
Amount due to non-controlling interests	47,163	42,721
Amounts due to fellow subsidiaries	35,536	64,435
Amount due to other partner of joint operation	–	67
Lease liabilities	5,436	4,761
Borrowings	1,092,566	1,208,515
Total	4,189,976	3,701,991

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

In addition, significant judgement is required to assess the recoverability of contract costs incurred as a result of difference between the amount applied to and the amount certified by the main contractor.

The progress towards complete satisfaction of the performance obligation is measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total construction costs. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revised the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract.

(b) Impairment of trade, retention and notes receivables and amounts due from fellow subsidiaries and contract assets

The loss allowances for trade, retention and notes receivables and amounts due from fellow subsidiaries and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past default history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1(b).

4 Critical accounting estimates and judgements (Continued)

(c) Impairment assessment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 reporting period, the recoverable amounts of cash-generating units ("CGUs") was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 17. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in note 17.

(d) Classification of acquisition of 34% equity interest in Qingdao Honghai Curtain Wall Company Limited ("Honghai Curtain Wall")

The classification of an investment as a subsidiary is based on whether the Group is determined to have control over the investee, which involves judgments through the analysis of various factors, including the Group's representation on the chief decision-making authorities of an investee. As the Group is entitled to appoint a majority number of directors of Honghai Curtain Wall and is able to control its management and operation, the identifiable assets and liabilities of Honghai Curtain Wall is accounted for in the consolidated financial statements of the Group at their fair value under the acquisition method.

5 Revenue and segment information

(a) Revenue

	2022 HK$'000	2021 HK$'000
Rendering of services, recognised over time		
– Marine construction works	**425,353**	403,329
– Provision of auxiliary marine related services	**34,190**	105,772
– Provision of general construction contracting services	**2,419,668**	2,676,738
	2,879,211	3,185,839

5 Revenue and segment information (Continued)

(b) Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as comprising three operating segments, marine construction works, provision of auxiliary marine related services and general construction contracting services. They review financial information accordingly.

Segment revenue is measured in a manner consistent with that in the consolidated statement of profit or loss.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated balance sheet except for cash and bank balances and other corporate assets.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the consolidated balance sheet except for income tax payable, deferred tax liabilities, borrowings, loans from an intermediate holding company and certain corporate liabilities.

Profit or loss

	Marine construction works HK$'000	Provision of auxiliary marine related services HK$'000	General construction contracting services HK$'000	Total HK$'000
For the year ended 31 December 2022				
Segment revenue from external customers	425,353	34,190	2,419,668	2,879,211
Segment results	5,665	1,412	112,630	119,707
Unallocated expenses				(37,686)
Depreciation of investment properties				(817)
Depreciation of property, plant and equipment				(2,366)
Depreciation of right-of-use assets				(3,837)
Finance costs, net				(55,247)
Profit before income tax				19,754
Income tax expenses				(9,216)
Profit for the year				10,538
Included in segment results are:				
Depreciation of property, plant and equipment	(15,699)	(4,256)	(3,206)	(23,161)
Amortisation of intangible assets	–	–	(3,833)	(3,833)

5 Revenue and segment information (Continued)

(b) Segment information (Continued)

Profit or loss (Continued)

	Marine construction works HK$'000	Provision of auxiliary marine related services HK$'000	General construction contracting services HK$'000	Total HK$'000
For the year ended 31 December 2021				
Segment revenue from external customers	403,329	105,772	2,676,738	3,185,839
Segment results	4,378	2,727	83,159	90,264
Unallocated expenses				(9,630)
Depreciation of investment properties				(286)
Depreciation of property, plant and equipment				(2,885)
Depreciation of right-of-use assets				(6,165)
Impairment of investment properties				(400)
Finance costs, net				(39,703)
Profit before income tax				31,195
Income tax credit				(14,433)
Profit for the year				16,762
Included in segment results are:				
Depreciation of property, plant and equipment	(9,319)	(7,416)	(1,010)	(17,745)
Amortisation of intangible assets	–	–	(9,154)	(9,154)

5 Revenue and segment information (Continued)

(b) Segment information (Continued)

Assets

	Marine construction works HK$'000	Provision of auxiliary marine related services HK$'000	General construction contracting services HK$'000	Total HK$'000
At 31 December 2022				
Segment assets	513,958	221,428	3,532,791	4,268,177
Unallocated assets				625,817
Total assets				4,893,994
Additions to non-current assets	9,051	4,595	32,559	46,205
At 31 December 2021				
Segment assets	503,457	243,915	3,183,895	3,931,267
Unallocated assets				505,680
Total assets				4,436,947
Additions to non-current assets	733	15,624	87,333	103,690

The information provided to chief operating decision maker with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

5 Revenue and segment information (Continued)

(b) Segment information (Continued)

Liabilities

	Marine construction works HK$'000	Provision of auxiliary marine related services HK$'000	General construction contracting services HK$'000	Total HK$'000
At 31 December 2022				
Segment liabilities	61,501	5,224	2,597,571	2,664,296
Borrowings				1,092,566
Loan from an intermediate holding company				145,852
Income tax payable				31,811
Deferred tax liabilities				9,435
Unallocated liabilities				325,717
Total liabilities				4,269,677
At 31 December 2021				
Segment liabilities	156,002	880	2,025,728	2,182,610
Borrowings				1,208,515
Loan from an intermediate holding company				100,000
Income tax payable				31,835
Deferred tax liabilities				9,886
Unallocated liabilities				260,702
Total liabilities				3,793,548

5 Revenue and segment information (Continued)

(b) Segment information (Continued)

The Group's revenue from external customers attributable to the countries from which the Group derives revenue based on marine construction works, general construction contracting services and provision of auxiliary marine related services.

Revenue from external customers

	Year ended 31 December	
	2022	2021
	HK$'000	HK$'000
Hong Kong	270,650	93,537
Mainland China	2,419,668	2,676,738
Indonesia	13,136	13,038
Macao	173,089	331,656
Pakistan	–	31,870
Cambodia	2,668	–
Vietnam	–	39,000
	2,879,211	3,185,839

The Group's information about its non-current assets including property, plant and equipment and investment properties located in the country of domicile are detailed below:

Non-current assets

(i) Based on countries of domicile of companies holding the assets:

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Hong Kong	201,899	207,468
Mainland China	130,215	121,631
Indonesia	7,891	9,200
Macao	6,904	9,030
Malaysia	–	3
	346,909	347,332

5 Revenue and segment information (Continued)

(b) Segment information (Continued)

Non-current assets (Continued)

(ii) Based on physical location of the assets:

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Hong Kong	**91,297**	97,480
Indonesia	**7,891**	9,203
Macao	**55,176**	72,210
Mainland China	**154,199**	127,663
Malaysia	**12,825**	13,500
Pakistan	**23,640**	25,261
Philippines	**1,881**	2,015
	346,909	347,332

(c) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group, all of which being fellow subsidiaries of the Company, is as follows:

	2022	2021
	HK$'000	HK$'000
Qingdao West Coast New District Development Limited	**521,307**	532,145
Qingdao Rongchuang Xifa Cultural Development Limited	**N/A[(a)]**	345,623
Qingdao West Coast Technology Innovation Development Co., Limited	**313,695**	325,524

(a) The corresponding customers did not contribute over 10% of the total revenue of the Group for the specific year.

6 Other gains, net

	2022 HK$'000	2021 HK$'000
Gains on disposal of plant and equipment	**88**	–
Government grant (note)	**3,013**	657
Foreign exchange gains, net	**9,016**	838
Rental income from investment properties (note 15)	**667**	262
Export tax refund	**375**	–
Gain from sale of scrap materials	**236**	198
Loss on dissolution of a joint venture (note 23)	**(255)**	–
Gains on disposal of right-of-use assets	**67**	5
	13,207	1,960

Note: Government grants in 2022 and 2021 mainly related to wage support from the government of Hong Kong in respect of the COVID-19 pandemic. There were no unfulfilled condition and other contingencies attached to the receipts of those subsidies.

7 Expenses by nature

	2022 HK$'000	2021 HK$'000
Cost of providing services		
Consultancy and design fee	**3,295**	5,456
Amortisation of intangible assets (note 18)	**–**	5,935
Depreciation of property, plant and equipment (note 14)	**23,161**	17,745
Insurance	**3,935**	6,158
Materials (note 19)	**1,018,346**	1,054,736
Subcontracting charges	**1,281,489**	1,584,755
Staff costs (note (a))	**120,343**	106,288
Lease expenses relating to short-term lease of machineries and equipment (note 16)	**113,439**	84,980
Repair and maintenances	**7,997**	9,498
Transportation	**8,033**	18,398
Site expenses	**40,345**	46,555
Customs duties	**3,932**	15,989
Provision for onerous contract	**5,585**	–
Others	**28,692**	24,256
	2,658,592	2,980,749
Other administrative expenses		
Staff costs, including directors' emoluments (note (a))	**66,145**	48,526
Auditors' remuneration		
– Audit services	**2,899**	4,432
– Non-audit services	**–**	2,296
Depreciation of property, plant and equipment (note 14)	**2,366**	2,885
Depreciation of right-of-use assets (note 16)	**3,837**	6,165
Depreciation of investment properties (note 15)	**817**	286
Amortisation of intangible assets (note 18)	**3,833**	3,219
Impairment of investment properties (note 15)	**–**	400
Leases expenses relating to short-term leases and leases of low-value assets (note 16)	**3,004**	1,718
Professional fee - others	**18,480**	10,489
Consumables expenses	**2,903**	2,430
Entertainment fee	**1,542**	1,615
Travelling expense	**3,560**	1,897
Bank charges	**2,768**	1,680
Others	**17,476**	7,660
	129,630	95,698
Research and development expenses (note)	**17,934**	11,310
Total cost of sales, research and development expenses and other administrative expenses	**2,806,156**	3,087,757

7 Expenses by nature (Continued)

Note: During the year ended 31 December 2022, the amount of research and development expenses of HK$17,934,000 (2021: HK$11,310,000) represented the research and development of curtain wall engineering and construction technology.

Note (a):

	2022 HK$'000	2021 HK$'000
Wages and salaries	171,940	137,374
Pension costs - defined contribution plans (note (i))	13,812	17,427
Other employment benefits	736	13
	186,488	154,814
Included in cost of sales	(120,343)	(106,288)
Included in administrative expenses	(66,145)	(48,526)

(i) The Group participates in a Mandatory Provident Fund scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings with a ceiling of HK$1,500 per month.

The Group also participates in an employee social security plan (the "Social Security Plan") and contributes a fixed amount for each employee as required by the regulations in Macao.

The Group participates in an employee social security programme (the "Social Security Programme") in Indonesia, providing compensation in the event of working accidents, death, old age, and in case of sickness and hospitalisation. Under the Social Security Programme, the employer is required to contribute a fixed percentage of the employee's salaries every month.

The Group's subsidiaries in the People's Republic of China (the "PRC") participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans. Contributions to these retirement benefits schemes are charged to the consolidated statement of profit or loss as incurred.

The only obligation of the Group with respect to the MPF Scheme, the Social Security Plan and the Social Security Programme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

8 Finance costs, net

	2022 HK$'000	2021 HK$'000
Finance income		
– Interest income on bank balances	**3,487**	886
Finance costs		
– Interest expenses on loan from an immediate holding company (note 35(b))	**(5,698)**	(3,740)
– Interest expenses on bank loans	**(53,450)**	(37,193)
– Interest expenses on lease liabilities (note 16)	**(100)**	(270)
– Amortisation of loan arrangement fee	**(1,250)**	(250)
	(60,498)	(41,453)
Less: capitalised interests	**1,764**	864
	(58,734)	(40,589)
Finance costs, net	**(55,247)**	(39,703)

9 Income tax expenses

The amount of income tax charged/(credited) to the consolidated statement of profit or loss represents:

	2022 HK$'000	2021 HK$'000
Hong Kong profits tax		
Current income tax	19	86
PRC Corporate income tax		
Current income tax	16,308	20,461
Indonesia income tax		
Withholding income tax	264	323
Macao complementary income tax		
Over-provision in prior years	–	(2,171)
Current income tax	957	1,292
Deferred income tax (note 26)	(8,332)	(5,558)
Income tax expenses	9,216	14,433

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year.

(b) Subsidiaries in the PRC are subject to corporate income tax ("CIT") in accordance with the PRC CIT Law. According to the PRC CIT Law and the relevant regulations, the CIT tax rate applicable is 25% except for subsidiaries which qualify as High-New Technology Enterprises which are subject to a tax rate of 15%.

(c) Indonesia income tax is charged through a system of withholding taxes. Companies are required to withhold final income tax for income of construction works performed and interest income from bank deposits. For the year ended 31 December 2022, income tax has been provided at the rate of 3% (2021: none) of the construction revenue and 20% (2021: 20%) of the interest income from bank deposits.

(d) Macao complementary income tax has been provided at the rate of 12% (2021: 12%) on the estimated assessable profit for the year.

9 Income tax expenses (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2022 HK$'000	2021 HK$'000
Profit before income tax	**19,754**	31,195
Calculated at tax rate of 16.5% (2021: 16.5%)	**3,259**	5,147
Tax effects of:		
Withholding tax	**264**	323
Effect of different tax rates in other territories	**1,685**	2,458
Tax concession	**–**	(389)
Income not subject to tax*	**(3,418)**	(450)
Expenses not deductible for tax purposes	**7,146**	9,165
Tax losses for which no deferred income tax asset was recognised	**280**	350
Over-provision in prior years	**–**	(2,171)
Income tax expenses	**9,216**	14,433

* Include income subject to withholding tax calculated based on revenue from projects instead of assessable profits.

10 Dividends

There is no final dividend proposed to shareholders of the Company for the year ended 31 December 2022 (2021: nil).

11 (Loss)/earnings per share

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	2022	2021
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(12,186)**	2,581
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	**800,000**	800,000
Basic (loss)/earnings per share (HK cents)	**(1.52)**	0.32

(b) Diluted

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares during the year (2021: same).

12 Emoluments for directors and five highest paid individuals

(a) Directors' emoluments

The emoluments of individual directors of the Company during the year which were included in the staff costs as disclosed in note 7 are set out below:

For the year ended 31 December 2022

	Salaries HK$'000	Employer's Contribution to pension scheme HK$'000	Fees HK$'000
Executive directors			
Mr. Yang Zhenshan	752	18	770
Mr. Ni Chuchen (note i)	391	8	399
Mr. Ding Hongbin (note ii)	–	–	–
Mr. Jiang Hongchang (note i)	–	–	–
Mr. Jiang Shuang (note ii)	–	–	–
Mr. Liu Yutao (note i)	–	–	–
Mr. Wang Xuejun (note ii)	–	–	–
	1,143	26	1,169
Non-executive director			
Mr. Cui Qi (note iii)	1,607	12	1,619
Independent non-executive directors			
Mr. Cheng Xue Zhan	248	–	248
Mr. Cheung Chi Man Dennis	248	–	248
Ms. Wang Yaping	248	–	248
	744	–	744

12 Emoluments for directors and five highest paid individuals (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2021

	Salaries HK$'000	Employer's Contribution to pension scheme HK$'000	Fees HK$'000
Executive directors			
Mr. Cui Qi (note (iii))	1,422	18	1,440
Mr. Ding Hongbin (note ii)	911	15	926
Mr. Jiang Shuang (note ii)	687	17	704
Mr. Wang Xuejun (note iv)	–	–	–
Mr. Yang Zhenshan	822	18	840
	3,842	68	3,910
Independent non-executive directors			
Mr. Cheng Xue Zhan	216	–	216
Mr. Cheung Chi Man Dennis	216	–	216
Ms. Wang Yaping	216	–	216
	648	–	648

Note:

(i) Mr. Jiang Hongchang, Mr. Liu Yutao and Mr. Ni Chuchen were appointed as the Company's directors on 28 June 2022.

(ii) Mr. Ding Hongbin, Mr. Jiang Shuang and Mr. Wang Xuejun were retired as the Company's directors on 28 June 2022.

(iii) Mr. Cui Qi was re-designated from executive director to non-executive director on 28 June 2022.

(iv) Mr. Wang Xuejun was re-designated from non-executive director to executive director on 1 March 2021.

12 Emoluments for directors and five highest paid individuals (continued)

(a) Directors' emoluments (continued)

During the year ended 31 December 2022, none of the directors of the Company (i) received or were paid any remuneration in respect of accepting office; and (ii) waived or has agreed to waive any emolument (2021: nil).

During the year ended 31 December 2022, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services (2021: nil).

During the years ended 31 December 2022 and 2021, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, other than those disclosed in note 35 of the consolidated financial statements.

Those directors without payment from the Company received emoluments from the ultimate holding company, part of which are in relation to their services to the Company. No apportionment has been done as the directors consider that it is impractical to apportion the amount between their services to the Company and their services to the ultimate holding company, and the amount is immaterial.

(b) Five highest paid individuals

For the year ended 31 December 2022, the five (2021: five) individuals whose emoluments were the highest in the Group include two (2021: three) directors, whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining three (2021: two) individuals are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, bonus and other allowances	**2,514**	1,493
Pension costs - defined contribution plans	**48**	47
	2,562	1,540

The emoluments of the remaining individuals fell within the following band:

	2022	2021
Nil – HK$1,000,000	**3**	2

During the year ended 31 December 2022, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office (2021: nil).

13 Subsidiaries

The following is a list of principal subsidiaries at 31 December 2022 and 2021:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share and fully paid share capital 2022	2021	Effective interest held as at 2022	2021
Directly held by the Company:						
Prosper Construction Group Ltd.	British Virgin Islands, limited liability company	Investment holding	**HK$2**	HK$2	**100%**	100%
West Coast Development (International) Limited	British Virgin Islands, limited liability company	Investment holding	**US$1,000,000**	US$1,000,000	**100%**	100%
Indirectly held by the Company:						
Hong Kong River Engineering Company Limited	Hong Kong, limited liability company	Provision of engineering and construction works in Hong Kong	**HK60,000,000**	HK60,000,000	**100%**	100%
Creator Pacific Limited	Hong Kong, limited liability company	Letting of vessels for rental income, trading of vessels and provision of repairing services to the vessels	**HK$38,000,000**	HK$38,000,000	**100%**	100%
PT. Indonesia River Engineering	Indonesia, limited liability company	Provision of engineering and construction works in Indonesia	**US$400,000**	US$400,000	**100%**	100%
Hong Kong River (Macao) Engineering Company Limited (香港瑞沃(澳門)工程有限公司)	Macao, limited liability company	Provision of engineering and construction works in Macao	**MOP100,000**	MOP100,000	**100%**	100%
Creator Pacific (M) SDN. BHD	Malaysia, limited liability company	Provision of engineering and construction works in Malaysia	**RM1**	RM1	**100%**	100%
West Coast Development (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding	**US$1,000,000**	US$1,000,000	**100%**	100%
Qingdao Xifa Ruihai Industrial Development Limited	Mainland China, limited liability company	Investment holding	**US$1,000,000**	US$1,000,000	**100%**	100%
Qingdao Dongjie Construction Engineering Co., Ltd. ("Qingdao Dongjie")	Mainland China, limited liability company	Provision of construction services in the PRC	**RMB50,000,000**	RMB50,000,000	**80%**	80%
Qingdao Honghai Curtain Wall Company Limited ("Honghai Curtain Wall") (note)	Mainland China, limited liability company	Provision of construction services in the PRC	**RMB50,000,000**	RMB50,000,000	**34%**	34%

Note:

The company was acquired by a wholly owned subsidiary on 13 January 2021. The Group is entitled to appoint a majority number of directors of Honghai Curtain Wall and is able to control its management and operation. Accordingly, Honghai Curtain Wall is an indirect non-wholly owned subsidiary of the Company and its financial results, assets and liabilities are accounted for in the consolidated financial statement of the Group.

14 Property, Plant and equipment

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Machinery and equipment HK$'000	Vessels HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
At 1 January 2021								
Cost	11,584	228	3,359	74,573	258,279	1,952	–	349,975
Accumulated depreciation	(322)	(190)	(701)	(32,988)	(73,535)	(1,671)	–	(109,407)
Net book amount	11,262	38	2,658	41,585	184,744	281	–	240,568
Year ended 31 December 2021								
Opening net book amount	11,262	38	2,658	41,585	184,744	281	–	240,568
Additions	–	31	4,797	9,828	15,624	2,104	71,306	103,690
Acquisition of a subsidiary (note 29)	7,630	–	340	3,405	–	457	1,808	13,640
Depreciation	(1,599)	(16)	(1,272)	(8,127)	(9,329)	(287)	–	(20,630)
Exchange difference	588	–	75	111	(170)	76	59	739
Closing net book amount	17,881	53	6,598	46,802	190,869	2,631	73,173	338,007
At 31 December 2021								
Cost	19,839	260	8,581	87,911	273,701	4,584	73,173	468,049
Accumulated depreciation	(1,958)	(207)	(1,983)	(41,109)	(82,832)	(1,953)	–	(130,042)
Net book amount	17,881	53	6,598	46,802	190,869	2,631	73,173	338,007

14 Property, Plant and equipment (Continued)

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Machinery and equipment HK$'000	Vessels HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
Year ended 31 December 2022								
Opening net book amount	17,881	53	6,598	46,802	190,869	2,631	73,173	338,007
Additions	1,562	29	2,722	1,958	12,529	83	26,730	45,613
Transfer to investment properties (note 15)	(8,101)	–	–	–	–	–	–	(8,101)
Transfer from construction in process	92,897	–	725	2,108	–	–	(95,730)	–
Disposal	–	–	(4)	(900)	–	(30)	–	(934)
Depreciation	(82)	(26)	(2,243)	(8,564)	(13,957)	(655)	–	(25,527)
Exchange difference	(11,185)	–	(472)	(988)	(727)	(165)	(4,173)	(17,710)
Closing net book amount	92,972	56	7,326	40,416	188,714	1,864	–	331,348
At 31 December 2022								
Cost	94,192	289	11,331	89,584	285,239	3,964	–	484,599
Accumulated depreciation	(1,220)	(233)	(4,005)	(49,168)	(96,525)	(2,100)	–	(153,251)
Net book amount	92,972	56	7,326	40,416	188,714	1,864	–	331,348

15 Investment properties

The investment properties are measured at cost less accumulated depreciation and provision for any impairment in value. Set out below is the movement of the investment properties for the year ended 31 December 2022:

	2022 HK$'000	2021 HK$'000
At 1 January		
Opening net book value	9,325	9,707
Transfer from property, plant and equipment (note 14)	8,101	–
Depreciation (note 7)	(817)	(286)
Impairment (note 7)	–	(400)
Exchange difference	(1,048)	304
Carrying amount	15,561	9,325
Year ended 31 December		
Cost	18,847	10,317
Accumulated depreciation	(2,886)	(592)
Accumulated impairment	(400)	(400)
Carrying amount	15,561	9,325

(a) Amounts recognised in consolidated statement of profit or loss for investment properties

	2022 HK$'000	2021 HK$'000
Rental income from operating leases (note 6)	667	262
Direct operating expenses of properties that did not generate rental income	(802)	(231)

(b) Leasing arrangement

The investment properties were leased to tenants under operating leases with rentals prepaid 1 year in advance.

15 Investment properties (Continued)

(c) Fair value of investment properties

The fair value of the investment properties of the Group as at 31 December 2022 was HK$28,441,000 (2021: HK$9,325,000) representing the valuation carried out by an independent professionally qualified valuer.

For the year ended 31 December 2022, the fair value is estimated using an income capitalisation approach (2021: direct comparison approach). Under the income capitalisation approach, fair value is estimated by applying assumptions for capitalisation rates and notional income, which are influenced by the prevailing market yields, comparable market transactions and discount rates. Under the direct comparison approach, fair value is estimated by using the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the investment property, which include the location, size, shape, view, year of completion and other factors collectively, to arrive at the unit market price. The fair value measurement is based on the above property's highest and best use, which does not differ from the actual use.

For the year ended 31 December 2022, the key input is the capitalisation rate. A significant increase/decrease in the capitalisation rate will result in a significant decrease/increase in the fair value of the investment properties. For the year ended 31 December 2021, the key input is the unit price. A significant increase/decrease in the market price will result in a significant increase/decrease in the fair value of the investment properties.

16 Right-of-use assets and lease liabilities

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to the leases in respect of office premises and staff quarters:

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Non-current	68,078	66,971
Lease liabilities		
Non-current	3,348	912
Current	2,088	3,849
	5,436	4,761

Additions to the right-of-use assets during the year ended 31 December 2022 was HK$5,287,000 (2021: HK$5,534,000). During the year ended 31 December 2021, right-of-use assets of HK$31,845,000 were acquired through the acquisition of a subsidiary.

16 Right-of-use assets and lease liabilities (Continued)

(ii) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to the leases in respect of office premises and staff quarters:

	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets (note 7)	3,837	6,165
Interest expenses on lease liabilities (note 8)	100	270
Leases expenses relating to short-term leases of machineries and equipment (note 7)	113,439	84,980
Leases expenses relating to short-term leases and leases of low-value assets (note 7)	3,004	1,718

The total cash outflow for leases during the year ended 31 December 2022 was HK$4,216,000 (2021: HK$5,029,000) excluding short-term leases and leases of low-value assets.

17 Goodwill

Goodwill is allocated to the Group's general construction contracting services business from Qingdao Dongjie and Honghai Curtain Wall.

	Honghai Curtain Wall HK$'000	Qingdao Dongjie HK$'000	Total HK$'000
At 1 January 2021			
Opening net book value	–	16,395	16,395
Acquisition of a subsidiary (note 29)	25,552	–	25,552
Exchange difference	830	533	1,363
Carrying amount	26,382	16,928	43,310
Year ended 31 December 2021			
Cost	26,382	16,928	43,310
Accumulated impairment	–	–	–
Carrying amount	26,382	16,928	43,310

	Honghai Curtain Wall HK$'000	**Qingdao Dongjie HK$'000**	**Total HK$'000**
At 1 January 2022			
Opening net book value	**26,382**	**16,928**	**43,310**
Exchange difference	**(2,022)**	**(1,298)**	**(3,320)**
Carrying amount	**24,360**	**15,630**	**39,990**
Year ended 31 December 2022			
Cost	**24,360**	**15,630**	**39,990**
Accumulated impairment	**–**	**–**	**–**
Carrying amount	**24,360**	**15,630**	**39,990**

Goodwill is resulted from previous acquisitions of subsidiaries and businesses. The goodwill as a result of acquisitions is allocated to the CGUs that are expected to benefit from the synergies of the business combination and is monitored thereon accordingly.

For the purpose of impairment review for general construction contracting services business, the recoverable amount of goodwill is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated long term growth rate stated below. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period and key assumptions include the expected growth in revenues, post-tax discount rate and terminal growth rate.

17 Goodwill (Continued)

The key assumptions are as follows:

	2022	2021
Qingdao Dongjie		
Sales growth rate for the next 5 years	**5-15%**	5-20%
Discount rate	**11.6%**	12.4%
Terminal growth rate	**0%**	0%
Honghai Curtain Wall		
Sales growth rate for the next 5 years	**15-42%**	15-25%
Discount rate	**17.0%**	17.8%
Terminal growth rate	**0%**	0%

The sales growth rate used is consistent with the forecasts to reflect the latest development of the CGU. The discount rate used is internal rate of return for financial model calculations. The growth rates do not exceed the long-term average growth rate for business which the Group operates. Management has reasonably considered and assessed possible changes for other key assumptions and has not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

Management has performed sensitivity analysis for both CGUs is as follow:

Scenario 1 – Sales growth rate decreased

Scenario 2 – Discount rate applied increased

Had the estimated key assumptions during the years been changed, the headroom would be decreased by as follows:

	2022		2021	
	%	HK$'000	%	HK$'000
Qingdao Dongjie				
Scenario 1 – Sales growth rate decreased by	**50%**	**475,381**	50%	461,367
Scenario 2 – Discount rate applied increased by	**1.2%**	**255,382**	1.2%	622,886
Honghai Curtain Wall				
Scenario 1 – Sales growth rate decreased by	**5%**	**37,470**	15%	57,581
Scenario 2 – Discount rate applied increased by	**0.7%**	**35,792**	1.2%	32,951

The management believes that there were no reasonably possible changes in any of the key assumptions that would cause an impairment provision for each of the CGUs as at 31 December 2022 and 2021.

18 Intangible assets

	Licenses HK$'000	Software HK$'000	Patented technology HK$'000	Contract backlogs HK$'000	Total HK$'000
At 1 January 2021					
Opening net book value	8,768	370	–	–	9,138
Addition	–	2,400	–	–	2,400
Acquisition of a subsidiary (note 29)	–	–	14,882	5,659	20,541
Amortisation charge (note 7)	(991)	(896)	(1,513)	(5,754)	(9,154)
Exchange differences	286	35	459	95	875
Net book amount	8,063	1,909	13,828	–	23,800
Year ended 31 December 2021					
Cost	10,059	2,952	15,365	5,843	34,219
Accumulated amortisation and impairment	(1,996)	(1,043)	(1,537)	(5,843)	(10,419)
Net book amount	8,063	1,909	13,828	–	23,800

	Licenses HK$'000	**Software HK$'000**	**Patented technology HK$'000**	**Contract backlogs HK$'000**	**Total HK$'000**
At 1 January 2022					
Opening net book value	**8,063**	**1,909**	**13,828**	**–**	**23,800**
Addition	**–**	**592**	**–**	**–**	**592**
Amortisation charge (note 7)	**(952)**	**(1,417)**	**(1,464)**	**–**	**(3,833)**
Exchange differences	**(694)**	**(126)**	**(1,024)**	**–**	**(1,844)**
Net book amount	**6,417**	**958**	**11,340**	**–**	**18,715**
Year ended 31 December 2022					
Cost	**9,288**	**3,304**	**14,188**	**5,395**	**32,175**
Accumulated amortisation and impairment	**(2,871)**	**(2,346)**	**(2,848)**	**(5,395)**	**(13,460)**
Net book amount	**6,417**	**958**	**11,340**	**–**	**18,715**

19 Inventories

	2022 HK$'000	2021 HK$'000
Construction materials	13,259	51,066

(a) Assigning costs to inventories

The costs of individual inventories are determined using first-in, first-out basis.

(b) Amounts recognised in profit or loss

Cost of inventories recognised as an expense during the year ended 31 December 2022 amounted to HK$1,018,346,000 (for the year ended 31 December 2021: HK$1,054,736,000) (note 7).

20 Trade, retention and notes receivables, and amounts due from fellow subsidiaries

	2022 HK$'000	2021 HK$'000
Trade receivables	760,637	436,221
Less: Loss allowance	(30,272)	(19,723)
Trade receivables – net	730,365	416,498
Retention receivables	118,210	139,516
Less: Loss allowance	(8,122)	(8,351)
Retention receivables – net	110,088	131,165
Note receivables	19,980	8,355
Less: Loss allowance	(257)	(125)
Note receivables – net	19,723	8,230
Trade, retention and notes receivables, net	860,176	555,893

20 Trade, retention and notes receivables, and amounts due from fellow subsidiaries (Continued)

	2022 HK$'000	2021 HK$'000
Amounts due from fellow subsidiaries - trade balances	**1,057,612**	1,442,672
Less: Loss allowance	**(743)**	(3,030)
Amounts due from fellow subsidiaries, net	**1,056,869**	1,439,642

The ageing analysis of the trade receivables based on invoice date was as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**505,537**	195,910
1 to 2 years	**101,161**	136,668
Over 2 years	**123,667**	83,920
	730,365	416,498

In the consolidated balance sheet, retention receivables were classified as current assets. The ageing of the retention receivables based on invoice date was as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**25,504**	12,215
Between 1 and 5 years	**64,814**	91,221
Over 5 years	**19,770**	27,729
	110,088	131,165

The ageing of the notes receivables based on invoice date as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**19,723**	8,230

20 Trade, retention and notes receivables, and amounts due from fellow subsidiaries (Continued)

The ageing analysis of the amounts due from fellow subsidiaries based on invoice date was as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**840,870**	1,439,642
1 to 2 years	**215,999**	–
	1,056,869	1,439,642

(a) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade, retention and notes receivables and amounts due from fellow subsidiaries.

The loss allowance for trade, retention and notes receivables and amounts due from fellow subsidiaries recognised during the current reporting period are disclosed in note 3.1(b).

Information about the impairment of trade, retention and notes receivables and the Group's exposure to credit risk and foreign currency risk can be found in note 3.1(b).

The credit period granted to trade customers other than for retention receivables was within 30 days to 90 days for marine construction works and auxiliary marine related services whereas there is generally no credit period granted to the customers for general construction services in the PRC. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The carrying amounts of trade, retention and notes receivables, and amounts due from fellow subsidiaries approximated their fair values and were denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HK$	**105,482**	58,213
RMB	**1,666,490**	1,787,297
US$	**87,652**	88,532
MOP	**56,154**	61,278
IDR	**1,267**	215
	1,917,045	1,995,535

21 Deposit, prepayment and other receivables

	2022 HK$'000	2021 HK$'000
Deposits, prepayments and other receivables (note)	292,813	197,018
Less: Loss allowance	(6,275)	(5,469)
	286,538	191,549
Less: current	(261,065)	(169,670)
Non-current	25,473	21,879

Note: The balance mainly represents deposits for plant and equipment, tendering and other miscellaneous receivables.

22 Contract assets and contract liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	2022 HK$'000	2021 HK$'000
Contract assets		
Provision of construction services - third parties	892,694	957,907
Provision of construction services - fellow subsidiaries	758,221	391,114
Less: Loss allowance	(20,949)	(22,285)
	1,629,966	1,326,736
Contract liabilities		
Provision of construction services	(7,646)	(22,838)

(a) Significant changes in contract assets and liabilities

Contract assets represents the amount by which the construction services performed by the Group is ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. Details of the impairment assessment of contract assets are set out in note 3.1(b) to the consolidated financial statements.

22 Contract assets and contract liabilities (Continued)

(b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised during the year ended 31 December 2022 relates to carried-forward contract liabilities.

	2022 **HK$'000**	2021 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	**22,838**	9,209

(c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction and auxiliary marine related services contracts.

	2022 **HK$'000**	2021 HK$'000
Aggregate amount of the transaction price of long-term construction contracts that are partially or fully unsatisfied as at 31 December	**4,707,952**	3,520,392

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2022 and 2021 will be recognised as revenue by referencing to the progress towards completion of the contract activity.

23 Joint arrangement

Joint operations

(a) The following sets out the joint operations indirectly undertaken by the Company as at 31 December 2022 and 2021:

Name	Place of establishment/ Incorporation and kind of legal entity	Principal activities	Percentage of ownership interest 2022	2021
Concentric-Hong Kong River Joint Venture ("CHKRJV")	Hong Kong, unincorporated joint venture	Provision of construction services	51%	51%
中國土木工程(澳門)有限公司-香港瑞沃工程有限公司合作經營 ("MCRJV") (Note)	Macao, unincorporated joint venture	Provision of construction services	–	30%
香港瑞沃(澳門)工程有限公司－中基基礎工程有限公司合作經營("MCJO")	Macao, unincorporated joint venture	Provision of construction services	95%	95%

Note: MCRJV has dissolved on 30 June 2022. Loss on dissolution amounted to HK$255,000 was recognised to profit or loss (note 6).

(b) Obligations in respect of the other partner of joint operation

	2022 HK$'000	2021 HK$'000
Amount due to the other partner of joint operation (note)	–	67

Note: The amount due to the other partner of joint operation mainly represent the difference between share of net assts of the joint operation and the net amount receivable from/payable to the joint operation.

24 Cash and cash equivalents

	2022 HK$'000	2021 HK$'000
Cash at bank	565,649	390,648
Less: Restricted cash (note (a))	(4,008)	(4,799)
Less: Pledged bank deposits (note (b), (c))	(236,978)	(71,717)
Less: Time deposits with maturity over 3 months	(204)	(22,294)
Cash and cash equivalents	324,459	291,838
Maximum exposure to credit risk	565,649	390,648

(a) As at 31 December 2022, bank balances of HK$4,008,000 (2021: HK$4,799,000) have been restricted in certain banks through court's order by certain creditors' legal actions in relation to claims for outstanding payables of the Group to the extent of HK$3,380,000 (2021: HK$3,035,000).

(b) As at 31 December 2022, the Group's bank deposits of HK$42,147,000 (2021: HK$71,717,000) were pledged to secure bank borrowings of the Group (note 28(f)(iii)).

(c) As at 31 December 2022, the Group's bank deposits of HK$194,831,000 (2021: HK$nil) were pledged to secure notes payables of the Group (note 27).

(d) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

The carrying amounts of cash and cash equivalents, time deposits, restricted cash and pledged bank deposits were denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HK$	77,835	85,913
RMB	482,568	282,876
US$	468	2,933
MOP	4,023	15,438
IDR	595	2,709
PKR	99	632
MYR	61	147
	565,649	390,648

25 Share capital, share premium and reserves

(a) Share capital

	Number of shares	Share capital HK$'000
Ordinary shares, authorised:		
At 31 December 2020, 2021 and 2022	4,000,000,000	40,000

	Number of shares	Share capital HK$'000
Ordinary shares, issued and fully paid:		
At 31 December 2020, 2021 and 2022	800,000,000	8,000

(b) Share premium and reserves

	Share premium HK$'000	Other Reserves (Note (i)) HK$'000	Exchange reserves HK$'000	Statutory reserve (Note (ii)) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2021	214,840	23,104	798	1,309	287,141	527,192
Comprehensive income						
Profit for the year	–	–	–	–	2,581	2,581
Exchange differences	–	–	5,247	–	–	5,247
Transaction with owners						
Acquisition of a subsidiary (note 29)	–	402	–	–	–	402
Appropriation to statutory reserves	–	–	–	3,595	(3,595)	–
At 31 December 2021	214,840	23,506	6,045	4,904	286,127	535,422
At 1 January 2022	214,840	23,506	6,045	4,904	286,127	535,422
Comprehensive expense						
Loss for the year	–	–	–	–	(12,186)	(12,186)
Exchange differences	–	–	(23,444)	–	–	(23,444)
Transaction with owners						
Appropriation to statutory reserves	–	–	–	3,483	(3,483)	–
At 31 December 2022	214,840	23,506	(17,399)	8,387	270,458	499,792

25 Share capital, share premium and reserves (Continued)

(b) Share premium and reserves (Continued)

Note:

(i) Other reserves

Other reserves of the Group mainly represented the difference between the share capital of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

(ii) Statutory reserve

In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiary is required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on the PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiary, the subsidiary will not be required to make any further appropriation. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital.

26 Deferred income tax liabilities/(assets)

	2022 **HK$'000**	2021 HK$'000
Deferred income tax liabilities:		
Payables or to be settled in more than 12 months	**9,435**	9,886
Deferred income tax assets	**(7,845)**	–
Deferred income tax liabilities, net	**1,590**	9,886

The movements in deferred income tax liabilities/(assets) during the year are as follows:

	Accelerated tax depreciation/ amortisation HK$'000	**Tax losses** HK$'000	**Unrealised Profits** HK$'000	**Provision** HK$'000	**Total** HK$'000
As at 1 January 2021	36,206	(16,795)	–	(3,293)	16,118
Acquisition of a subsidiary (note 29)	106	–	–	–	106
Recognised in the consolidated statement of profit or loss (note 9)	1,890	2,047	(1,130)	(8,365)	(5,558)
Exchange difference	490	–	(160)	(1,110)	(780)
As at 31 December 2021	38,692	(14,748)	(1,290)	(12,768)	9,886
Recognised in the consolidated statement of profit or loss (note 9)	(1,438)	(4,254)	–	(2,640)	(8,332)
Exchange difference	1,564	–	(100)	(1,428)	36
As at 31 December 2022	38,818	(19,002)	(1,390)	(16,836)	1,590

26 Deferred income tax liabilities/(assets) (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2022, the Group had unrecognised tax losses of approximately HK$1,011,000 (2021: HK$2,711,000) that can be carried forward to offset against future taxable income. These tax losses have no expiry date.

27 Trade, retention and notes payables, accruals and other payables

	2022 **HK$'000**	2021 HK$'000
Trade payables	**2,280,459**	2,054,251
Notes payables (note (a))	**310,090**	30,657
Retention payables	**8,555**	5,593
Accruals and other payables	**294,219**	217,980
	2,893,323	2,308,481

(a) As at 31 December 2022, notes payables of HK$310,090,000 (2021: HK$30,657,000) were denominated in RMB and secured by time deposits of HK$194,831,000 (2021: HK$nil) (note 24). The carrying amounts of notes payables approximate their fair values at the end of the reporting period.

The credit period granted for trade payables and other payables was within 30 to 90 days.

The ageing analysis of the trade payables based on invoice date was as follows:

	2022 **HK$'000**	2021 HK$'000
Within 1 year	**1,980,958**	1,891,692
Over 1 year	**299,501**	162,559
	2,280,459	2,054,251

The ageing analysis of the notes payables based on invoice date was as follows:

	2022 **HK$'000**	2021 HK$'000
Within 1 year	**310,090**	30,657

27 Trade, retention and notes payables, accruals and other payables (Continued)

In the consolidated balance sheet, retention payables were classified as current liabilities. The ageing of the retention payables based on invoice date was as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	3,162	1,818
Between 1 year and 2 years	1,619	3,465
Between 2 years and 5 years	3,774	310
	8,555	5,593

The carrying amounts of trade, retention and notes payables approximated their fair values and were denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HK$	8,585	7,160
US$	5,852	10,144
RMB	2,543,857	2,046,738
MOP	40,481	26,374
MYR	71	85
VND	258	–
	2,599,104	2,090,501

28 Borrowings

	2022 HK$'000	2021 HK$'000
Non-current:		
Long-term bank loans	**209,395**	476,943
Current:		
Long-term bank loans due for repayment within one year	**201,395**	12,263
Short-term bank borrowings	**681,776**	719,309
	883,171	731,572
	1,092,566	1,208,515

(a) Based on the scheduled repayment terms set out in the loan agreements, the maturity of borrowings would be as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**883,171**	731,572
Between 1 and 2 years	**182,865**	140,104
Between 2 and 5 years	**26,530**	336,839
	1,092,566	1,208,515

(b) The weighted average interest rate during the year were as follows:

	2022	2021
Short-term bank loans	**3.9%**	4.1%
Long-term bank loans	**5.1%**	5.2%

28 Borrowings (Continued)

(c) The carrying amounts of the Group's borrowings were denominated in following currencies:

	2022 HK$'000	2021 HK$'000
HK$	**213,322**	239,778
MOP	**67,961**	76,490
RMB	**811,283**	892,247
	1,092,566	1,208,515

(d) The carrying amounts of the Group's borrowings approximated their fair values as the impact of discounting is not significant.

(e) The Group has fully utilised the borrowing facilities as at 31 December 2022 (2021: same).

(f) The Group's loan facilities are subject to annual review and secured or guaranteed by:

(i) unlimited guarantees provided by the Company as at 31 December 2022 and 2021;

(ii) unlimited guarantees provided by the ultimate holding company as at 31 December 2022 (2021: nil);

(iii) deposits of not less than HK$42,147,000 (2021: HK$71,717,000) as at 31 December 2022; and

(iv) guarantees of HK$315,049,000 (2021: HK$133,495,000) from a subsidiary for a bank facility which covers a loan of HK$67,961,000 (2021: HK$67,961,000) and performance bond facility of HK$52,914,000 (2021: HK$51,940,000) as at 31 December 2022.

(g) During the year ended 31 December 2021, the Group had drawdowns of revolving financing loans from various banks for a gross value of approximately HK$128 million in the aggregate for which management subsequently identified that application documents submitted might not meet requirements under the relevant banking facilities. As at 31 December 2021, the balance of these bank borrowings which remained outstanding amounted to approximately HK$41 million. The Directors of the Company have evaluated the matter and considered that as these borrowing had been fully repaid subsequent to the year end, it is remote that the relevant banks will request immediate repayment of other borrowings drawn by the Group under the same banking facilities as at 31 December 2021 which amounted to HK$200 million. The directors of the Company also consider that in the unlikely event that the Group is required to repay early, there will be no significant impact to the financial position of the Group.

29 Business combination

Acquisition of 34% equity interest in Qingdao Honghai Curtain Wall Co., Ltd in 2021

Summary of acquisition

The Group completed the acquisition of 34% equity interests in Qingdao Honghai Curtain Wall Co., Ltd. (青島宏海幕牆有限公司) ("Honghai Curtain Wall") on 13 January 2021, upon which Honghai Curtain Wall became an indirect non-wholly owned subsidiary of the Company.

As the Group is entitled to appoint a majority number of directors of Honghai Curtain Wall and is able to control its management and operation, the identifiable assets and liabilities of Honghai Curtain Wall is accounted for in the consolidated financial statements of the Group at their fair value under the acquisition method.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	HK$'000
Consideration	59,264
Fair value of non-controlling interests	65,252
	124,516
Recognised amounts of identifiable assets acquired and liabilities assumed:	
– Property, plant and equipment	13,640
– Right-of-use assets	31,845
– Inventories	5,744
– Intangible assets	20,541
– Trade and retention receivables	62,093
– Contract assets	122,594
– Deposits, prepayments and other receivables	7,790
– Cash and cash equivalents	952
– Borrowings	(22,353)
– Trade and retention payables	(103,390)
– Accruals and other payables	(28,635)
– Contract liabilities	(1,667)
– Lease liabilities	(1,330)
– Income tax payables	(8,754)
– Deferred tax liabilities	(106)
Total identifiable net assets	98,964
Goodwill	25,552

Note: Goodwill is attributable to the workforce and the synergy expected to be created by the acquired business. It will not be deductible for tax purposes.

29 Business combination (Continued)

Acquisition of 34% equity interest in Qingdao Honghai Curtain Wall Co., Ltd in 2021 (Continued)

Summary of acquisition (continued)

(i) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Qingdao, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 2.3 for the Group's accounting policies for business combinations.

Purchase consideration – cash outflow

	HK$'000
Outflow of cash to acquire subsidiary, net of cash acquired:	
Cash consideration	59,264
Cash and cash equivalent acquired	(952)
Net outflow of cash and cash equivalents included in cash flows from investing activities	58,312

For the acquired businesses, management engaged an independent valuer in assisting the valuation of the identifiable assets and liabilities as at the acquisition date.

The acquired businesses contributed revenue of HK$558,914,000 and net profit of HK$9,849,000 recognised in the consolidated statement of profit or loss for the period from 13 January 2021 to 31 December 2021. There would be no significant differences to the consolidated statement of profit or loss for the year ended 31 December 2021 had Honghai Curtain Wall been consolidated from 1 January 2021.

30 Commitments

(a) Capital Commitments

Significant capital expenditures contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	2022 HK$'000	2021 HK$'000
Property, plant and equipment	**9,427**	9,315

(b) Operating lease rental receivable

The future aggregate minimum lease rental income under operating leases in respect of land and buildings is receivable in the following year:

	2022 HK$'000	2021 HK$'000
Within one year	**1,050**	118

31 Contingent liabilities and disputes

(a) Contingent liabilities in relation to performance bonds of construction contracts

As at 31 December 2022, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group totalled HK$52,914,000 (2021: HK$51,940,000). The performance bonds as at 31 December 2022 are expected to be released in accordance with the terms of the respective construction contracts.

(b) Involvement in litigation

The subsidiaries of the Group are the two of the three defendants to a litigation in which they are alleged to have caused damage to certain facilities of the plaintiff during a typhoon in 2018. The plaintiff is claiming damages for HK$112 million (2021: HK$112 million) subject to adjustments. As advised by the Group's independent legal advisor, the case is at an early stage before exchanging evidence and it is not possible to give a firm evaluation of the likelihood of the outcome or estimate the possible amount of loss, if any. Consequently, no provision in relation to the litigation has been made in the consolidated financial statements as at 31 December 2022 (2021: same).sw

32 Notes to the consolidated statement of cash flows

(a) Reconciliations of profit before income tax to net cash used in operations:

	2022 HK$'000	2021 HK$'000
Profit before income tax	**19,754**	31,195
Provision for impairment losses on financial assets	**11,261**	29,144
Depreciation of property, plant and equipment	**25,527**	20,630
Depreciation of right-of-use assets	**3,837**	6,165
Depreciation of investment properties	**817**	286
Amortisation of intangible assets	**3,833**	9,154
Impairment of investment properties	**–**	400
Gain on disposal of a right-of-use asset	**(67)**	(5)
Gains on disposal of plant and equipment	**(88)**	–
Loss on dissolvement of a joint venture	**255**	–
Finance income	**(3,487)**	(886)
Finance costs	**58,734**	40,589
Operating profit before working capital change	**120,376**	136,672
Changes in working capital:		
Decrease/(increase) in inventory	**37,806**	(42,748)
Increase in trade, retention and notes receivables	**(298,671)**	(104,683)
Increase in deposits, prepayments and other receivables	**(90,437)**	(98,336)
Decrease/(increase) in restricted cash	**791**	(3,286)
Increase in contract assets	**(268,720)**	(602,461)
Changes in balance with a related company	**900**	(89)
Changes in balances with fellow subsidiaries	**377,526**	(1,327,369)
Increase in amounts due to the other partner of joint operations	**(67)**	67
Increase in trade, retention and notes payables	**453,771**	1,342,398
Increase in accruals and other payables	**70,032**	129,628
(Decrease)/increase in contract liabilities	**(15,193)**	11,963
Net cash generated from/(used in) operations	**388,114**	(558,244)

32 Notes to the consolidated statement of cash flows (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2022 HK$'000	2021 HK$'000
Net book amount	192	–
Gain on disposal of property, plant and equipment (note 6)	88	–
Proceeds from disposal of property, plant and equipment	280	–

(c) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for the year.

	Loan from an intermediate holding company HK$'000	Lease liabilities HK$'000	Borrowings HK$'000	Amount due to non-controlling interests HK$'000	Total HK$'000
At 1 January 2021	100,000	2,048	345,846	1,043	448,937
Addition - leases	–	5,534	–	–	5,534
Acquisition of a subsidiary (note 29)	–	1,330	22,353	–	23,683
Disposal - leases	–	(558)	–	–	(558)
Cash inflows	–	–	1,249,210	41,678	1,290,888
Cash outflows	–	(4,759)	(413,082)	–	(417,841)
Exchange difference	–	1,166	4,188	–	5,354
At 31 December 2021 and 1 January 2022	100,000	4,761	1,208,515	42,721	1,355,997
Addition - leases	–	5,287	–	–	5,287
Disposal - leases	–	(496)	–	–	(496)
Cash inflows	45,852	–	582,225	4,442	632,519
Cash outflows	–	(4,116)	(703,936)	–	(708,052)
Exchange difference	–	–	5,762	–	5,762
At 31 December 2022	145,852	5,436	1,092,566	47,163	1,291,017

33 Amounts due to non-controlling interests

	2022 HK$'000	2021 HK$'000
Amounts due to non-controlling interests (note)	47,163	42,721

Note: Amounts due to non-controlling interests were interest-free, unsecured and repayable on demand.

34 Non-controlling interests

Set out below is summarised financial information for Honghai Curtain Wall that has non-controlling interests that are material to the Group. The amounts disclosed for Honghai Curtain Wall are before inter-company eliminations.

	2022 HK$'000	2021 HK$'000
Summarised balance sheet		
Current assets	670,404	452,105
Current liabilities	(688,574)	(454,616)
Net current liabilities	(18,170)	(2,511)
Non-current assets	150,403	136,436
Non-current liabilities	(15,569)	(25,228)
Net non-current assets	134,834	111,208
Net assets	116,664	108,697
Accumulated non-controlling interests	76,998	71,740
Summarised statement of comprehensive income		
Revenue	584,886	558,914
Profit for the year	11,228	9,849
Other comprehensive income	(3,261)	167
	7,967	10,016
Comprehensive income attributable to non-controlling interests	5,258	6,610
Summarised statement of cash flows		
Cash flows from operating activities	(45,971)	(36,698)
Cash flows from investing activities	(38,703)	(47,600)
Cash flows from financing activities	86,078	84,812
Net increase in cash and cash equivalents	1,404	514

34 Non-controlling interests (Continued)

Set out below is summarised financial information for Qingdao Dongjie that has non-controlling interests that are material to the Group. The amounts disclosed for Qingdao Dongjie before inter-company eliminations.

	2022 HK$'000	2021 HK$'000
Summarised balance sheet		
Current assets	3,250,472	2,916,952
Current liabilities	(3,033,759)	(2,468,508)
Net current assets	216,713	448,444
Non-current assets	123,180	110,021
Non-current liabilities	(193,825)	(452,417)
Net non-current liabilities	(70,645)	(342,396)
Net assets	146,068	106,048
Accumulated non-controlling interests	29,213	21,209
Summarised statement of comprehensive income		
Revenue	1,849,610	2,342,969
Profit for the year	42,935	41,477
Other comprehensive income	(2,915)	698
	40,020	42,175
Comprehensive income attributable to non-controlling interests	8,004	8,435
Summarised statement of cash flows		
Cash flows from operating activities	70,711	(505,560)
Cash flows from investing activities	(36,740)	(75,308)
Cash flows from financing activities	34,990	675,489
Net increase in cash and cash equivalents	68,961	94,621

35 Related party transactions

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 December 2022 and 2021:

Name of the related party	Relationship with the Group
Star Harvest Enterprise Limited	A related company wholly owned by Mr. Cui Qi
CHKRJV	A joint operation
MCRJV	A joint operation
MCJO	A joint operation
Shenzhen Changsheng Marine Engineering Limited ("Shenzhen Changsheng")	A related company controlled by Mr. Cui Qi
West Coast Holdings (Hong Kong) Limited	An intermediate holding company of the Company
Qingdao Rongchuang Xifa Cultural Development Limited (青島融創西發文化發展有限公司) ("Rongchuang Xifa")	A fellow subsidiary
Qingdao Xifa Cangmashan Infrastructure Investment Limited (青島西發藏馬山基礎設施建設投資有限公司) ("Xifa Cangmashan Infrastructure")	A fellow subsidiary
Qingdao Xifa Cangmashan Construction Limited (青島西發藏馬山建設開發集團有限公司) ("Xifa Cangmashan Construction")	A fellow subsidiary
Qingdao Xifa Properties Limited (青島西發置業有限公司) ("Xifa Properties")	A fellow subsidiary
Qingdao West Coast New Village Development Limited (青島西海岸新農村社區建設有限公司) ("West Coast New Village")	A fellow subsidiary
Qingdao West Coast New District Development Limited (青島西海岸新區開發建設有限公司) ("West Coast New District")	A fellow subsidiary
Qingdao West Coast Sky Construction Development Limited (青島西海岸天業建設發展有限公司) ("West Coast Sky")	A fellow subsidiary
Qingdao West Coast Technology Innovation Development Co., Limited (青島西海岸科創投資開發有限公司) ("West Coast Technology Innovation")	A fellow subsidiary
Qingdao Xifa Cangmashan Agricultural Development Limited (青島西發藏馬山農業發展有限公司) ("Xifa Cangmashan Agricultural")	A fellow subsidiary

35 Related party transactions (Continued)

(a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 December 2022 and 2021: (Continued)

Name of the related party	Relationship with the Group
Qingdao Oriental Fashion Development Limited (青島東方時尚開發建設有限公司) ("Oriental Fashion Development")	A fellow subsidiary
Qingdao Oriental Town Cultural Tourism Development Limited (青島東方小鎮文化旅遊發展有限公司) ("Oriental Town Cultural Tourism")	A fellow subsidiary
Qingdao Film Academy (青島電影學院)	A fellow subsidiary
Qingdao Blue Valley Medical Management Limited (青島藍色醫穀醫療管理有限責任公司) ("Blue Valley Medical Management")	A fellow subsidiary
Qingdao Aucma Refrigeration Appliance Co., Ltd. (青島澳柯瑪制冷電器有限公司) ("Aucma Refrigeration Appliance")	A fellow subsidiary
China Xifa (Qingdao) Investment Co., Ltd (中交海發(青島)投資有限公司) ("Haifa Investment")	A fellow subsidiary
Qingdao Xifa Healthcare Group Co., Ltd (青島西發康養醫療有限公司) ("Xifa Healthcare Group")	A fellow subsidiary
Qingdao Rongchuang Haifa Cultural Development Limited (青島融創海發文化發展有限公司) ("Rongchuang Haifa")	A fellow subsidiary
Qingdao Xifa Commercial Factoring Co., Limited (青島西發商業保理有限公司) ("Xifa Commercial Factoring")	A fellow subsidiary
Qingdao Big Data Technology Development Limited (青島大資料科技發展有限公司) ("Big Data Technology Development")	A fellow subsidiary

35 Related party transactions (Continued)

(b) Transactions

Save as disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	2022 HK$'000	2021 HK$'000
Rental expenses to Shenzhen Changsheng	2,565	–
Construction project income from:		
Rongchuang Xifa	167,752	345,623
Xifa Cangmashan Infrastructure	–	1,543
Xifa Cangmashan Construction	8,716	46,106
Xifa Properties	86,856	50,675
West Coast Sky	45,199	71,867
West Coast New District	521,307	532,145
Qingdao Film Academy	10,975	95,819
Orient Fashion Development	110,736	159,296
Xifa Cangmashan Agricultural	5,290	60,302
West Coast New Village	19,287	103,905
West Coast Technology Innovation	313,695	325,524
Blue Valley Medical Management	29,616	24,718
Oriental Town Cultural Tourism	3,639	7,655
Rongchuang Haifa	8,200	–
Haifa Investment	111,650	–
Aucma Refrigeration Appliance	79,890	–
Xifa Healthcare Group	4,722	–
	1,527,530	1,825,178
Construction project cost paid to:		
Big Data Technology Development	(2,230)	(13,629)
Interest expenses to West Coast Investment (Hong Kong) Limited	(5,698)	(3,740)

All of the transactions are charged at terms pursuant to the agreement as entered into between the Group and the respective related party.

35 Related party transactions (Continued)

(c) Balances

	2022 HK$'000	2021 HK$'000	Nature
Amounts due from fellow subsidiaries (note (i))	**1,056,869**	1,439,642	Trade
Amounts due to fellow subsidiaries			
– Big Data Technology Development (note (ii))	**(7,011)**	(12,272)	Trade
– Xifa Cangmashan Agricultural (note (ii))	**(301)**	–	Trade
– Xifa Commercial Factoring (note (iii))	**(28,224)**	(52,163)	Non-trade
Carrying amounts	**(35,536)**	(64,435)	
Amount due to a related party			
– Shenzhen Changsheng (note (iv))	**(909)**	(9)	Trade
Loans from an intermediate holding company			
– West Coast Investment (Hong Kong) Limited (note v)	**(145,852)**	(100,000)	Non-trade

35 Related party transactions (Continued)

(c) Balances (Continued)

Notes:

(i) The amounts due from fellow subsidiaries were unsecured, interest-free and generally has no credit period granted. The ageing of amounts due from fellow subsidiaries was within one year. The carrying amounts of amounts due from fellow subsidiaries approximated their fair values and were denominated in RMB.

(ii) The amounts due to fellow subsidiaries were unsecured, interest-free and no credit period was granted generally. The ageing of amounts due to fellow subsidiaries were within one year. The carrying amounts of amounts due to fellow subsidiaries approximated their fair values and were denominated in RMB.

(iii) The amount due to Xifa Commercial Factoring of HK$28,224,000 (2021: HK$52,163,000) represented the suppliers invoices factoring arrangement among the Group's suppliers and Xifa Commercial Factoring. The amount due to Xifa Commercial Factoring are unsecured, interest free and repayable within one year. The carrying amount of amount due to Xifa Commercial Factoring approximated its fair value and was denominated in RMB.

(iv) The amount due to a related party was unsecured, interest free and repayable within one year. The carrying amount of amount due to a related party approximated its fair value and was denominated in RMB.

(v) Loans from an intermediate holding company of HK$130,000,000 (2021: HK$100,000,000) were guaranteed by the Company with fixed interest rate at 4.10% per annum (2021: 3.74% per annum), approximated their fair values, denominated in HK$ and are repayable after one year from the balance sheet date.

Loan from an intermediate holding company of HK$15,852,000 (2021: nil) was guaranteed by the Company with fixed rate at 4.95% per annum, approximated its fair value, denominated in RMB and is repayable in 2023.

(d) Transactions with key management personnel

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	2022 HK$'000	2021 HK$'000
Salaries, bonus, other allowances and benefits in kind	3,494	4,490
Pension costs - defined contribution plans	38	68
	3,532	4,558

36 Ultimate holding company

Management considers that Qingdao Haifa State-owned Capital Investment and Operation Group Co., Ltd as the ultimate holding company of the Group, which is a company incorporated in the PRC and controlled by the State-owned Asset Supervision and Administration Commission of Qingdao.

37 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current asset			
Investments in subsidiaries	13	**105,800**	105,800
Current assets			
Prepayments		**115**	92
Amounts due from subsidiaries		**137,439**	103,160
Cash and cash equivalents		**5,911**	88
		143,465	103,340
Total assets		**249,265**	209,140
EQUITY			
Capital and reserves			
Share capital		**8,000**	8,000
Reserves	37(b)	**181,683**	191,687
Total equity		**189,683**	199,687
LIABILITY			
Current liabilities			
Accruals and other payables		**1,805**	1,664
Amounts due to a subsidiary		**7,777**	7,789
Borrowing		**50,000**	–
		59,582	9,453
Total equity and liabilities		**249,265**	209,140

The balance sheet of the Company was approved by the Board of Directors on 29 March 2023 and was signed on its behalf.

Mr. JIANG Hongchang
Director

Mr. NI Chuchen
Director

37 Balance sheet and reserve movement of the Company (Continued)

(b) Reserve movement of the Company

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	214,840	20,000	(32,988)	201,852
Loss for the year	–	–	(10,165)	(10,165)
At 31 December 2021	214,840	20,000	(43,153)	191,687
At 1 January 2022	**214,840**	**20,000**	**(43,153)**	**191,687**
Loss for the year	**–**	**–**	**(10,004)**	**(10,004)**
At 31 December 2022	**214,840**	**20,000**	**(53,157)**	**181,683**

Other reserve of the Company represented the difference between the net asset value of Prosper Construction Group Ltd. acquired over the nominal value of the share capital of the Company issued in exchange thereof.

Five Year Financial Summary

A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the Company's annual reports, is set out below.

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**2,879,211**	3,185,839	1,465,696	515,077	384,576
Gross profit	**220,619**	205,090	86,625	49,846	71,300
Profit before income tax	**19,754**	31,195	28,379	8,868	33,409
Income tax (expense)/credit	**(9,216)**	(14,433)	(12,332)	3,220	(2,994)
Profit for the year	**10,538**	16,762	16,047	12,088	30,415

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**507,010**	503,292	338,271	224,723	225,899
Current assets	**4,386,984**	3,933,655	1,415,559	703,704	593,454
Total assets	**4,893,994**	4,436,947	1,753,830	928,427	819,353
Non-current liabilities	**352,178**	587,741	151,183	9,303	12,443
Current liabilities	**3,917,499**	3,205,807	1,047,775	402,122	307,230
Total liabilities	**4,269,677**	3,793,548	1,198,958	411,425	319,673
Total equity	**624,317**	643,399	554,872	517,002	499,680