Sundart

# SUNDART HOLDINGS LIMITED
# 承達集團有限公司

(incorporated under the laws of British Virgin Islands with limited liability)

**Stock code : 1568**

Annual Report 2022

# About us

Sundart is one of the leading integrated fitting-out contractors in Hong Kong, Macau, the PRC and Singapore, specialising in providing professional fitting-out works for hotel, commercial building and residential property projects. We have been operating our fitting-out business in Hong Kong since 1996 and we further expanded our fitting-out business to Macau, the PRC and Singapore in 2005, 2017 and 2021, respectively.

We have undertaken a number of sizeable fitting-out projects in Hong Kong, Macau, the PRC and Singapore. As a fitting-out contractor, we are responsible for the overall project implementation by providing, processing or arranging for the necessary materials, labour, engineering expertise and technical know-how required for the fitting-out works and carrying out corresponding project management so as to ensure that the fitting-out works conform to the contractual requirements, meet customers' expectation and are completed on time and within budget.

We are also engaged in the manufacturing, sourcing and distribution of interior decorative materials business internationally.

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ng Tak Kwan *(Chief Executive Officer)*
Mr. Leung Kai Ming *(Retired on 30 December 2022)*
Mr. Ng Chi Hang
Mr. Ding Jingyong *(Appointed on 30 December 2022)*
Mr. Guan Yihe *(Appointed on 30 December 2022)*
Mr. Xie Jianyu *(Chief Financial Officer)*

### Non-executive Director

Mr. Liu Zaiwang *(Chairman)*

### Independent non-executive Directors

Mr. Tam Anthony Chun Hung
Mr. Huang Pu
Mr. Li Zheng

## AUDIT COMMITTEE

Mr. Tam Anthony Chun Hung *(Chairman)*
Mr. Huang Pu
Mr. Li Zheng

## REMUNERATION COMMITTEE

Mr. Huang Pu *(Chairman)*
Mr. Ng Tak Kwan
Mr. Tam Anthony Chun Hung

## NOMINATION COMMITTEE

Mr. Liu Zaiwang *(Chairman)*
Mr. Huang Pu
Mr. Li Zheng

## INTERNAL CONTROL COMMITTEE

Mr. Liu Zaiwang *(Chairman)*
Mr. Xie Jianyu

## COMPANY SECRETARY

Ms. Chui Muk Heung

## AUTHORISED REPRESENTATIVES

Mr. Xie Jianyu
Ms. Chui Muk Heung

## AUDITOR

BDO Limited
*Certified Public Accountants*
*Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance*
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAW

Kenneth Chong Law Office
Unit B, 16/F, Tesbury Centre
28 Queen's Road East
Hong Kong

## PRINCIPAL BANKERS

BNP Paribas
China Construction Bank (Asia) Corporation Limited
China Guangfa Bank Co., Ltd., Macau Branch
Citibank, N.A., Hong Kong Branch
Hang Seng Bank Limited

## REGISTERED OFFICE

Commerce House
Wickhams Cay 1
P.O. Box 3140, Road Town
Tortola
British Virgin Islands VG1110

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F, Millennium City 3
370 Kwun Tong Road
Kowloon
Hong Kong

## BVI PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (BVI) Limited
Commerce House
Wickhams Cay 1
P.O. Box 3140, Road Town
Tortola
British Virgin Islands VG1110

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

## STOCK CODE

1568

## COMPANY'S WEBSITE

www.sundart.com

## INVESTOR RELATIONS

Email: ir@sundart.com

# Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

| | |
|---|---|
| "AGM" | the annual general meeting of the Company to be held at 10:00 a.m. on Thursday, 1 June 2023 at 19/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong or any adjournment thereof |
| "Amended Deed" | an amended and restated deed of non-competition dated 25 July 2017 given by the controlling shareholders of the Company in favour of the Company (for itself and as trustee for each of its subsidiaries) to amend and restate a deed of non-competition dated 8 December 2015 |
| "Articles of Association" | the second amended and restated articles of association of the Company, as amended from time to time |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Audit Committee" | the audit committee of the Board |
| "Beijing Jiangheyuan" | 北京江河源控股有限公司 (Beijing Jiangheyuan Holdings Co., Ltd.*), a company established in the PRC with limited liability and a controlling shareholder of the Company |
| "Board" | the board of Directors |
| "business day" | any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for business |
| "BVI" | the British Virgin Islands |
| "C&SD" | the Census and Statistics Department of the Hong Kong Government |
| "Caiyun International" | Caiyun International Investment Limited (彩雲國際投資有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Yunnan Co and a substantial shareholder of the Company |
| "close associates" | has the meaning ascribed to it under the Listing Rules |
| "Code Provisions" | code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules |
| "Company" | SUNDART HOLDINGS LIMITED 承達集團有限公司, a company incorporated in the BVI with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1568) |
| "Company Secretary" | the company secretary of the Company |
| "connected person(s)" | has the meaning ascribed to it under the Listing Rules |
| "controlling shareholder(s)" | has the meaning ascribed to it under the Listing Rules, and in the context of the Company, means Mr. Liu, Ms. Fu, Beijing Jiangheyuan, Jangho Co, Jangho HK and Reach Glory |

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|---|---|
| "Covid-19" | the coronavirus disease 2019 (COVID-19), a respiratory illness caused by a novel coronavirus |
| "Director(s)" | the director(s) of the Company |
| "Dongguan Sundart" | 東莞承達家居有限公司 (Dongguan Sundart Home Furnishing Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| "ESG" | the environmental, social and governance |
| "FVTPL" | fair value through profit or loss |
| "GDP" | gross domestic product |
| "Group" or "our" or "Sundart" or "us" or "we" | the Company and its subsidiaries |
| "HK$" or "HK dollars" or "cents" | Hong Kong dollars or cents, the lawful currency of Hong Kong |
| "HKQAA" | Hong Kong Quality Assurance Agency |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Government" | the government of Hong Kong |
| "Internal Control Committee" | the internal control committee of the Board |
| "ISO" | the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations |
| "ISO 14001" | a member of ISO 14000 which is a family of environmental management standards set by ISO for assisting a company to continually improve its ability to efficiently identify, minimise, prevent and manage environmental impacts |
| "ISO 45001" | a member of ISO 45000 which is a family of occupational health and safety management standards set by ISO for assisting a company to provide a healthy and safe workplace for workers and other interested parties, prevent ill-health, work-related injury and deaths as well as continually improve occupational health and safety performance |
| "ISO 9001" | a member of ISO 9000 which is a family of standards set by ISO for quality management system where an organisation needs to demonstrate its ability to provide products that fulfil customers and applicable regulatory requirements and aim to enhance customer satisfaction |

Definitions

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|---|---|
| "Jangho Co" | 江河創建集團股份有限公司 (Jangho Group Company Limited*), a joint stock limited liability company established in the PRC (the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601886)) and a controlling shareholder of the Company |
| "Jangho HK" | Jangho Hong Kong Holdings Limited (江河香港控股有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Jangho Co and a controlling shareholder of the Company |
| "Kin Shing" | Kin Shing (Leung's) General Contractors Limited (堅城（梁氏）建築有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time |
| "$m^2$" | square meters |
| "Macau" | the Macau Special Administrative Region of the PRC |
| "Macau Government" | the government of Macau |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "MOP" | Macau Pataca, the lawful currency of Macau |
| "Mr. Liu" | Mr. Liu Zaiwang (劉載望), the non-executive Director, a controlling shareholder of the Company and the spouse of Ms. Fu |
| "Ms. Fu" | Ms. Fu Haixia (富海霞), a controlling shareholder of the Company and the spouse of Mr. Liu |
| "Nomination Committee" | the nomination committee of the Board |
| "PRC" | the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan |
| "PRC Government" | the government of the PRC |
| "Previous Year" | the year ended 31 December 2021 |
| "Reach Glory" | REACH GLORY INTERNATIONAL LIMITED, a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of Jangho HK and a controlling shareholder of the Company |
| "Remuneration Committee" | the remuneration committee of the Board |

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|---|---|
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time |
| "Share(s)" | ordinary share(s) of the Company |
| "Shareholder(s)" | the holder(s) of Share(s) |
| "Share Option Scheme" | the share option scheme, which was adopted by the Company and took effect from 1 December 2015, as amended from time to time |
| "Singapore" | the Republic of Singapore |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary" | has the meaning ascribed to it under the Listing Rules |
| "substantial shareholder(s)" | has the meaning ascribed to it under the Listing Rules |
| "Sundart Beijing" | 北京承達創建裝飾工程有限公司 (Sundart Engineering & Contracting (Beijing) Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| "Sundart Timber" | Sundart Timber Products Company Limited (承達木材制品有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| "Year" | the year ended 31 December 2022 |
| "Yunnan Co" | 雲南省康旅控股集團有限公司 (Yunnan Health & Cultural Tourism Holding Group Co., Ltd.*), a company established in the PRC with limited liability and a substantial shareholder of the Company |
| "%" | per cent. |

* *for identification purpose only*

# Chairman's Statement

# Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present you the annual results for the Year of the Group.

Looking back on 2022, in light of the fluctuations of the Covid-19 pandemic situation globally, increased geopolitical risks and elevated inflation, the downward pressure on the economy intensified. Despite experiencing a tough and challenging operating environment this Year, the Group strove to turn the current economic challenges into an opportunity with its well-established brand and reliable reputation, time-tested business strategies and strong financial position over the years. During the Year, the Group carried out a number of large-scale fitting-out projects, which maintained its solid business development and healthy financial position, and hence further bolstered its market-leading position in the highly competitive operating environment.

During the Year, the Group's revenue was HK$4,678.6 million (Previous Year: HK$5,689.9 million), profit for the year was HK$287.5 million (Previous Year: HK$371.3 million), and basic and diluted earnings per share was HK13.32 cents (Previous Year: HK17.20 cents). The Board is pleased to recommend the payment of a final dividend of HK6 cents per Share for the Year, representing approximately 45% of the profit available for distribution for the Year.

Although the Group faced various challenges during the Year, the Group was awarded a number of projects and further consolidated its market share by leveraging the Group's brand reputation, management expertise and financial strength. The Group completed 24 fitting-out projects with an individual contract sum of not less than HK$50.0 million, as well as 3 alteration and addition and construction projects during the Year. Most of these projects involved large-scale hotel guestrooms, commercial buildings and residential properties.

With the Hong Kong Government tightened social distancing measures in response to the fifth wave of the Covid-19 pandemic that broke out at the beginning of the Year, various industries have been facing difficulties in business operations, which in turn weakening Hong Kong's overall economy. On the other hand, due to the rising interest rate during the Year, the public was sceptical about the real estate market, and results in declining in transaction volume of Hong Kong properties. Nevertheless, Hong Kong reopened its border with the PRC in phases at the beginning of 2023, it provides a robust economic impetus for the recovery of various industries in Hong Kong. Furthermore, the interest rate hike is expected to slow down and the Hong Kong Government has proposed new measures for talent attraction. In view of this, the strong housing demand will create opportunities for the construction and fitting-out industries in Hong Kong.

Macau experienced a fluctuating Covid-19 pandemic situation during the Year, the Macau Government adopted a stringent anti-epidemic policy and suspended all commercial and industrial activities, and hence, Macau's economy inevitably suffered setbacks. In late 2022, the Macau Government followed the PRC to relax anti-epidemic measures, Macau's tourism and retail industry has been recovering. Together with new ten-year licences to operate casinos in Macau granted to six gaming operators, the launch of various investment and construction projects is expected to bring enormous business opportunities to Macau's construction and fitting-out industries.

The Covid-19 pandemic situation in the PRC remained volatile during the Year, and a number of cities were under the anti-pandemic measures implemented by the PRC Government. Moreover, the macro-economy was facing a substantial downward pressure, coupled with the debt crisis sparked by a number of property developers of the PRC during the Year, the real estate industry faced severe challenges. In early 2023, with the relaxation policy on the PRC's travel restrictions, economic activities are expected to resume promptly, which will in turn accelerate the recovery of the domestic economy. In addition, the PRC Government will increase support for the economy and ensure the stable development of the real estate market. The Group will closely monitor to the national policies and market developments, and adjust its business layout in the PRC's construction and fitting-out markets.

Looking forward, the Group will strive to maintain its leading position in the industry and enhance its reputation and brand awareness with its outstanding services and products. The Group will further consolidate the relationship with existing customers and actively explore opportunities to cooperate with new and premium customers and overseas markets to obtain more large-scale and high-quality projects. Meanwhile, the Group will flexibly deploy its resources and business layout and continue to adopt prudent financial strategies to ensure long-term and stable development of the Group.

On behalf of the Board, I would like to express my sincere gratitude to our Shareholders, customers, business partners and other professional parties for their long-term support. Most of all, I wish to extend my heartfelt appreciation to our management and all employees for their professionalism and dedication in maintaining the efficient operation of the Group's business during the difficult time under the Covid-19 pandemic. The Group will strive to achieve sustainable growth, pursue breakthrough and create maximum value to our Shareholders.

**Liu Zaiwang**
*Chairman*

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# Management Discussion and Analysis

# Management Discussion and Analysis

## MARKET REVIEW

In 2022, given the ongoing Covid-19 pandemic, unstable global supply chain, energy crisis and inflation triggered by the Russia-Ukraine conflict, and tightened monetary policies caused by major central banks, the global economic growth slowed down significantly. According to the C&SD, Hong Kong's GDP contracted by 3.5% year-on-year in real terms in 2022.

The property sales in Hong Kong decreased by 38% year-on-year in 2022 according to the Land Registry. Nevertheless, according to the provisional results of the "Report on the Quarterly Survey of Construction Output" published by the C&SD, the total gross value of construction works carried out by the main contractors in Hong Kong increased by 5.7% in nominal terms year-on-year to HK$247.1 billion in 2022, whilst the gross value of construction works carried out at private sector sites increased by 7.2% in nominal terms year-on-year to HK$66.7 billion in 2022. Despite the fluctuating pandemic situation in Hong Kong during the Year, it did not adversely affect the number of construction projects in Hong Kong, and the demand for fitting-out works in Hong Kong remained stable.

Under the impact of the Covid-19 pandemic and global economic slowdown, according to the Statistics and Census Service of the Macau Government, Macau's GDP contracted by 26.8% year-on-year in real terms to MOP177.3 billion in 2022. The number of visitors also continuously decreased. In 2022, the number of visitors decreased by 26% year-on-year to 5.7 million, and the occupancy rate of hotels decreased by 11.8% year-on-year to 38.3%. Furthermore, the Gaming Inspection and Coordination Bureau of Macau indicated that gross gambling revenue decreased by 51.4% year-on-year to MOP42.2 billion in 2022. The number of visitor arrivals in Macau has not recovered from the impact of the Covid-19 pandemic, and thus the decline of tourist arrivals adversely affected the performance of the hotel and gambling industries, and the fitting-out industry was also inevitably affected in Macau.

According to the preliminary estimates of the National Bureau of Statistics of China, the PRC's GDP increased by 3.0% year-on-year to RMB121,020.7 billion in 2022. Nevertheless, in 2022, investments in real estate development decreased by 10.0% year-on-year to RMB13,289.5 billion, among which, investments in residential buildings decreased by 9.5% year-on-year to RMB10,064.6 billion. The floor space of newly started area of houses decreased by 39.4% year-on-year to 1,205.9 million $m^2$, of which the floor space of newly started residential area decreased by 39.8% year-on-year to 881.4 million $m^2$. The Covid-19 pandemic severely affected the sales, investments and construction activities of the PRC's real estate, and the fitting-out industry was also inevitably affected in the PRC.

## BUSINESS REVIEW

The Group is one of the leading integrated fitting-out contractors in Hong Kong, Macau and the PRC, specialising in providing professional fitting-out works for hotel, commercial building and residential property projects. It further expanded its fitting-out business to Singapore in 2021. The Group is also engaged in the provision of alteration and addition and construction works in Hong Kong, and in the manufacturing, sourcing and distribution of interior decorative materials business internationally. During the Year, around 98.4% of the Group's revenue was derived from its fitting-out business.

Despite the challenging operating environment, the Group's experienced management team is committed to maintaining stable business development by flexibly adjusting its business strategy, integrating the resources, optimising the business layout, and prudently controlling the project risks and costs for different market needs. With its distinguished brand reputation, stringent quality control and technical advantages, the Group gained customer trust and support and obtained a number of large-scale and high-end fitting-out projects during the Year. Such high-quality orders have laid a solid foundation for the Group's long-term development.

### Fitting-out works

The Group's fitting-out business primarily comprises fitting-out works carried out for hotels, commercial buildings, residential properties, serviced apartments and other properties in Hong Kong, Macau, Singapore and the PRC. During the Year, the fitting-out business remained as a key contributor to the Group's revenue and profit.

During the Year, the Group completed a total of 24 fitting-out projects, including 7 in Hong Kong, 2 in Macau and 15 in the PRC, with an individual contract sum of not less than HK$50.0 million. The total contract sum of such projects amounted to HK$3,618.0 million, out of which HK$1,437.8 million was recognised as revenue during the Year. As at 31 December 2022, the Group had 52 projects on hand (including contracts in progress and contracts signed but yet to commence), including 24 in Hong Kong, 1 in Singapore and 27 in the PRC, with an individual contract sum of not less than HK$50.0 million. The total contract sum and value of the outstanding works of such projects as at 31 December 2022 amounted to HK$7,704.7 million and HK$5,466.4 million, respectively.

During the Year, the Group's revenue derived from its fitting-out business decreased by HK$968.0 million or 17.4% year-on-year to HK$4,605.4 million (Previous Year: HK$5,573.4 million). Such decrease was mainly attributable to the outbreak of the Covid-19 pandemic, which resulted in a delay in the progress of the Group's fitting-out projects during the Year.

The Group's gross profit derived from its fitting-out business during the Year decreased by HK$155.4 million or 19.0% year-on-year to HK$664.6 million (Previous Year: HK$820.0 million). The decrease in gross profit was mainly attributable to the decrease in revenue and the slight decrease of gross profit margin of its fitting-out business from 14.7% for the Previous Year to 14.4% for the Year.

## Alteration and addition and construction works

The Group carried out alteration and addition and construction business in Hong Kong through Kin Shing, a registered general building contractor in Hong Kong. Kin Shing's principal scope of services include construction, interior decoration, repair, maintenance and alteration and addition works for hotels, commercial buildings, residential properties and factories in Hong Kong. In order to realise the Group's investment in Kin Shing, the Group disposed its entire equity interests in Kin Shing at a consideration of HK$37.8 million on 17 November 2022. For details, please refer to the announcement of the Company on the same day.

During the Year, the Group completed 3 alteration and addition and construction projects, with a total contract sum of HK$270.3 million, out of which HK$33.4 million was recognised as revenue during the Year. As at 31 December 2022, the Group did not have any on-going alteration and addition and construction projects.

During the Year, the Group's revenue derived from its alteration and addition and construction business decreased by HK$27.2 million or 28.9% year-on-year to HK$66.9 million (Previous Year: HK$94.1 million). Such decrease was primarily attributable to the decrease in the number of projects awarded to the Group in the past year.

The Group's gross profit derived from its alteration and addition and construction business was HK$0.1 million during the Year (Previous Year: gross loss of HK$14.8 million), whilst the gross profit margin was 0.1% (Previous Year: gross loss margin of 15.7%). Such gross profit and gross profit margin for the Year were primarily attributable to completion of the aforesaid 3 projects.

## Manufacturing, sourcing and distribution of interior decorative materials

One of the Group's core competencies lies in its manufacturing base and research and development centre in the PRC. Through the Group's subsidiary, Dongguan Sundart, the Group operates a manufacturing plant and a warehouse located in Dongguan, Guangdong Province, the PRC, the aggregate gross floor area of which is over 40,000 $m^2$. Dongguan Sundart manufactures interior decorative timber products including fire-rated timber doors and wooden furniture, and provides quality and reliable re-engineering and pre-fabrication services for sizeable fitting-out projects undertaken by the Group.

During the Year, the Group's revenue derived from external customers of its manufacturing, sourcing and distribution of interior decorative materials business decreased by HK$16.1 million or 71.9% year-on-year to HK$6.3 million (Previous Year: HK$22.4 million). Such decrease was primarily attributable to the decrease in acceptance of orders from external customers and indent sales during the Year, as compared to the Previous Year.

In addition, the Group's gross loss derived from its manufacturing, sourcing and distribution of interior decorative materials business was HK$1.0 million during the Year (Previous Year: gross profit of HK$3.5 million), whilst the gross loss margin was 15.9% (Previous Year: gross profit margin of 15.6%). Such gross loss and gross loss margin for the Year were primarily due to the additional repair and modification works which the Group performed at its own cost.

### Principal risks

As at 31 December 2022, the Group was principally engaged in integrated fitting-out works in Hong Kong, Macau, Singapore and the PRC and manufacturing, sourcing and distribution of interior decorative materials business internationally. Under the ever-changing business environment, the Group faces various business risks, challenges and uncertainties, including but not limited to: (i) the economy of Macau may adversely affect the Group's performance and financial condition; (ii) the Group's contracts are not recurring in nature and its business prospects heavily depend on its continuing success on project tenders; (iii) if the Group cannot effectively adapt to market conditions and customer preferences, or fails to provide competitive pricing, its success rate on project tenders may be adversely affected; (iv) the business strategies and performance of the Group's major customers may affect its business; and (v) the Group's estimated time and costs to determine the tender price and its failure to make accurate estimates may lead to cost overruns or even losses in its projects.

## FINANCIAL REVIEW

### Revenue, gross profit and gross profit margin

During the Year, the Group's revenue decreased by HK$1,011.3 million or 17.8% year-on-year to HK$4,678.6 million (Previous Year: HK$5,689.9 million) and its gross profit decreased by HK$145.1 million or 17.9% year-on-year to HK$663.7 million (Previous Year: HK$808.8 million). The Group's gross profit margin remained stable at 14.2% (Previous Year: 14.2%). Such decreases in revenue and gross profit were primarily due to the decreases in its fitting-out business as discussed under the paragraph headed "Business Review – Fitting-out works" in this annual report.

### Other income, other gains and losses

The Group recorded net other income of HK$30.6 million for the Year (Previous Year: other net losses of HK$15.6 million) which is primarily due to the decrease in net loss from fair value changes of financial assets at FVTPL by HK$25.6 million as compared to the Previous Year. Furthermore, net foreign exchange gains were HK$10.1 million for the Year (Previous Year: net foreign exchange losses of HK$2.4 million). Details of other income, other gains and losses are set out in note 7 to the consolidated financial statement.

### Profit for the year

The Group's profit for the year decreased by HK$83.8 million or 22.6% year-on-year to HK$287.5 million (Previous Year: HK$371.3 million) as a result of the decrease in gross profit as discussed above.

### Basic and diluted earnings per share

The Company's basic and diluted earnings per share for the Year was HK13.32 cents (Previous Year: HK17.20 cents), decreased by HK3.88 cents or 22.6% year-on-year, which is in line with the decrease in profit for the year. Details of earnings per share are set out in note 15 to the consolidated financial statement.

### Final dividend

The Board proposed a final dividend of HK6 cents per Share for the Year, subject to the approval of the Shareholders at the AGM, representing approximately 45% of the profit available for distribution for the Year, which is in line with the Company's dividend policy.

### Material acquisition and disposal

On 17 November 2022, the Group disposed its entire equity interests in Kin Shing to AIM FAR INTERNATIONAL LIMITED at a consideration of HK$37.8 million. For details, please refer to the announcement of the Company on the same day.

Save as disclosed above, no other material acquisition and disposal of subsidiaries, associates and joint ventures was carried out by the Group during the Year.

## Investments

### Financial assets at FVTPL

As at 31 December 2022, the Group's financial assets at FVTPL comprised HK$18.4 million, HK$28.9 million and HK$87.0 million (31 December 2021: HK$23.8 million, nil and HK$90.0 million) of listed equity securities, unlisted fund investments and unlisted equity fund, respectively.

During the Year, the Group purchased HK$50.1 million of unlisted fund investments, out of which HK$18.7 million was disposed. Further, the Group recognised net fair value loss of HK$8.0 million in profit or loss in respect of the financial assets at FVTPL, primarily as a result of a decrease on the market prices of listed equity securities and unlisted equity fund.

### Other financial assets at amortised cost

As at 31 December 2022, the Group's other financial assets at amortised cost comprised (i) a loan in the amount of HK$48.2 million to a subsidiary of the aforesaid unlisted equity fund, an independent third party, for its working capital purpose, which will mature on 31 December 2023, with a fixed interest rate at 8% per annum; and (ii) three corporate bonds traded in the secondary market in the amount of HK$10.8 million, the last of which will mature on 15 November 2024, with fixed interest rates ranging from 5.75% to 8.50% per annum.

In terms of the prospects of the Group's financial assets at FVTPL, the performance of the listed equity securities, unlisted fund investments and the unlisted equity fund held by the Group will be subject to the performance of the relevant financial and property markets which may change rapidly and unpredictably in the future. As to other financial assets at amortised cost, the Group will achieve a steady investment return until the redemption by their respective issuers.

None of the above financial assets at FVTPL and other financial assets at amortised cost held by the Group had a value of 5% or more of the total assets of the Group, and the Group did not hold any significant investments during the Year.

The Group will continuously adopt a prudent investment strategy and assess the performance of its portfolio of investments so as to make timely and appropriate adjustments on its investments for the maximisation of returns to the Shareholders. In addition, as the Group is subject to the market risks associated with its investments, the management of the Group will closely monitor the performance of the Group's investments from time to time and take appropriate risk management actions.

## Future plans for material investments or capital assets

As at 28 March 2023, the Group did not have any plans for material investments or capital assets.

## CORPORATE FINANCE AND RISK MANAGEMENT

### Liquidity and financial resources and capital structure

The management and control of the Group's financial, capital management and external financing functions are centralised at its headquarters in Hong Kong. The Group adheres to the principle of prudent financial management to minimise the financial and operational risks it is exposed to. During the Year, the Group mainly relied on internally generated funds to finance its business operations.

During the Year, the Group continued to maintain solid financial and cash positions. As at 31 December 2022, the Group's net current assets amounted to HK$2,694.8 million, representing an increase of HK$174.2 million from HK$2,520.6 million as recorded as at 31 December 2021. The Group's bank balances and cash in total amounted to HK$1,527.7 million, representing a decrease of HK$270.2 million from HK$1,797.9 million as recorded as at 31 December 2021. Such decrease was mainly resulting from the use of funds for dividend payment and repayments of bank borrowings.

As at 31 December 2022, the bank borrowings of the Group amounted to HK$0.5 million (31 December 2021: HK$84.5 million), out of which HK$0.2 million, HK$0.2 million and HK$0.1 million (31 December 2021: HK$80.2 million, HK$4.0 million and HK$0.3 million) will be repayable within one year, more than one year but not exceeding two years and more than two years but not exceeding five years, respectively. There is no seasonality on the Group's bank borrowings.

During the Year, the Group continued to maintain a healthy liquidity position. As at 31 December 2022, the Group's current assets and current liabilities amounted to HK$6,128.4 million and HK$3,433.5 million, respectively (31 December 2021: HK$6,322.2 million and HK$3,801.7 million, respectively). The Group's current ratio as at 31 December 2022 increased to 1.8 (31 December 2021: 1.7) and the Group maintained sufficient liquid assets to finance its business operations during the Year.

As at 31 December 2022, the Group's gearing ratio of total debts (bank borrowings) divided by total equity was 0.02% (31 December 2021: 2.6%). The decrease in gearing ratio was primarily due to the decrease in the Group's bank borrowings.

As at 31 December 2022, the share capital and equity attributable to owners of the Company amounted to HK$1,246.8 million and HK$3,247.6 million, respectively (31 December 2021: HK$1,246.8 million and HK$3,227.3 million, respectively).

### Charge on the Group's assets

The Group's assets pledged for securing certain bank borrowings, certain bills payable, certain performance bonds and certain tender bonds comprised a commercial property and pledged bank deposits, which amounted to HK$89.9 million and HK$62.3 million, respectively as at 31 December 2022 (31 December 2021: HK$93.6 million and HK$132.0 million, respectively).

### Contingent liabilities and capital commitments

The Group did not have any significant contingent liabilities as at 31 December 2022 and 31 December 2021, respectively.

As at 31 December 2022, the Group had capital commitments of HK$50,000 (31 December 2021: HK$29,000) in relation to acquisition of property, plant and equipment.

### Exposure to fluctuations in exchange rates and interest rates and corresponding hedging arrangements

The Group operates in various regions with different foreign currencies including Euro, MOP, RMB, Singapore Dollars and United States Dollars. As at 31 December 2022, all of the Group's bank borrowings were made in HK dollars at floating rates, and cash and cash equivalents held were mainly in HK dollars, MOP and RMB. As at 28 March 2023, the Group did not implement any foreign currencies and interest rates hedging policies. The Group's management will closely monitor the movement of both exchange rate and interest rate and will consider to hedge against any significant aforesaid exposure when necessary.

### Credit risk exposure

Though the Group's major customers are reputable property developers, hotel owners and main contractors, during the Year, the Group experienced delay in settlement of its PRC's projects by property developers of the PRC, many of which have their credit ratings being downgraded by international credit rating agencies. Considering the Group's historical credit losses, the current and forecasts of economic conditions of the PRC, forward-looking factors and prospects of the real estate industry of the PRC, and taking into account the credit risk characteristics of different projects, the Group has determined to increase the individual's expected credit loss rate as well as the impairment losses under its expected credit loss model during the Year. Nonetheless, the Group will continue to monitor and strengthen its collection measures, and continue to adopt prudent credit policies to mitigate credit risk exposure. Save as disclosed herein, the Group was not exposed to any significant credit risk during the Year. The Group's management reviews the recoverability of trade receivables and closely monitors the financial position of the customers from time to time with a view of keeping the Group's credit risk exposure at a reasonably low level.

## EVENTS AFTER THE REPORTING PERIOD

There were no significant events subsequent to the Year and up to 28 March 2023 which had materially affected the Group's operating and financial performance.

## EMPLOYEES AND REMUNERATION POLICIES

The Group remunerates its employees based on performance, experience and the prevailing industry practice. Discretionary bonuses and share options may also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides training programmes for its employees to equip themselves with requisite skills and knowledge.

As at 31 December 2022, the Group had 1,987 employees (31 December 2021: 2,147). The Group's gross staff costs (including the Directors' emoluments) increased by HK$25.1 million or 5.1% year-on-year to HK$513.5 million for the Year (Previous Year: HK$488.4 million). Such increase was mainly attributable to the increase in average number of employees by 2.7%.

## PROSPECTS AND STRATEGIES

Looking ahead to 2023, with the gradual global resumption of normal travel and the relaxation of quarantine requirements in the PRC, Hong Kong reopened its border with the PRC in phases at the beginning of 2023. It is expected that the number of visitors to Hong Kong will rebound significantly, providing the sufficient momentum for recovery in Hong Kong's tourism, retail, catering and hotel industries, as well as boosting confidence in the investment of the commercial and housing markets of Hong Kong. Meanwhile, the reopening of the border creates job opportunities. Employers expect to increase recruitment in the future, and the overall employment situation in Hong Kong is expected to improve. On the other hand, the U.S. rate hikes are expected to slow down, and it is expected that the accumulated purchasing power of local housing will be released. Moreover, the Hong Kong Government has proposed new measures for talent attraction, intending to attract at least 35,000 talents to work in Hong Kong annually in the next three years, injecting impetus into the Hong Kong real estate market. The strong housing demand will create opportunities for the local construction and fitting-out industries. The Group will promptly respond to government policies and closely monitor market developments to seize development opportunities.

The Macau Government announced the continuation of the "Wealth Partaking Scheme" to distribute MOP10,000 in cash to each permanent resident, which is expected to stimulate local consumption and boost Macau's economy. Furthermore, in line with the goal of building a world centre of tourism and leisure, the Macau Government will continue to promote the diversified development of tourism and leisure, deepen integration across the sectors of "tourism +", and create a diversified city integrating tourism and entertainment, culture and sports, conferences and exhibitions, health and wellness, scientific and technological experiences, and events and activities, so as to enhance Macau's overall tourism attractiveness and tourist consumption level. The Macau Government will also set aside MOP650 million to provide preferential transportation and accommodation to attract more visitors. On the other hand, six gaming operators have been given a new ten-year licences to operate casinos in Macau, with a total committed investment of MOP118.8 billion, of which MOP108.7 billion will be used for non-gaming projects and foreign markets development. It is expected that the number of investment and construction projects will be bumped up, and the Group will actively look for opportunities to participate in large-scale and high-end fitting-out projects.

The PRC Government held the Central Economic Work Conference (the "**Conference**") earlier to decide priorities for the economic work in 2023. The Conference emphasised on the work of stabilising growth, employment, and prices to maintain a stable economic performance and prioritising the recovery and expansion of domestic demand. Furthermore, the PRC Government continues to adhere the principle that "houses are for living in, not for speculation" to ensure the stable development of the real estate market. On the other hand, with the relaxation of quarantine requirements for inbound travellers in the PRC, China Tourism Academy estimates that there will be around 20 million inbound trips in the PRC by the end of 2023, thereby stimulating consumption in accommodation, catering, shopping and entertainment. In addition, the 2023 McKinsey China Consumer Report stated that the growth of upper-middle and high-income households is powering robust consumption growth. The Group will flexibly deploy resources to meet national policies and market trends. Meanwhile, it will continue to expand its cooperation with well-known foreign and local real estate developers, and prudently undertake large-scale and high-end fitting-out projects to maintain steady growth in the PRC.

Looking forward, the impact of the Covid-19 pandemic on the global economy remains uncertain, the geopolitical situation is complicated and volatile, and the market competition is intensive. The Group will pay close attention to the market development in Hong Kong, Macau and the PRC, actively integrate the Group's market development plan into the national and regional development strategy, and seize the opportunities brought by the Guangdong-Hong Kong-Macao Greater Bay Area and the Belt and Road Initiative. Meanwhile, the Group will also prudently expand its business layout to overseas markets such as Singapore, with a view to expanding its market share gradually and orderly. Besides, the Group will continue to improve management and operational efficiency and project quality, to strive for more premium customers and new contracts, to strengthen its leadership position and reputation in the industry, and to create more profitable growth for the Group.

# Biographies of Directors and Senior Management

## DIRECTORS

### Executive directors

**Mr. Ng Tak Kwan (吳德坤)**, aged 68, is the executive Director and chief executive officer of the Company. He is also a director of each subsidiary of the Company, excluded Sundart Beijing, 承達創建建設工程有限公司 (Sundart Chuangjian Construction Engineering Co., Ltd.*), 北京承達置業有限公司 (Beijing Sundart Real Estate Co., Ltd.*), Grow Path International Limited, Peak Gain Development Limited, Glory One Investments Limited, Proper Wealth Group Limited, Dongguan Sundart, 廣州承達實業有限公司 (Guangdong Sundart Industrial Company Limited*) and 武漢承達創建實業有限公司 (Wuhan Sundart Development Industrial Company Limited*). Mr. Ng is one of the founders of the Group. He has been mainly focusing on the Group's daily operations since its commencement of business in 1986. He is also a member of the Remuneration Committee. Mr. Ng left the Group in 1996 and re-joined in October 1998. Currently, Mr. Ng is primarily responsible for the overall management of the business development of the Group. Mr. Ng obtained a bachelor degree of science in civil engineering from the University of Calgary, Canada in June 1978. Mr. Ng is a non-executive director of Rykadan Capital Limited, a company listed on the Stock Exchange (stock code: 2288).

**Mr. Leung Kai Ming (梁繼明)**, aged 69, is the executive Director. He is also a director of Dongguan Sundart (he has resigned from the directorship with effect from 3 February 2023). Mr. Leung is one of the founders of the Group. He left the Group in July 2006 and re-joined in April 2009. Currently, he is mainly responsible for overseeing the manufacturing, technical and engineering activities and sourcing and distribution of interior decorative materials of the Group. Effective from 30 December 2022, Mr. Leung retried from the position as an executive Director and was appointed as an honorary consultant of the Company.

**Mr. Ng Chi Hang (吳智恒)**, aged 47, is the executive Director. He is also a director of each subsidiary of the Company, excluded Sundart Beijing, 承達創建建設工程有限公司 (Sundart Chuangjian Construction Engineering Co., Ltd.*), 北京承達置業有限公司 (Beijing Sundart Real Estate Co., Ltd.*), Dongguan Sundart, 廣州承達實業有限公司 (Guangdong Sundart Industrial Company Limited*), 承達國際供應(澳門)一人有限公司 (Sundart International Supply (Macau) Limited) and Sundart Project Management & Consultancy Limited. Mr. Ng joined the Group as a quantity surveyor in Sundart Timber in September 2005 and is mainly responsible for overseeing the overall operation of the Group in Macau. Prior to joining the Group, Mr. Ng was a quantity surveyor of Bridgewater & Coulton Limited from April 2000 to September 2002. Mr. Ng obtained a bachelor degree of science in surveying from the University of Hong Kong, Hong Kong in December 1998 and a master degree of science in construction and real estate from the Hong Kong Polytechnic University, Hong Kong in November 2004. He became a member of the Hong Kong Institute of Surveyors and professional member of the Royal Institution of Chartered Surveyors in February 2003. He has been a registered professional surveyor in the quantity surveying division of the Surveyors Registration Board of Hong Kong since April 2005.

**Mr. Ding Jingyong (丁敬勇)**, aged 36, was appointed as the executive Director on 30 December 2022. He is also the chairman of the board and the president of Sundart Beijing; the chairman of the board of 廣州承達實業有限公司 (Guangdong Sundart Industrial Company Limited*) and 武漢承達創建實業有限公司 (Wuhan Sundart Development Industrial Company Limited*); and a director of 承達創建建設工程有限公司 (Sundart Chuangjian Construction Engineering Co., Ltd.*). Mr. Ding joined Sundart Beijing in 2013 and worked as a senior marketing manager of Team 3 of the marketing department until May 2014. From June 2014 to March 2015, he served as a general manager of Team 3 of the marketing department of Sundart Beijing. From April 2015 to July 2016, he worked as a vice president of Sundart Beijing. From August 2016 to January 2018, he was a vice president and a general manager of the marketing department of Sundart Beijing. Mr. Ding has been a vice president of Jangho Co since August 2019. Mr. Ding is a non-executive director of Steve Leung Design Group Limited, a company listed on the Stock Exchange (stock code: 2262), from 23 June 2021 to present. Mr. Ding obtained a bachelor's degree in civil engineering from Hubei University of Technology Engineering and Technology College in 2008 and obtained a master's degree in business and administration from Fudan University in 2020.

**Mr. Guan Yihe (關义和)**, aged 39, was appointed as the executive Director on 30 December 2022. He is also a director of each subsidiary of the Company, excluded Sundart Beijing, 承達創建建設工程有限公司 (Sundart Chuangjian Construction Engineering Co., Ltd.*), 承達工程服務(澳門)有限公司 (Sundart Engineering Services (Macau) Limited), 北京承達置業有限公司 (Beijing Sundart Real Estate Co., Ltd.*), Dongguan Sundart, 廣州承達實業有限公司 (Guangdong Sundart Industrial Company Limited*), Sundart Engineering Services (Singapore) Pte. Limited, 承達國際供應(澳門)一人有限公司 (Sundart International Supply (Macau) Limited), Sundart Project Management & Consultancy Limited and 武漢承達創建實業有限公司 (Wuhan Sundart Development Industrial Company Limited*). Mr. Guan has over 14 years of experience in sales and marketing, and tendering for construction and architectural projects. He has been a director of business development and operation of the Company since February 2022. From June 2008 to September 2009, he was a sales representative of Jangho Curtain Wall Australia Pty Ltd. From October 2009 to January 2022, he was a vice president, a marketing manager and a sales representative of Jangho Hong Kong Holdings Limited and Jangho Curtain Wall Macao Co., Ltd. Mr. Guan obtained a bachelor's degree in arts majoring in English from Nanyang Institute of Technology in 2006 and obtained a master's degree in management majoring in educational economics and management from Jinan University in 2008. Mr. Guan further completed a bachelor's degree in civil engineering from Zhejiang University in 2019.

**Mr. Xie Jianyu (謝健瑜)**, aged 43, is the executive Director and chief financial officer of the Company. He is also a director of each subsidiary of the Company, excluded Sundart Beijing, 承達創建建設工程有限公司 (Sundart Chuangjian Construction Engineering Co., Ltd.*), 北京承達置業有限公司 (Beijing Sundart Real Estate Co., Ltd.*), Sundart Engineering Services (Singapore) Pte. Limited and 廣州承達實業有限公司 (Guangdong Sundart Industrial Company Limited*). He joined the Group in June 2012 and is mainly responsible for overseeing the financing, accounting and internal control, human resource and administrative management of the Group. He is also a member of the Internal Control Committee. Prior to joining the Group, Mr. Xie was the financial manager of cost control department of ATLANTIS Holding Norway AS from March 2006 to December 2008, the chief accountant of Workz Middle East FZE from January 2009 to March 2010 and the financial director of Middle East & North Africa Group of J&H Emirates LLC from April 2010 to June 2012. Mr. Xie obtained a bachelor degree in economics from Xiamen University (廈門大學), the PRC in July 2001 and a master degree of business administration from the University of Hong Kong, Hong Kong in November 2015. Mr. Xie became a certified management accountant of the Institute of Management Accountants, the USA and a member of the Association of Chartered Certified Accountants in February 2008 and September 2014, respectively.

## Non-executive director

**Mr. Liu Zaiwang (劉載望)**, aged 51, is the non-executive Director and the chairman of the Board. Mr. Liu is primarily responsible for the overall strategy, investment planning and human resource strategy of the Group. He is also a member and the chairman of each of the Nomination Committee and Internal Control Committee. In February 1999, Mr. Liu founded Jangho Co, the controlling shareholder of the Company, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601886), which is principally engaged in the industries of curtain wall, interior decoration and design. He is the legal representative, director and chairman of Jangho Co and is responsible for the overall management of Jangho Co. Mr. Liu also assumes several social positions including the deputy to the National People's Congress of Shunyi District, Beijing, the PRC (北京市順義區人大代表) and the vice-chairman of the board of the Northeastern University (東北大學), the PRC.

## Independent non-executive directors

**Mr. Tam Anthony Chun Hung (譚振雄)**, aged 72, is the independent non-executive Director. He is also a member of each of the Audit and Remuneration Committees and the chairman of the Audit Committee. Mr. Tam has over 25 years of experience in international taxation. Mr. Tam was a tax partner of Deloitte Touche Tohmatsu from 1997 to 2013. Since August 2014, Mr. Tam had been the managing tax partner of Mazars CPA Limited till August 2016 when he was designated as a tax partner of that firm. On 1 September 2021, he retired from the post of tax partner and was re-designated as the senior advisor of Mazars CPA Limited. Mr. Tam resigned from an independent non-executive director of Colour Life Services Group Co., Limited, a company listed on the Stock Exchange (stock code: 1778) on 12 November 2021. Mr. Tam obtained a bachelor degree of engineering and management from McMaster University, Canada in May 1976 and a master degree of business administration in finance from the University of Toronto, Canada in November 1983. He became a member of the Institute of Chartered Professional Accountant of Ontario, Canada in March 1981 and a fellow member of the Hong Kong Institute of Certified Public Accountants in February 1993.

**Mr. Huang Pu (黃璞)**, aged 50, is the independent non-executive Director. He is also a member of each of the Audit, Remuneration and Nomination Committees and the chairman of the Remuneration Committee. Mr. Huang worked in Huifu Investment Information Limited (匯富投資資訊有限公司) from May 2001 to June 2003. Mr. Huang has worked as a general manager at Beijing Xicheng Jinrui Investment Fund Management Co., Limited (北京熙誠金睿股權投資基金管理有限公司) since 28 June 2018. Currently, Mr. Huang is also an investment consultant in Beijing Dazhong Investment Co,. Ltd (北京大中投資有限公司). He obtained a bachelor degree in statistics, a master degree in economics and a doctoral degree in finance from the Renmin University of China (中國人民大學), the PRC in July 1993, July 1996 and July 1999, respectively.

**Mr. Li Zheng (李正)**, aged 65, is the independent non-executive Director. He is also a member of each of the Audit and Nomination Committees. Mr. Li has over 32 years of experience in legal practice. Mr. Li was a partner of Guangdong Run & Race Law Firm (廣東仁人律師事務所) from June 1996 to July 2010 and has been a partner of Guangdong Shentiancheng Law Firm (廣東深天成律師事務所) since August 2010. Mr. Li obtained a bachelor degree of laws from Jilin University (吉林大學), the PRC in August 1983 and was qualified as a lawyer in the PRC in June 1989. He was accredited as "Outstanding Young Lawyer (優秀中青年律師)" by Zhejiang Provincial Department of Justice (浙江省司法廳) and Zhejiang Law Society (浙江省律師協會) in October 1989. Mr. Li obtained the training certification of independent director in March 2011, October 2013, July 2014, October 2015, September 2017, August 2020 and December 2022 respectively.

## SENIOR MANAGEMENT

**Mr. Chung Tsz Lung Jimmy (鍾子龍)**, aged 62, is the assistant general manager of Sundart Timber. He joined the Group in August 2000 and is mainly responsible for overseeing the operation of the projects in high-end commercial properties and planning and supervising the tender procedure and subcontracting. Prior to joining the Group, Mr. Chung worked as quantity surveyor, contracts manager, assistant maintenance supervisor and project manager in various companies in Hong Kong and Canada. Mr. Chung obtained a higher diploma and associateship in building technology and management from the Hong Kong Polytechnic, Hong Kong (now known as the Hong Kong Polytechnic University, Hong Kong) in November 1982 and November 1983, respectively. Mr. Chung became a member of the Chartered Institute of Building of the United Kingdom in March 1988.

**Mr. Chan Chung Ming (陳仲明)**, aged 54, is the design manager of Sundart Timber. He joined the Group as a design coordinator in September 2000. He is mainly responsible for overseeing the interior fitting-out works and monitoring the progress of design application for the projects. Mr. Chan has over 27 years' experience in interior design and shop drawing presentation of interior decorations for various types of buildings. Prior to joining the Group, Mr. Chan was a design coordinator in Sundart (CIL) Engineering Limited (承達建材工程有限公司) from July 1996 to July 1999. Mr. Chan was awarded a certificate in building studies (architectural) from the Morrison Hill Technical Institute, Hong Kong in August 1992 and graduated from the City University of Hong Kong, Hong Kong in December 1996 with a higher diploma in architectural studies. In 2009 he attended the ISO 14001: 2004 introduction training in the HKQAA.

**Mr. Chiu Yeuk Ho (趙若濠)**, aged 62, is the senior project manager of Sundart Timber. He joined the Group as a quality assurance officer in June 2004 and was promoted to project manager in April 2005. He is mainly responsible for organising the projects and monitoring the progress of the projects. Mr. Chiu has accumulated over 36 years"experience in construction industry. He started his career as an assistant engineering in Shui On Construction Company Limited (瑞安建築有限公司) from February 1984 to July 1987. After that, he was a project coordinator and estimator of Arrow Aluminum Products Limited in Canada from 1987 to October 1992 and a project manager of Pentad Construction Company Limited (大有建築有限公司) from November 1992 to March 1996. He was a project manager of G+H Montage (Hong Kong Projects) Limited from July 1996 to October 1997. Mr. Chiu was a senior project coordinator of Hyundai Engineering & Construction Co., Ltd from November 1997 to June 2004. Mr. Chiu obtained a bachelor degree in geography-survey science from the University of Alberta, Canada in June 1984.

**Mr. Chan Tze Chiu (陳子昭)**, aged 60, is the senior project manager of Sundart Timber. He joined the Group as a project manager in January 2008 and was promoted to a senior project manager in July 2013. He is mainly responsible for organising the projects and monitoring the progress of the projects. Prior to joining the Group, Mr. Chan was the project manager of Enful Engineering Limited (銀豐工程有限公司) from August 1988 to August 1998. Mr. Chan obtained a bachelor degree in civil engineering from Huaqiao University (華僑大學), the PRC in July 1987.

**Mr. Lau Mong Yu Alex (劉夢如)**, aged 60, is the senior purchasing manager (promoted on 1 March 2022) of Sundart Timber. He joined the Group as a senior purchasing officer in August 2003. He is mainly responsible for coordinating all purchasing activities of the Group. With over 27 years of experience in the procurement field, Mr. Lau is experienced in procuring professional timber products and building and decoration related materials. Prior to joining the Group, Mr. Lau was the purchasing manager of Hong Kong Teakwood Works Limited (香港柚木製品有限公司) from March 1994 to October 2001.

**Ms. Chui Muk Heung (徐木香)**, aged 54, is the Company Secretary and the chief accountant of the Company. Ms. Chui joined the Group as a senior accountant in November 2003. She is mainly responsible for the company secretarial, financial and accounting matters of the Group. Before joining the Group, Ms. Chui had worked as accounting professional in various companies including construction materials firms and accounting firms. She was employed as an accountant by K. Wah Construction Materials (Hong Kong) Limited (嘉華建材(香港)有 限公司) in July 1997 and promoted to an assistant accounts manager in June 2001 and left in August 2002. Ms. Chui was accredited as an accounting technician in November 1990. She became a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in February 2000 and March 2000, respectively.

**Mr. To Ka Wah Kevin (杜嘉華)**, aged 49, is the contracts manager of Sundart Timber. He joined the Group in March 2013 and is mainly responsible for participating in tender and quotation and handling contracts related matters. Prior to joining the Group, Mr. To had previously worked for several engineering companies and interior design companies. Mr. To obtained a bachelor degree of building in construction economics from the University of Technology Sydney, Australia in May 1998.

# Corporate Governance Report

The Group has made continued efforts to incorporate the key elements of sound corporate governance into its management structure and internal procedures. The Group is committed to high standards of ethics and integrity in all aspects of business and ensuring that its affairs are conducted in accordance with applicable laws and regulations and for the benefits and in the interests of the Shareholders.

## CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures in compliance with the principles and the Code Provisions set out from time to time.

The Company has applied the principles of and complied with the Code Provisions during the Year, except for the following deviation:

Paragraph C.1.6 in Part 2 of the Code Provisions specifies that the independent non-executive Directors and other non-executive Directors should attend general meetings of the Company to gain and develop a balanced understanding of the views of the Shareholders. The non-executive Director and an independent non-executive Director were absent from the last annual general meeting of the Company held on 6 June 2022 due to their other business commitments.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Year. The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company. To the best knowledge of the Directors, there was no incident of non-compliance with the Model Code by the relevant employees during the Year.

## THE BOARD

### Composition of the Board

As at 31 December 2022, the Board consisted of nine Directors comprising five executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board during the Year and up to date of this annual report are as follows:

**Executive Directors**
Mr. Ng Tak Kwan *(Chief Executive Officer)*
Mr. Leung Kai Ming *(Retired on 30 December 2022)*
Mr. Ng Chi Hang
Mr. Ding Jingyong *(Appointed on 30 December 2022)*
Mr. Guan Yihe *(Appointed on 30 December 2022)*
Mr. Xie Jianyu *(Chief Financial Officer)*

**Non-executive Director**
Mr. Liu *(Chairman)*

**Independent non-executive Directors**
Mr. Tam Anthony Chun Hung
Mr. Huang Pu
Mr. Li Zheng

For biographical details of all Directors and senior management of the Group, please see "Biographies of Directors and Senior Management". To the best knowledge of the Directors, save as disclosed in the biographies of the Directors, there is no financial, business, family or other material or relevant relationships among the members of the Board during the Year.

## Functions of the Board and delegation of powers

The principal function of the Board is to consider and approve the overall business plans and strategies of the Group, develop and implement the corporate governance function and supervise the implementation of these policies and strategies and the management of the Group. The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business.

The Board delegates day-to-day operations of the Group to the executive Directors and management of the Group with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

## Board and general meetings

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association. All minutes of the Board meetings were recorded in sufficient details of the matters considered by the Board and the decisions reached.

Pursuant to paragraph C.5.1 in Part 2 of the Code Provisions, the Board should meet regularly and board meetings should be held at least four times a year. During the Year, the Board held 16 meetings, four of which were regular meetings.

The attendance record of each Director at the Board meetings, the Audit Committee meetings, the Remuneration Committee meetings, the Nomination Committee meetings, the Internal Control Committee meetings and the general meetings of the Company held during the Year was as follows:

| | Attendance/Number of meetings held | | | | | |
|---|---|---|---|---|---|---|
| Directors | Board meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meetings | Internal Control Committee meetings | 2022 Annual general meeting |
| **Executive Directors** | | | | | | |
| Mr. Ng Tak Kwan | 16/16 | N/A | 1/1 | N/A | N/A | 1/1 |
| Mr. Leung Kai Ming | 14/15 | N/A | N/A | N/A | N/A | 1/1 |
| Mr. Ng Chi Hang | 15/16 | N/A | N/A | N/A | N/A | 1/1 |
| Mr. Ding Jingyong | 1/1 | N/A | N/A | N/A | N/A | N/A |
| Mr. Guan Yihe | 1/1 | N/A | N/A | N/A | N/A | N/A |
| Mr. Xie Jianyu | 16/16 | N/A | N/A | N/A | 2/2 | 1/1 |
| **Non-executive Director** | | | | | | |
| Mr. Liu | 8/16 | N/A | N/A | 1/1 | 2/2 | 0/1 |
| **Independent non-executive Directors** | | | | | | |
| Mr. Tam Anthony Chun Hung | 8/16 | 2/2 | 1/1 | N/A | N/A | 1/1 |
| Mr. Huang Pu | 8/16 | 2/2 | 1/1 | 1/1 | N/A | 0/1 |
| Mr. Li Zheng | 8/16 | 2/2 | N/A | 1/1 | N/A | 1/1 |

### Directors' appointment and re-election

Each of the Directors is engaged on a service agreement for a term of 3 years, subject to retirement and re-election provisions set out in the Articles of Association, the Listing Rules and the BVI Business Companies Act. The appointment may be terminated by giving 3 months' written notice in accordance with the terms of the service agreement.

In compliance with paragraph 4(2) of Core Shareholder Protection Standards as set out in Appendix 3 to the Listing Rules, any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office until the first annual general meeting after appointment, and shall then be eligible for re-election. By virtue of article 74(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, two newly appointed Directors will hold office until the AGM pursuant to article 74(3) of the Articles of Association and, being eligible, offer themselves for re-election at the AGM.

In compliance with paragraph B.2.2 in Part 2 of the Code Provisions, every director should be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 75(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring director shall be eligible for re-election.

### Independent non-executive Directors

The Company has three independent non-executive Directors which complies with Rules 3.10(1) and 3.10A of the Listing Rules. Furthermore, among these three independent non-executive Directors, Mr. Tam Anthony Chun Hung has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance with Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors a written confirmation of his and/or his immediate family members' (as defined in the Listing Rule) independence. The Company considers each of Mr. Tam Anthony Chun Hung, Mr. Huang Pu and Mr. Li Zheng continues to be independent.

According to paragraph B.2.3 in Part 2 of the Code Provisions, if an independent non-executive Director has served more than nine years, such Director's further appointment should be subject to a separate resolution to be approved by the Shareholders. Currently, all the three independent non-executive Directors have been serving not more than nine years.

### Chairman and chief executive officer

According to paragraph C.2.1 in Part 2 of the Code Provisions, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Liu is the chairman of the Board and Mr. Ng Tak Kwan is the chief executive officer. Therefore, paragraph C.2.1 in Part 2 of the Code Provisions has been complied with.

### Directors' and officers' liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and officers that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

### Continuing professional development

According to paragraph C.1.4 in Part 2 of the Code Provisions, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

Two new directors were appointed to the Board during the Year. Each newly appointed Director receives comprehensive, formal and tailored induction comprising guided reading on or before the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. The Directors are continually updated on the legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities.

In order to ensure the Directors' contribution to the Board remains informed and relevant and to develop and refresh knowledge and skills of the Directors, the Company has encouraged and funded suitable trainings for Directors to participate in continuous professional developments. During the Year, the record of the trainings of the Directors, on a named basis, is set out in the table below.

| Directors | Reading journals, written training materials and/or updates | Attending courses, seminars, conferences and/or forums | Receiving briefings from chief financial officer, Company Secretary and/or other executives |
|---|---|---|---|
| **Executive Directors** | | | |
| Mr. Ng Tak Kwan | ✔ | ✔ | ✔ |
| Mr. Leung Kai Ming | ✔ | ✔ | ✔ |
| Mr. Ng Chi Hang | ✔ | ✔ | ✔ |
| Mr. Ding Jingyong | ✔ | ✔ | ✔ |
| Mr. Guan Yihe | ✔ | ✔ | ✔ |
| Mr. Xie Jianyu | ✔ | ✔ | ✔ |
| **Non-executive Director** | | | |
| Mr. Liu | ✔ | ✔ | ✔ |
| **Independent non-executive Directors** | | | |
| Mr. Tam Anthony Chun Hung | ✔ | ✔ | ✔ |
| Mr. Huang Pu | ✔ | ✔ | ✔ |
| Mr. Li Zheng | ✔ | ✔ | ✔ |

*Note:* All of the abovementioned trainings are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities.

## BOARD COMMITTEES

### Audit Committee

The Audit Committee was established with written terms of reference which are in compliance with the Code Provisions and are available on the respective websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements, provide advice in respect of financial reporting, review the risk management and internal control systems, and the effectiveness of the Group's internal audit function.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Tam Anthony Chun Hung (the chairman of the Audit Committee), Mr. Huang Pu and Mr. Li Zheng.

The Audit Committee has performed the following works during the Year and up to the date of this annual report:

- to review, *inter alia*, the annual results of the Group for the years ended 31 December 2021 and 2022, and the interim results of the Group for the six months ended 30 June 2022;
- to review of the Group's risk management, internal control systems, financial reporting systems, and financial and accounting principles and policies;
- to review of the audit plan for the year ended 31 December 2022;
- to recommend to the Board to re-appoint the external auditor at the 2022 and 2023 annual general meetings;
- to review the effectiveness of the internal audit function of the Company;
- to review the findings in the internal control report;
- to review the 2023 internal audit plan;
- to review the continuing connected transactions of the Group; and
- to review the compliance with the terms of the Amended Deed.

## Remuneration Committee

The Remuneration Committee was established with written terms of reference which are in compliance with the Code Provisions and are available on the respective websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure none of the Directors determine their own remuneration.

The Remuneration Committee comprises two independent non-executive Directors, namely, Mr. Huang Pu (the chairman of the Remuneration Committee) and Mr. Tam Anthony Chun Hung, and one executive Director, namely, Mr. Ng Tak Kwan.

The Remuneration Committee has performed the following works during the Year and up to the date of this annual report:

- to review, *inter alia*, the performance and remuneration package of the Directors;
- to review the Company's policy and structure for remuneration of all members of senior management of the Group;
- to approve the proposed remuneration of executive Directors (where Mr. Ng Tak Kwan abstained from voting in determining his own remuneration) and senior management with effective from March 2022.

Pursuant to paragraph E.1.5 in Part 2 of the Code Provisions, the remuneration of the members of the senior management by band for the Year is set out below:

| Remuneration bands (HK$) | Number of individual(s) |
|---|---|
| Up to 1,000,000 | 4 |
| 1,000,001 to up to 2,000,000 | 3 |

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 12 and 13 to the consolidated financial statements, respectively.

**Remuneration policy for Directors and senior management**

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses.

The Company's Share Option Scheme was adopted pursuant to a resolution passed on 1 December 2015. The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company will align and thereby the eligible persons will have additional incentives to improve the Company's performance. For details, please see "Directors' Report – Share Option Scheme".

## Nomination Committee

The Nomination Committee was established with written terms of reference which are in compliance with the Code Provisions and are available on the respective websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

The Board is empowered under the Articles of Association to appoint any person as a Director either to fill a casual vacancy or, as an additional member of the Board. Qualified candidates will be proposed by the Nomination Committee to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship to the Shareholders having regards to the balance of skills and experience appropriate to the Group's business.

The Nomination Committee comprises one non-executive Director, namely, Mr. Liu (the chairman of the Nomination Committee), and two independent non-executive Directors, namely Mr. Huang Pu and Mr. Li Zheng.

The Nomination Committee has performed the following works during the Year and up to the date of this annual report:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board as well as the policy concerning the diversity of the members of Board;

- to assess the independence of the independent non-executive Directors;

- to review the policy for nomination of directors, performed by the Nomination Committee;
- to review the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship;
- to review the achievement of the measurable objectives set out in the board diversity policy; and
- to determine the rotation of the Directors at the 2022 and 2023 annual general meetings.

**Nomination policy**

The Company has adopted a nomination policy for the Nomination Committee to select and recommend candidates for directorship. Details of the nomination procedures and process and the selection criteria are disclosed below.

***Nomination procedures and process***

The Nomination Committee will review the structure, size and composition of the Board and make recommendations on any proposed changes of the Board. The Nomination Committee will identify or select suitable candidates by referrals, advertising or recommendations from an independent third agency with due consideration of the selection criteria (as hereinafter mentioned). By conducting evaluation of candidates, including interviews, presentations, background checks and third-party reference checks, the Nomination Committee will determine a candidate suitable for directorship and make recommendations to the Board for appointment. The Nomination Committee will also review the performance of retiring Directors and make recommendation to the Board for the continuance, re-appointment or removal of Directors. The Board will have the final authority on determining the selection of nominees.

***Selection criteria***

While recommending any potential Board members or re-appointment of existing members to the Board, the Nomination Committee shall consider a number of factors, including but not limited to the following:

- skills, knowledge and experience relevant to the industry and the operations of the Group;
- diversity need in all aspects as set out in the board diversity policy;
- integrity, character, judgment, independence, corporate experience, length of service, potential conflicts of interest and other commitments;
- commitment in respect of sufficient time to effectively discharge fiduciary duties of Directors;
- details of substantial interest in the Group and the relationship with the existing Directors;
- number of listed company directorship for independent non-executive Directors; and
- any other factors as the Nomination Committee may deem fit to consider in the best interests of the Group and the Shareholders.

***Amendments to the nomination policy***

In case of any amendments or clarifications issued by the relevant authorities, not being consistent with the nomination policy, such amendments or clarifications shall prevail upon the nomination policy and the nomination policy will be amended accordingly. The Nomination Committee has the power to amend the nomination policy from time to time.

## Board diversity policy

The Company has adopted a board diversity policy since 29 December 2015, being the date of listing of the Shares on the main board of the Stock Exchange. A summary of such board diversity policy, the measurable objectives set for implementing such board diversity policy, and the progress made towards achieving those objectives are disclosed below.

### *Summary of the board diversity policy*

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

### *Measurable objectives*

Selection of candidates will be based on a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition will be disclosed in the corporate governance report annually in accordance with the Listing Rules.

### *Monitoring*

The Nomination Committee has reviewed the achievement of the measurable objectives as set out in the board diversity policy.

### *Diversity of the Board*

The existing members of the Board are well experienced in the fitting-out and alteration and addition and construction industry, investment and finance businesses. Some of them are professionals in project management, finance, accounting and legal with extensive experience.

The Company is committed to equal opportunities in all aspects of its business and does not discriminate on grounds of gender, family status, disability, nationality, race, ethnicity, religious or philosophical belief, age, sexual orientation, or any other factor.

The Company recognises and embraces diversity in the boardroom. The Company believes that a diversity of perspective can benefit the Company and diversity can be achieved by considering factors such as gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are therefore made based on merit, and candidates are considered against various objective criteria, with due regard for the benefits of diversity on the Board.

Currently, all Board members are male. The Board has set down its goals to appoint one female as Board member no later than 31 December 2024 as part of its effort to achieve diversity on the Board level. The Nomination Committee will continue to monitor and actively consider different aspects of diversity in the boardroom, take into account the factors of gender diversity when recruiting suitable candidates for mid to senior management of the Company in the future, and recommend further actions or plan to the Board when necessary, so as to develop a pipeline of potential successors for the Board and continue to enhance gender diversity in the Board in the coming years. Gender diversity at workforce levels (including our senior management) is disclosed under the "Environment, Social and Governance Report" of this annual report.

In view of the present size and complexities of the Group's operations and the nature of the risks and challenges it faces, the Nomination Committee considers the Company has struck a right balance of skills, experience, knowledge and diversity among the present members of the Board.

## ACCOUNTABILITY AND AUDIT

### Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the Year, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. A statement by auditor about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

**Auditor's remuneration**

During the Year, the remuneration paid or payable to the auditor of the Company, BDO Limited, in respect of their audit and non-audit services was as follows:

| | *HK$'000* |
|---|---|
| Audit service fee | 1,300 |
| Non-audit service fee (included agreed-upon procedures on the interim condensed consolidated financial statements and tax compliance services) | 738 |
| Total | 2,038 |

## CORPORATE GOVERNANCE FUNCTIONS

The Board has performed the following corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board during the Year and up to the date of this annual report:

- to develop and review the policies and practices on corporate governance of the Company and make recommendations;
- to review and monitor the training and continuous professional development of Directors and management of the Group;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees of the Group; and
- to review the Company's compliance with the Code Provisions and the disclosure in the corporate governance report of the Company.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Group has a risk management procedure and an internal control system that are characteristics of a clear governance structure, policy procedure and reporting mechanism, to help the Group manage its risks in all business segments.

The Group has established an organisational structure for risk management, composed of the Board, the Audit Committee, the risk management team, and the business departments, management and staff of the Group. The Board assesses and determines the nature and extent of risks that the Group is willing to accept in achieving its strategic objectives, and ensures that it establishes and maintains proper and effective risk management and develops a suitable corporate risk culture. The Board also monitors the coordination among the staff, corporate strategy, risk, internal control and compliance.

The Group has also developed and adopted a management system for corporate risks, which provides effective solutions to risk identification, assessment and handling. For at least once a year, the risk management team identifies the risks affecting the Group in realising its business objectives, works out ratings and rankings for such risks based on their possibility and impact, formulates solutions and strategies to major risks, and designates the people in charge of addressing such risks.

The Board has an ongoing responsibility for maintaining the Group's system of internal control, the assessment and management of risk and reviewing their effectiveness as a whole and safeguarding the interests of the Company and the Shareholders. In addition, the Group has engaged an independent professional advisory firm to assist the Board and the Audit Committee in on-going monitoring of the internal control systems of the Group by identifying deficiencies in the design and implementation of internal controls and proposing recommendations for improvement. The Directors have reviewed the need for an internal audit function within the Group and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal control functions for the Group in order to meet its needs.

Risk management report and internal control report are submitted to the Audit Committee and the Board annually. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems for the Year, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective and adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

## PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with the requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

## SHAREHOLDERS ENGAGEMENT

The Company values communication with the Shareholders. The Company uses two-way communication channels to account to Shareholders for the performance of the Company. Enquiries and suggestions from Shareholders are welcomed, and enquiries may be put to the Board through the following channels to the Company Secretary:

1. By mail to the Company's principal place of business at 19/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong;

2. By fax number 2490 0685; or

3. By email at ir@sundart.com

The Company uses a number of formal communication channels to account to the Shareholders for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for the Shareholders to raise comments and exchange views with the Board; (iii) updated key information of the Group available on the respective websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders; and (v) the Company's branch share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely manner and on a regular basis information of the Group through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders' views and inputs, and address Shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer the Shareholders' questions on the Group's businesses at the meeting. To comply with paragraph F.2.2 in Part 2 of the Code Provisions, the management of the Group will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The Board has established a shareholders' communication policy on 1 December 2015 and will review it on a regular basis to ensure its effectiveness.

In order to promote effective communication, the Company also maintains a website (www.sundart.com) which includes the latest information relating to the Group and its businesses.

## SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, various rights of Shareholders, including the right to propose resolutions, are contained in the Articles of Association.

The summary of certain rights of the Shareholders is disclosed below.

### Procedures for convening general meetings and putting forward proposals at general meetings

According to article 49 of the Articles of Association, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the issued Shares carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and add resolutions to the meeting agenda of such meeting; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionist(s) himself (themselves), or any of them representing more than one-half of the total voting rights of all of them, may do so in the same manner but any meeting so convened shall not be held after the expiration of three months from the date of deposit of requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the principal place of business in Hong Kong of the Company marked with the attention of the Board or the Company Secretary or to the Hong Kong branch share registrar of the Company at Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. The requisitionists must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionists. Upon receipt, the Company will verify the requisitionists' particulars and if the request is in order, the Company will convene the extraordinary general meeting in accordance with the Articles of Association.

### Procedures for propose a person for election as a Director

The procedures for proposing a person for election as a Director are posted on the Company's website at www.sundart.com.

## DIVIDEND POLICY

The Board adopted a dividend policy in recommending dividends, to allow the Shareholders to participate in the Company's profits and the Company to maintain adequate reserves to meet its future growth.

The Directors intend to declare dividends, if any, in HK dollars with respect to Shares on a per Share basis and will pay such dividends in HK dollars. Any final dividend for a financial year will be subject to the Shareholders' approval. The Directors consider that dividends to be declared and paid will depend on a number of factors. The Directors intend, subject to certain limitations, and in the absence of any circumstances which might reduce the amount available for distribution whether by losses or otherwise, to distribute to the Shareholders approximately 40% of profits available for distribution for the financial years. Such declarations of dividends, however, will only be recommended by the Directors after taking into account, among other things, the Group's results of operations, cash flows and financial condition, operating and capital requirements, prevailing economic climate, the amount of distributable profits based on Hong Kong Financial Reporting Standards, the memorandum of association of the Company, the Articles of Association, the BVI Companies Act, applicable laws and regulations and such other factors which the Directors may deem relevant. There is, however, no assurance that dividend of such amount or any amount will be declared or distributed in any financial year.

The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the dividend policy at any time. The dividend policy shall in no way constitute a legally binding commitment by the Company in respect of future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

## CONSTITUTIONAL DOCUMENTS

Upon the Shareholders' approval by way of a special resolution at the 2022 annual general meeting of the Company held on 6 June 2022, the Company has adopted the Articles of Association. Details of the changes made are set out in Appendix III to the circular of the Company dated 28 April 2022. The Articles of Association is available on the respective websites of the Stock Exchange and the Company.

## COMPANY SECRETARY

The Company Secretary is Ms. Chui Muk Heung. Details of the biography of the Company Secretary are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

The Company Secretary reports to the chief executive officer directly and is responsible to the Board for ensuring that the Board procedures, applicable laws, rules and regulations are followed as well as the Board activities are efficiently and effectively conducted. She is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training for the Year.

# Environmental, Social and Governance Report

## ABOUT ESG REPORT

The Group is strongly committed to its corporate social responsibilities in addition to its business development.

This ESG report provides details on the Group's ESG performance during the Year, in compliance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 to the Listing Rules.

### Reporting Scope

The ESG report covers the environmental and social issues identified in the materiality assessment for the Group's core businesses with direct management control during the Year. Relevant information includes the management policies, measures, compliance and ESG performance, and more.

Compared with the Previous Year, the scope this Year excludes Kin Shing due to disposal of its interest by the Group in November 2022; but includes Sundart Engineering Services (Singapore) Pte. Limited which has started operation since June 2022. Unless otherwise specified, the businesses that have been covered include fitting-out works in Hong Kong, Macau, Singapore and the Mainland China; and the manufacturing, sourcing and distribution of interior decorative materials in Dongguan.

### Reporting Standard

The reporting standard adopted herein follows the principles of materiality, quantitative, balance and consistency as stated in the ESG Reporting Guide:

| Principles | Descriptions |
|---|---|
| Materiality | The purpose of the materiality assessment is to identify significant ESG issues that have business-related implications for the Group and to examine their direct and indirect effects on stakeholders and the Group's long-term sustainability. The relevant issues are identified by engaging with the key stakeholders and holding internal discussions. The section titled Materiality Assessment provides a summary of the results. |
| Quantitative | The ESG performance is disclosed in accordance with the ESG Reporting Guide using reliable methodologies and environmental and social key performance indicators ("**KPIs**"), and internationally recognised methodologies for specific calculations with measurable figures so that the effectiveness of our ESG policies and management systems can be evaluated and validated. Please refer to the relevant data and notes for details. |
| Balance | The Group discloses both positive and negative issues and performance regarding its business. The environmental and social KPIs are calculated and presented in accordance with the ESG Reporting Guide. As shown in the relevant sections of the report, robust methodologies are utilised. Data comparisons in the recent years are provided to simultaneously compare the ESG performance. |
| Consistency | In comparison with the Previous year, the ESG report adopts the same methodologies, standards, and reporting scope to remain consistency. |

## ESG GOVERNANCE

The Group maintains its pledge to govern its operations with sustainability concepts and the key principles of ESG, as well as setting its business strategies.

### Board Oversight

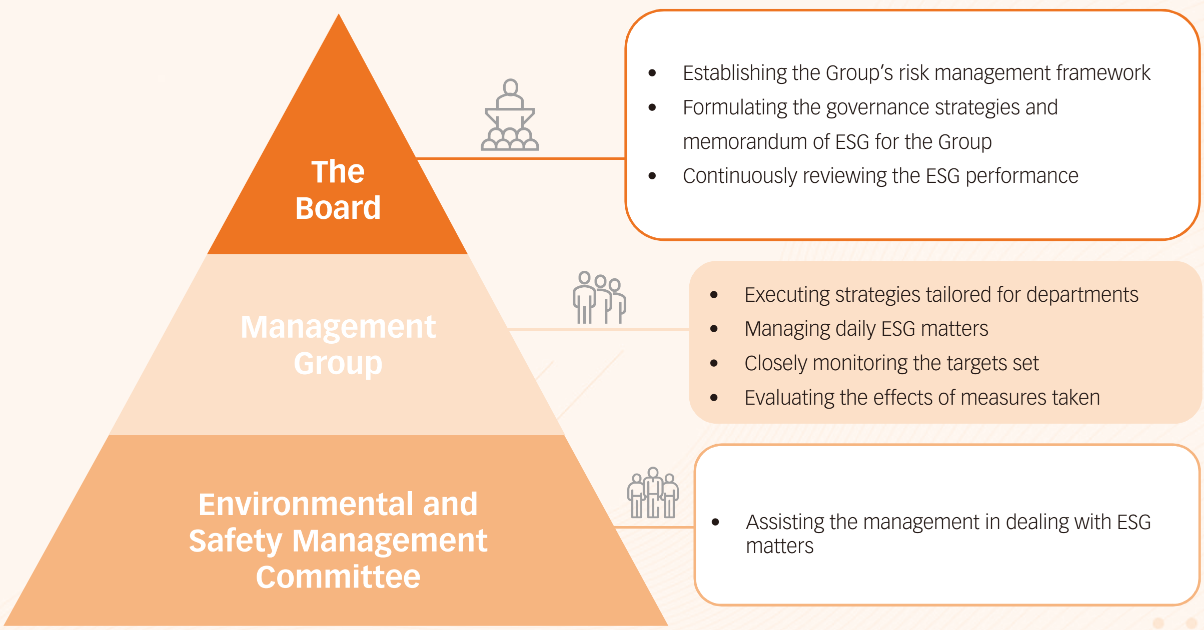
The Board oversees Sundart's sustainability management, develops the Group's governance strategies and ESG guidelines, regularly assesses the ESG performance, and takes accountability for the underlying issues. The Group can implement department-specific strategies, manage daily ESG issues, and closely monitor the advancement of the ESG goals set to assess the consequences of the measures taken with the support of the management groups from various backgrounds. After a review by the management, the Board will approve the ESG report.

In order to support management in handling relevant ESG issues, the Group has also formed dedicated teams such as the environmental and safety management committee comprised of individuals with specialised management skills and professional background.

The Board has incorporated sustainability goals and action plans to its development roadmap for each business unit, and been substantially boosting the effectiveness of the ESG effort. The objectives and targets had been met during the Year and had been assessed at the management review meeting. Details are shown under the "Protecting our environment" section.

### ESG Risk Management

The Board-established risk management framework governs the risk assessment, evaluation, and mitigation procedures that the Group used to keep track of its exposure to risk. It guarantees the suitability and efficacy of the risk management strategy and internal control mechanisms. ESG concerns including energy consumption, environmental pollution, and health and safety are taken into account by the risk management framework.



## ENGAGEMENT OF STAKEHOLDERS

The Group regularly engages key internal and external stakeholders with a variety of approaches. This ensures effective communications of the progress to address their concerns and expectations, strengthens the trust between the Group and stakeholders. This helps to identify the issues that are relevant and material to the business operations. The stakeholder groups refer to those that are directly impacted by its operations or may have an impact on its business, such as employees, customers, owners, shareholders, investors, suppliers, and business partners, as well as governments and regulatory authorities, community organisations, and others.

The Group maintains good communication with the important stakeholder groups through a variety of channels, as shown in the following table.

| Stakeholder groups | Communication channels |
|---|---|
| Staff | • Conferences and counselling<br>• Training and staff activities<br>• Performance assessment |
| Customers and owners | • Customer hotlines and emails<br>• Sales services and after-sale return visits<br>• Questionnaires |
| Shareholders and investors | • General meetings<br>• Annual and interim reports<br>• Announcements and communications |
| Suppliers and business partners | • Conferences<br>• Inspections and appraisals<br>• Industry meetings |
| Governments and regulatory authorities | • Public forums<br>• Government websites<br>• Advertising and consulting |
| Community organisations and others | • Voluntary activities<br>• Charitable services<br>• Collaboration with social enterprises |

## MATERIALITY ASSESSMENT

An independent consultant had been engaged to perform a materiality assessment by conducting an online survey to gather feedback from the Group's various stakeholder groups. This was done to identify and understand the material ESG issues that are most important to the Group and its stakeholders. In order to allay the concerns of our stakeholders, we have established the framework for the ESG report and our ESG management strategies based on the views of the stakeholders.

Our major stakeholder groups provided feedback based on their perspectives on the importance of each of the 27 identified ESG-related issues. The materiality assessment matrix below shows how important these subjects are in order of priority. The issues that fell in the upper-right quadrant of the matrix were identified as the most important to the Group's business operations and our stakeholders.

### 1. Identification

**Identification of Relevant ESG Issues**

Based on the key ESG trends analysis and our stakeholder engagement exercises, we identified 27 ESG issues highly relevant to our business.

### 2. Distribution

**Questionnaires were distributed to the stakeholder groups**

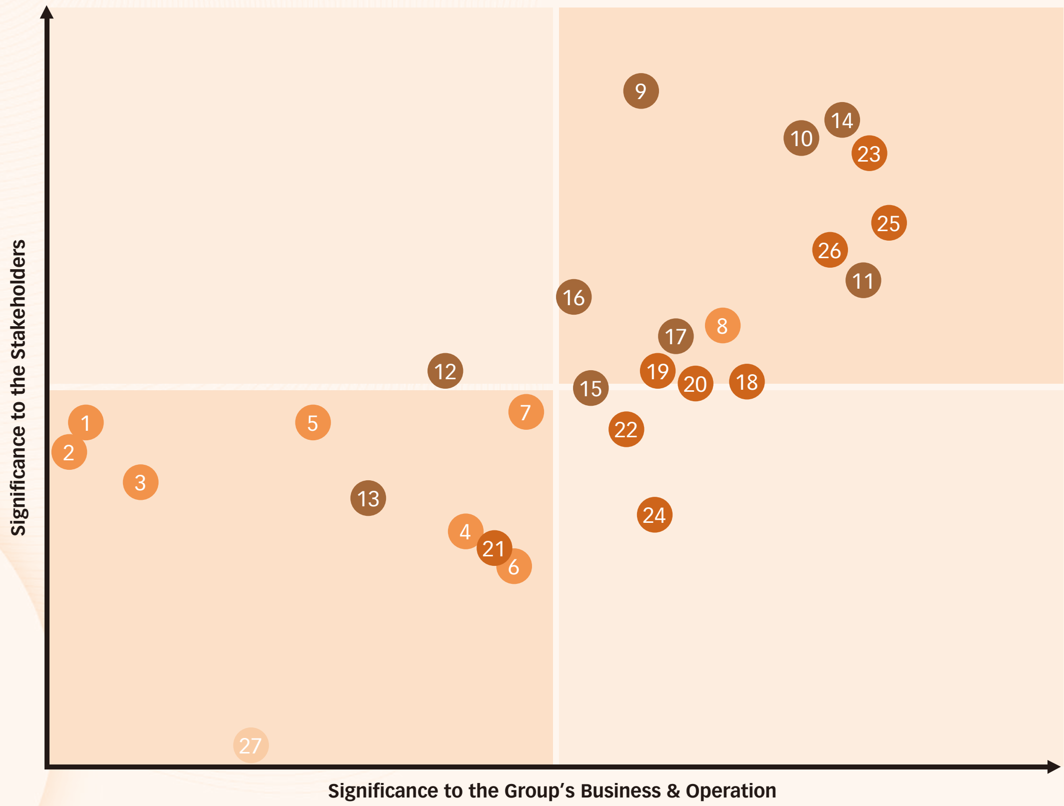
Stakeholders assessed the ESG issues in the perspectives of "importance to stakeholders" and "importance to business operations".

### 3. Review

**Review of Materiality Assessment Results**

The individual assessment results were summarised and consolidated on a matrix of the ESG issues. The results were reviewed and approved by the management.

**Materiality Matrix**




| Environment | Social | |
|---|---|---|
| | Employment | Operation |
| 1. Air emission<br>2. Greenhouse gas emission<br>3. Climate change<br>4. Energy efficiency<br>5. Water and effluents<br>6. Use of materials<br>7. Waste management<br>8. Environmental compliance | 9. Labour rights<br>10. Labour-management relations<br>11. Employee retention<br>12. Diversity and equal opportunity<br>13. Non-discrimination<br>14. Occupational health and safety<br>15. Employee training<br>16. Employee development<br>17. Prevention of child labour and forced labour | 18. Customer satisfaction<br>19. Product and service quality and complaints handling<br>20. Customer health and safety<br>21. Marketing and product and service labelling compliance<br>22. Intellectual property<br>23. Customer privacy and data protection<br>24. Responsible supply chain management<br>25. Business ethics<br>26. Socio-economic compliance |
| | | **Community** |
| | | 27. Community investment |

By understanding the most important ESG topics to the Group and its stakeholders, we can formulate our business and ESG strategies and concentrate on the issues of higher priority. Materiality assessment is a key component of our stakeholder engagement. More importantly, we can address the expectations and concerns of the stakeholders, as summarised below:

| Key concerns from stakeholders | Our responses | Section |
|---|---|---|
| Occupational Health and Safety | To demonstrate our commitment on offering the employees a health and safety environment to work, we have received the ISO 45001 Occupational Health and Safety Management System accreditation. | CARING FOR EMPLOYEES – Occupational health and safety |
| Customer Privacy and Data Protection | We place high importance on protecting customer privacy and our data. We adhere strictly to all applicable laws and regulations, like the Personal Data (Privacy) Ordinance in Hong Kong, the Protection of Consumer Rights and Interests Law in the PRC, and several others, with regard to the protection of such areas. | BUSINESS ETHICS – Protection of customer privacy |
| Business Ethics | Our core values shape the ethical standards on the operation. Business ethics covers the areas of prevention of bribery, fraud and money laundering, anti-corruption, protection of customer privacy, and intellectual property rights etc. Details of our paid effort are shown under the related section. | BUSINESS ETHICS |
| Labour-management Relations | Employees are our valuable assets. Apart from ensuring the standard of occupational health and safety, we provide our employees with attractive remuneration packages and work-life balance activities to manage the labour-management relations. | CARING FOR EMPLOYEES |
| Socio-economic Compliance | We comply with all legislation and voluntary commitments that are pertinent to our business. To highlight our efforts, various certificates or permits we obtained are listed throughout the sections of the ESG report. | BUSINESS ETHICS, PROTECTING OUR ENVIRONMENT, CARING FOR EMPLOYEES |

## BUSINESS ETHICS

The Group address "open-minded, responsible and upright" as its core values. We constantly uphold ethical standards throughout the entire business operation.

### Prevention of bribery, fraud and money laundering

The Group abides by the laws and regulations on preventing bribery, fraud, and money laundering, including:

- the Prevention of Bribery Ordinance and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance in Hong Kong;
- the Prevention and Suppression of the Crime of Money Laundering in Macau;
- the Anti-Unfair Competition Law in the PRC; and
- the Prevention of Corruption Act of Singapore, and other applicable laws and regulations.

The laws and regulations ban money laundering and dishonest business practices, and they forbid our personnel from accepting or giving away any incentive intended to sway business judgements.

On commencement of employment with the Group, every employee is obliged to sign a code of conduct. A summary is listed below:

1. Soliciting or accepting advantages including gifts, loans, fees, rewards, office facilities, employment, contracts, services and discounts, etc. from customers, suppliers or any other person in connection with the Group's interests is strictly prohibited. Acceptance of voluntarily given advantages may, however, be considered if:

   i) the acceptance will not influence the decision and behaviour of the recipient;

   ii) the recipient will not feel obliged to do something in return for the offer;

   iii) the recipient can openly discuss the acceptance without reservation; and

   iv) the nature and value of advantage (such as advertising or promotional gift) are such that refusal could be regarded as unsociable or impolite.

2. Under no circumstances should the staff offer bribes or similar advantages to any person or company in order to obtain or retain business, to acquire confidential business information or to obtain approval or certification of work completion of the Group's projects, or to seek for any other return of personal advantages.

In order to increase the Board's disciplinary authority and the scope of applicable sanctions, the Group collaborated with the legal advisors to provide training to the Board about changes to the Listing Rules, which became effective on 3 July 2021. For instance, the Stock Exchange proposed adding secondary liability for violations of the Listing Rules to all relevant and involved parties. This is carried out in order to introduce director unsuitability statements due to involvement in fraud, such as bribery, money laundering, and misappropriation of funds against individuals, etc., and to make sure the Board is fully aware of the potential impacts of lowering the current thresholds for public statements regarding specific individuals.

### Anti-corruption

Examples have been provided as training materials so that participants will fully comprehend and be aware of all potential situations. The Group has added a special session to the employee training schedule to help employees better realise anti-corruption. The Group has also distributed the training materials that extracted from Independent Commission Against Corruption ("**ICAC**"). Through email and the internal portal, directors and staff have easy access to check with. The topics mainly cover the corruption risks in the construction industry with examples and case studies, so as to avoid:

- offering bribes;
- offering bribes for contract constitutes;
- accepting bribes for conniving substandard works; and
- soliciting bribes in granting project approval.

We have also internally spread the initiative organised by ICAC, such as Ethics Promotion Programme for Construction Industry, and relevant news to promote anti-corruption in our operation.

### Whistleblowing and investigation

Whistleblowing procedures have been adopted by the Group. Internal parties and business partners can alert the Independent Non-executive Directors ("**INEDs**") of questionable cases, such as those involving rules violation or unethical behaviour. The name of the whistle-blower and the information reported are treated in strict confidence.

The INEDs will thoroughly investigate the situation. If such misbehaviour is valid, the offender will be disciplined or, in extreme situations, the case may be brought to the appropriate law enforcement authorities. Based on the aforementioned measures, the Group did not find any significant instances of non-compliance with anti-bribery, fraud, and money-laundering laws and regulations, as well as legal cases involving corrupt activities launched against the Group or its employees throughout the Year.

### Protection of customer privacy

The Group obtains customer personal information through the business of interior fitting out works, as well as its manufacturing, sourcing, and distribution of interior decorative materials businesses. We are aware of the critical importance of protecting customer privacy and adhere strictly to all applicable laws and regulations, including the Personal Data (Privacy) Ordinance (2021 Revised Edition) in Hong Kong, the Personal Data Protection Act in Macau, the Protection of Consumer Rights and Interests Law in the PRC, the Personal Data Protection Act 2012 (2020 Revised Edition) of Singapore and several others, with regard to the protection of customer personal data.

In conclusion, the laws and regulations require that personal data users must collect and use other persons' personal data in a legal and fair manner. The Group has taken all rational measures to ensure that personal data are accurate and kept only for necessary purposes. We set guidelines for restricting its use, and require employees to manage customer information in a responsible manner with regard to collection, storage, and use. Below are some details extracted from the guidelines:

1. Employees of the Group are required to obtain consent from customers before they collect customers' personal data
2. The use of the data is only applicable to the business related to customers and any modification to or disclosure of customers' data without their approval is strictly forbidden
3. All confidential information including personal data of customers and intellectual property rights created or obtained must be properly stored and encrypted. Only authorised business personnel can have access to them

Based on the above measures, the Group did not identify any material breach of the relevant laws and regulations in relation to customer privacy during the Year.

### Intellectual property rights

The Group highly prioritises the protection of intellectual property rights for both itself and the third parties. Continuous reviews and standard employment contracts and business agreements with pertinent clauses serve as the first line of defence against the leakage of confidential information.

## PRODUCT RESPONSIBILITY

The Group endeavours to provide our customers with high-quality and professional products and services. The Group complies with all applicable laws and regulations, such as the Construction Law in the PRC, the Buildings Ordinance and the Building (Minor Works) Regulations in Hong Kong, the General Regulation of Urban Construction in Macau, the Building Control Act of Singapore and other laws and regulations pertaining to product quality. The contractors must all make sure that designated building professionals are in charge of carrying out specific activities and that reliable monitoring and quality assurance systems are well established, as required by the applicable law and regulations.

### Project quality and product safety

In addition to defining the roles and responsibilities of each department and the third parties, the Group has established standardised management procedures for the fitting-out projects. The Group has obtained relevant licences and qualifications. We engaged building professionals in accordance with the employment requirements such as the nature, scale, and risks of a project. The Group has also established a quality inspection standard that complies with the most recent local regulations and standards. The steps used to assure consistent delivery of high-quality projects are outlined below for each phase of a project:

1

**Phase 1: Pre-construction**

- Preparing a proposal with parties involved in a project
- Checking and confirming the construction plan with customers and owners
- Clarifying the specific items and delivery date of a project

2

**Phase 2: During the construction**

- Implementing construction specifications and quality standards set
- Arranging supervisors to monitor the construction sites
- Checking the quality of semi-finished products as and when necessary

3

**Phase 3: Post-construction**

- Examining items stated on the work completion and acceptance list
- Revisiting the customer satisfactory level on the project

A thorough management system has also been built by the Group, and it has received the ISO 9001 Quality Management System certification. In the meantime, Hong Kong Quality Assurance Agency conducts an annual examination to verify that the Group's management system complies with the pertinent authentication standards and regulations. As a result, clients are more confident in the Group's services and goods.

Based on the above measures, the Group did not identify any material breach of the relevant laws and regulations in relation to intellectual property rights, project quality and product safety during the Year.

*Note:*

Aspect B6 as set out in Appendix 27 to the Listing Rules in relation to General Disclosure of the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to advertising and labelling matters relating to products and services are not applicable to the Group due to its business nature.

### After-sales services and handling of complaints

The Group places a high priority on providing sales services. We strictly comply with all applicable laws and regulations, including the Supply of Services (Implied Terms) Ordinance in Hong Kong, the Consumer Protection Law in Macau, the Protection of Consumer Rights and Interests Law in the PRC, the Consumer Protection (Fair Trading) Act of Singapore, and others. The customer reserves the right to acquire product and service information, and service providers must offer prudent and technically good services during the designated period, in accordance with laws and regulations.

The Group guarantees to provide customers with thorough after-sales services for warranty maintenance. Any deceptive or unfaithful promotion or competition is strictly prohibited. We pay high attention to customers' experience by establishing a sincere, proper and truthful business practice, which is vital in retaining customer interests. We have established various communication channels for customers and to understand their actual needs in real-time. We also seek customers' feedback from after-sales returning visits to improve our products in the future and thus to enhance the competitiveness.

Following the receipt of a complaint, the Group will immediately activate the complaint handling procedure, in accordance with which the complaints will be primarily handled by employees in the customer service department or jointly handled by such employees and the pertinent business personnel. Responsible employees must make an effort to respond to consumers in a suitable manner and take further action within a predetermined time frame. The Group will then conduct an investigation plan and formulate corrective or preventive measures to enhance the quality of services and goods in the future.

Based on the above measures, the Group did not identify any material breach of the relevant laws and regulations in relation to sales services and there were no substantiated complaints relating to the provision and use of products and services that have a significant impact to the Group during the Year.

*Note:*

KPI B6.1 as set out in Appendix 27 to the Listing Rules in relation to percentage of total products sold or shipped subject to recalls for safety and health reasons is not applicable to the Group due to its business nature.

## SUPPLY CHAIN AND RISK MANAGEMENT

We are committed to maximising value for the Group and its stakeholders through our production process. This calls for enhancing the equality and effectiveness of our supply chain management in addition to assuring the quality of our products. The Group has established sound policies and procedures for managing supplier and subcontractor selection.

### Selection of Suppliers

Supply chain risk management has been a key component in the quality control system of the Group. We attach great importance on sustainable supply chain management to manage ESG-related risks and meet the rising demand for social responsibility from the customer side.

Before building any new relationships with suppliers or subcontractors, the project team and procurement department are responsible for performing an extensive background investigation. They will check the prospective suppliers and subcontractors with their product quality, company compliance history, industry reputation, functional fit of the product, and the potential environmental and social hazards that could harm the Group. A supplier or subcontractor is added to the approved list once they have successfully passed the assessments. Unless the customers nominate specific suppliers or subcontractors, the Group enters into contracts with the approved suppliers or subcontractors to reduce risk exposure. We purchase materials from the suppliers designated by customers who usually have strict requirements on materials, and a strong sense of environmental and social responsibility. We also avoid collaboration with suppliers and subcontractors having a known history in employing child or forced labour in their operations.

### Evaluation on Suppliers

The Group evaluates suppliers and subcontractors annually to comprehend their business situations and quality control performance with the goal of forming long-term business relationships with outstanding suppliers and subcontractors. We also notify existing suppliers of the Group's environmental and social standard during the annual assessment, encouraging them to produce materials in a sustainable way. The locations of the vendors the Group worked with throughout the Year are shown as below:

| | 2022 |
|---|---|
| Total number of suppliers | **914** |
| By geographical region | |
| Hong Kong | **753** |
| Mainland China | **73** |
| Macau | **20** |
| The United States | **20** |
| Others (including the United Kingdom, Italy, Singapore, etc.) | **48** |

## CARING FOR EMPLOYEES

### Occupational health and safety

The Group cares about the health and safety of its employees. The Group has also built a comprehensive management system and received the ISO 45001 Occupational Health and Safety Management System accreditation. We provide our employees with a supportive, dynamic, fair and safe workplace and value their well-being. We have a long-standing commitment to upholding the legal requirements outlined in the Production Safety Law in the PRC, the General Regulation of Working Safety and Hygiene in the Construction Industry in Macau, Workplace Safety and Health Act in Singapore as well as the Occupational Safety and Health Ordinance and the Construction Sites (Safety) Regulations in Hong Kong, as well as meeting and exceeding those requirements. These laws require employers to:

- supervise the safety of fitting-out projects and manufacturing process; and
- provide clear guidelines and training on project work procedures, manual labour operations, accident prevention and first aid, and work environment hygiene.

The Group has created and put into place the following security protocols to protect the health and safety of its employees through project planning, safety management, training, and publicity.

| **Project Planning** | |
|---|---|
| ✓ | The Group has made an effort to ensure project planning safety by:<br><br>1. establishing a sound engineering safety management system to provide clear guidelines for safety;<br><br>2. conducting risk assessment of the projects to ensure those appropriate countermeasures and preventive actions taken for alleviating the corresponding risks;<br><br>3. regularly arranging personnel to inspect the construction sites and check if they are up to our internal safety standards; and<br><br>4. providing employees with protective equipment, guidance books and safety training to build employees' occupational safety and health awareness. |
| ✓ | The project managers are required to introduce safety controls to minimise the potential impacts of the risk events that may induce negative effects on the project flow. |
| ✓ | The site personnel like the site supervisor will be required to provide an immediate remedy with proper record management whenever there are any safety issues found. |

| **Safety Management** | |
|---|---|
| ✓ | To remain the efficiency of safety management, the Group has set up a safety management committee to:<br><br>1. oversee the implementation of the health and safety policies;<br><br>2. update the policies annually in response to industry trends, regulations and standards; and<br><br>3. ensure that the Group maintains a high-level performance on health and safety. |
| ✓ | The Group has also engaged an accredited independent safety inspector to:<br><br>1. check the Group's safety performance twice a year; and<br><br>2. report the results to the Labour Department. |
| ✓ | By the abovementioned, the Group can continuously modify and optimise the existing safety management. |

| **Employee Training and Publicity** | |
|---|---|
| ✓ | The Group has provided tailored training courses for different workers according to the characteristics and difficulties of the projects. To reduce the probability of preventable mishaps, any employee (including administrative personnel) entering the construction site must first complete health and safety training offered by the Group. |
| ✓ | The Group also conducts regular fire drills, introductions to the use of fire extinguishers and first-aid training to enhance employees' on-the-spot emergency knowledge |

**Pandemic control**

The Group has established necessary sanitary guidelines in response to the COVID-19 outbreak in order to mitigate any risks of exposure. Preventive measures include but not limited to:

- encouraging vaccinations;
- mandating mask use for employees;
- providing offices with sufficient sanitisation supplies;
- checking on-site visitors' temperature; and
- informing employees to remain home when any confirmed cases are discovered within the office building until a safer work arrangement is announced.

The following table illustrates the number of work-related fatalities occurred in the past three years:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Number of work-related fatalities | **0** | 0 | 0 |

The number of work-related injury cases and the lost days due to it were as follows:

| | **Number of work-related injury cases** | | **Number of lost days due to work injury** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Offices and Projects in Hong Kong and Macau | **0** | 1 | **0** | 14 |
| Offices and Projects in Beijing and Shanghai | **3** | 6 | **22** | 611 |
| Offices and Projects in Singapore *(note)* | **0** | – | **0** | – |
| Factory in Dongguan and office in Shenzhen | **9** | 8 | **647** | 626 |
| Total | **12** | 15 | **669** | 1,251 |

Based on the above measures, the Group did not identify any major non-compliance with the relevant laws and regulations and standards in respect of occupational health and safety during the Year.

*Note:*

Offices and projects in Singapore is a new operation since June 2022.

## Remuneration and benefits

The Group value our talents and are dedicated to offering them outstanding pay and benefits. We rigorously comply with all applicable laws and regulations, including the Employment Ordinance in Hong Kong, the Labour Relations Law in Macau, the Employment Act in Singapore, the Labour Law in the PRC, and other laws and rules pertaining to employee compensation and benefits. The laws and regulations ensure that employees receive the basic compensation and benefits, such as salaries, holidays, and allowances. Employment contracts are entered into and terminated in a fair and equitable manner.

The Group regularly reviews the remuneration packages to ensure that they are sufficiently attractive to draw the top candidates from the industry in light of market conditions and standard industry practice, included but not limited to:

- annual leave;
- marriage leave;
- compassionate leave;
- study leave;
- examination leave;
- mandatory and voluntary provident fund schemes;
- medical insurance; and
- compensation for employees by means of alternative leave or overtime allowance for their overtime work due to the prevailing department's workload.

The Share Option Scheme has been effective from 1 December 2015. The purpose of the scheme is to reward employees for their contributions, and motivate them to optimise their future contributions to the Group, maintain ongoing relationships with them and retain talents with experience and ability. The Group is confident that the operation of the scheme can enhance the loyalty and team cohesion, realise mutual benefits and help the Group achieve long-term success.

The Group also utilises a performance appraisal system, which includes the sufficient incentive and promotions to recognise those who perform well, in order to better care for its personnel. The grant of performance incentives is based on the financial performance of the Group and the performance of each individual employee.

Based on the above measures, the Group did not identify any major non-compliance with the laws and regulations relating to remuneration and benefits during the Year.

The average number of employees (excluded causal daily paid workers) by gender, age, function and geographical location are as follows:

| | | Offices and Projects in Hong Kong and Macau | | Offices and Projects in Beijing and Shanghai | | Factory in Dongguan and office in Shenzhen | | Offices and Projects in Singapore *(note)* | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| Overall | | **322** | 340 | **1,090** | 1,010 | **512** | 476 | **12** | – |
| Gender | Male | **241** | 255 | **878** | 818 | **437** | 404 | **5** | – |
| | Female | **81** | 85 | **212** | 192 | **75** | 72 | **7** | – |
| Age | Below 30 | **35** | 40 | **496** | 481 | **47** | 37 | **1** | – |
| | 31-40 | **97** | 106 | **414** | 366 | **136** | 136 | **5** | – |
| | 41-50 | **90** | 92 | **129** | 120 | **195** | 183 | **3** | – |
| | 51 or above | **100** | 102 | **51** | 43 | **134** | 120 | **3** | – |
| Function | Management | **5** | 4 | **3** | 3 | **4** | 3 | **0** | – |
| | Business operation | **271** | 287 | **870** | 817 | **360** | 358 | **8** | – |
| | Operation support | **12** | 12 | **169** | 147 | **114** | 81 | **0** | – |
| | Back office | **34** | 37 | **48** | 43 | **34** | 34 | **4** | – |

*Note:*

Offices and projects in Singapore is a new operation since June 2022.

The employee turnover rate *(note 1)* by gender, age, function, and geographical location are as follows:

| | | Offices and Projects in Hong Kong and Macau | | | | Offices and Projects in Beijing and Shanghai | | | | Factory in Dongguan and office in Shenzhen | | | | Offices and Projects in Singapore *(note 2)* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2022 | | 2021 | | 2022 | | 2021 | | 2022 | | 2021 | | 2022 | | 2021 | |
| | | # | % | # | % | # | % | # | % | # | % | # | % | # | % | # | % |
| Overall | | 67 | 1.74 | 76 | 1.86 | 318 | 2.43 | 335 | 2.76 | 427 | 6.95 | 290 | 5.08 | 1 | 1.43 | – | – |
| Gender | Male | 51 | 1.76 | 54 | 1.76 | 251 | 2.38 | 279 | 2.84 | 388 | 7.39 | 265 | 5.47 | 0 | 0.00 | – | – |
| | Female | 16 | 1.65 | 22 | 2.16 | 67 | 2.63 | 56 | 2.43 | 39 | 4.35 | 25 | 2.89 | 1 | 2.56 | – | – |
| Age | Below 30 | 21 | 4.98 | 14 | 2.92 | 192 | 3.23 | 190 | 3.29 | 83 | 14.61 | 68 | 15.32 | 0 | 0.00 | – | – |
| | 31-40 | 25 | 2.15 | 27 | 2.12 | 89 | 1.79 | 100 | 2.28 | 154 | 9.46 | 105 | 6.43 | 0 | 0.00 | – | – |
| | 41-50 | 10 | 0.93 | 11 | 1.00 | 30 | 1.93 | 40 | 2.78 | 143 | 6.10 | 88 | 4.01 | 0 | 0.00 | – | – |
| | 51 or above | 11 | 0.92 | 24 | 1.96 | 7 | 1.15 | 5 | 0.97 | 47 | 2.93 | 29 | 2.01 | 1 | 6.25 | – | – |
| Function | Management | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | – | – |
| | Business operation | 58 | 1.79 | 68 | 2.00 | 241 | 2.31 | 264 | 2.69 | 293 | 6.79 | 265 | 6.17 | 1 | 2.08 | – | – |
| | Operation support | 0 | 0.00 | 0 | 0.00 | 68 | 3.35 | 56 | 3.17 | 123 | 8.96 | 20 | 2.06 | 0 | 0.00 | – | – |
| | Back office | 9 | 2.19 | 8 | 1.58 | 9 | 1.59 | 15 | 2.91 | 11 | 2.70 | 5 | 1.23 | 0 | 0.00 | – | – |

# – total number of employees leaving employment
% – turnover rate

*Notes:*

1. Employee turnover rate = monthly average employees in the specified category leaving employment/monthly average number of employees in the specified category.

2. Offices and projects in Singapore is a new operation since June 2022.

## Development and training

The Group encourages each employee's personal development in order to maintain their long-term growth. Through on-the-job training, external training, and induction training, the Group assists its employees in realising the value of their contributions. The Group has a well-established training system that allows it to design and schedule staff training events in line with their enrolment date and the nature of his or her work.

| **Induction training** | |
|---|---|
| Purpose | Assisting the new-joiners to understand the structure and missions of the Group, the staff's role in achieving the business objectives and success of the Group, human resource policies of the Group, and standard operating procedures, and more. |
| Implementation | Receiving the training in the first week upon the staff's arrival |

| **On-the-job training** | |
|---|---|
| Purpose | Strengthening the staff's professional knowledge |
| Implementation | 1. Formulating annual training goals according to staff needs |
| | 2. Cooperating with the professional team to hold a series of training activities (e.g. safety supervision, occupational health and safety, first-aid, engineering management, environmental protection, ISO management) |

| **External training** | |
|---|---|
| Purpose | Ensuring staff's personal developmental needs are satisfied |
| Implementation | Providing training subsidies |

The number and percentage of employees trained (note 1) on a monthly basis per employee category are as follows:

| | | **Number and percentage of employees trained** | | | |
|---|---|---|---|---|---|
| | | **2022** | | 2021 | |
| Overall | | **1,509** | **6.51%** | 1,275 | 5.82% |
| Gender | Male | **1,298** | **6.93%** | 1,075 | 6.07% |
| | Female | **211** | **4.72%** | 200 | 4.78% |
| Function | Management | **17** | **11.89%** | 4 | 3.33% |
| | Business operation | **1,327** | **7.34%** | 1,078 | 6.14% |
| | Operation support | **115** | **3.21%** | 161 | 5.59% |
| | Back office | **50** | **3.55%** | 32 | 2.34% |

*Note:*

1. Percentage of employees trained = monthly average number of employees trained in the specified category ÷ monthly average number of employees in the specified category.

The average training hours completed on a monthly basis per employee category are as follows:

| **Average training hours completed per employee gender and function** | | | |
|---|---|---|---|
| | | **2022** | 2021 |
| Overall | | **0.72** | 1.08 |
| Gender | Male | **0.75** | 1.08 |
| | Female | **0.59** | 1.06 |
| Function | Management | **1.32** | 1.26 |
| | Business operation | **0.81** | 1.13 |
| | Operation support | **0.36** | 1.03 |
| | Back office | **0.39** | 0.43 |

### Work-life balance

Other than financial benefits and packages, the Group takes a good care of our employees' mental health by organising various types of activities, included but not limited to interest classes like bakery, DIY carpet and perfume; watching movies and hiking activity.

### Equal opportunities and anti-discrimination

The cornerstone of the Group's long-term success is "people-oriented," which is also its utmost human resource management philosophy. The Group is committed to creating a diverse environment with the belief that no employee or job applicant should be treated less favourably because of his or her race, colour, religion, sex, sexual orientation, age and so on, in any form of job applications, internal transfers, and promotions. To this end, we have adopted non-discriminatory hiring and employment practices.

Employers should foster a workplace where employees are treated fairly and with respect in accordance with applicable labour laws and regulations, such as the Employment Ordinance in Hong Kong, the Labour Relations Law in Macau, the Employment Act in Singapore, the Labour Law in the PRC, and others.

Based on the measures above, the Group did not identify any major non-compliance with the laws and regulations relating to equal opportunities and anti-discrimination during the Year.

### Child and forced labour-free workplace

The Group strictly complies with the relevant requirements stated in Hong Kong, Macau, Singapore, and the PRC labour laws. We expect all job applicants to meet the local law's stipulated age minimum.

#### Recruitment

The Group firmly resists the employment of child and forced labour. We developed a thorough method for talent selection and recruiting, including asking the applicant to present the necessary identification documents. Open recruitment is conducted for hiring employees based on the job requirements to select best-fit candidates, as well as on fair, open and voluntary principles. Labour being forced to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. We also avoid collaboration with suppliers and subcontractors having a known history in employing child or forced labour in their operations.

#### During the Employment

The Group reserves the right to end the labour relationship immediately if any cases of child labour or forced labour are found in our operations. In order to avoid it from happening again, the Group will also conduct an investigation to review and discuss with the Board.

With regular inspections, the Group did not identify any major non-compliance with the relevant laws and regulations in respect of labour standards during the Year.

## PROTECTING OUR ENVIRONMENT

As a responsible fitting-out contractor, the Group has great concern on environmental, social, and governance in every aspect of its operations. The Group believes that in order to offset any adverse effects on the environment, employees must work together to protect it. Frontline staff must also cooperate with management. As a result, we have put in place an environmental management system that has been certified to the international standard ISO14001:2015.

The Group has developed a number of policies to effectively manage the emissions of waste, noise, exhaust gas, dust, sewage, and greenhouse gases in full accordance with the applicable environmental laws and regulations. For our daily operations, we additionally referred to the Hong Kong Green Office Guide published by the Hong Kong Green Building Council.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, generation of waste and use of resources, including, among others, the Environmental Protection Law, the Environmental Protection and Management Act of Singapore and the Law on the Prevention and Control of Atmospheric Pollution of the PRC. Furthermore, the Group was not aware of any issue in sourcing water that is fit for purpose.

### Environmental targets

The Group has set out reduction targets on energy and resources consumption to achieve in three years with the baseline year (i.e. 2020):

- Reducing electricity consumption as well as its contributing greenhouse emissions by not less than 5%;
- Reducing water consumption by not less than 5%;

- Reducing usage of paper and toner by not less than 5%; and
- Reducing usage of protective materials by not less than 5%.

In order to achieve the above targets, measures have been implemented during the Year. Reminders were also sent to the staff to raise their awareness on resources efficiency. Examples are shown in the list below:

- Placing labels at conspicuous places to remind reducing the usage of electrical devices (i.e. photocopiers) thus the electricity consumptions;
- Reminding to turn off unnecessary lights;
- Sticking labels on the faucets to remind of water conversations;
- Arranging regular checks of the water pipes to avoid unnecessary leakages;
- Using environmentally friendly papers for photocopying;
- Scanning and on-screening review to a larger extent to reduce the use of paper and toners; and
- Using greener and more environmentally friendly materials for packaging and protection.

Based on the reduction measures implemented by the Group, figures for all of the above targets are stated below during the Year including:

- Reduced usage of electricity consumption by more than 21%; and
- Reduced usage of paper and toner by more than 39%.

## MINIMISING ENVIRONMENTAL IMPACTS

### Disposal and management of waste

The Group produces a variety of wastes through its fitting-out and manufacturing businesses. The Waste Disposal Ordinance in Hong Kong, the Environmental Law in Macau, the Environmental Protection Law in the PRC, the Hazardous Waste (Control of Export, Import and Transit) Act of Singapore, and all other applicable laws and regulations are strictly followed by the Group while handling wastes.

Employees must manage and dispose of waste strictly according to the Group's Waste Management Guideline guidelines. Non-hazardous wastes must be separated and placed in designated locations for subsequent processing. Instead of being dumped directly into sewers, chemicals on building sites should be stored in sealed containers, set in the specified areas, and disposed of legally by third parties. These steps are being taken to ensure our business activities have no appreciable adverse effects.

Our main wastes are paper and toner cartridges used in offices, as well as protective materials for fitting-out works. The following are the non-hazardous waste amounts:

| **Type of non-hazardous wastes** *(notes 1, 2 and 3)* | **Unit** | **2022** | 2021 |
|---|---|---|---|
| Protective materials for fitting-out works *(note 4)* | Tonne | **98.15** | 163.03 |
| Paper *(note 5)* | Tonne | **17.32** | 19.37 |
| Paper (fitting-out works in Hong Kong and Macau only) | Tonne | **3.64** | 9.40 |
| Toner cartridges *(note 6)* | Tonne | **0.10** | 0.23 |

*Notes:*

1. Although paints and solvents were used in the fitting-out works of the Group, only a limited amount of them was disposed of. Therefore, disclosure of the data of such waste was not applicable.

2. The Group did not generate any material hazardous wastes for the fitting-out works for both years.

3. Disclosure for the data of packaging materials was not applicable, as the Group did not consume packaging materials during fitting-out works.

4. The protective material consumption for fitting-out works in Hong Kong and Macau. Its waste production amount varied with the nature of the projects in place and client requirements.

5. The figures included the paper consumption for projects works in Hong Kong and Macau, the offices in Hong Kong, Macau, Beijing, Shanghai, Shenzhen, and Singapore as well as the factory in Dongguan.

6. The figures included the toner cartridge consumption in Hong Kong and Macau only in regard to its material consumption for printing uses in offices. In order to disclose a more accurate consumption figure, the Group will assess the feasibility of collecting those figures in other sites in scope.

Construction wastes should be properly sorted by classification to separate out any recyclable materials that can, whenever possible, be treated for upcycling by recycling agents. To transfer additional non-recyclable construction waste to a certified landfill in line with local laws, the Group is responsible for getting in touch with qualified transportation companies.

The Group also encourages office staff to reduce wastes by:

- reusing old copies by copying or printing on the blank side of the used paper;
- adopting appropriate fonts or downsizing models to reduce the number of copies;
- utilising electronic media for internal and external communication;
- only printing out the cover page of the document when necessary;
- reusing stationery, plastic binding ring, envelopes and other materials whenever possible until they are completely consumed;
- encouraging the use of rechargeable batteries;
- recycling packaging boxes and fillings; and
- installing air-conditioners and refrigerators with environmentally friendly refrigerants.

## Use of water resources

The Group is aware that the availability of water resources has decreased as a result of climate change. Water resource management must be prioritised before it adversely affects our business operations. Therefore, preventative actions were implemented both internally and externally. The Group is dedicated to raising staff understanding of the "use only when necessary" principle. The Group sourced water from the municipal supply and had no issue in sourcing water fit for purpose.

The Group strictly complies with all sewage disposal laws and regulations, such as the Water Pollution Prevention and Control Law in the PRC and the Water Pollution Control Ordinance in Hong Kong, which prohibit the direct release of sewage and pollutants into open water. The Group's operations do not result in any significant direct effluent discharges.

When possible, sewage treatment facilities are utilised to purify wastewater at construction sites before it is used for cleaning and dust suppression, which helps to conserve overall amounts of drinkable water. To save water, employees should turn off the sprinklers that are watering ineffectively, and they should monitor water usage frequently to avoid going overboard.

A Sewage Management Guideline has been established by the Group to regulate its sewage treatment practices. At project sites, the Group installs sewage purification systems and mandates that untreated sewage (such as mud sewage) not be discharged straight into storm water drains. Prior to being discharged into sewage systems, it must be filtered and processed in the sedimentation tanks. For drainage systems and U-channels, a regular cleaning and maintenance programme is put in place to maintain proper operation. Currently, local municipal water supplies are the main source of water resources supply at the Group's production bases. The Group's water consumptions are as follow:

| Year | Unit | Volume | Intensity *(note 1)* |
|---|---|---|---|
| **2022** *(note 2)* | **$m^3$** | **73,152** | **0.81** |
| 2021 | $m^3$ | 78,780 | 1.06 |

*Notes:*

1. The intensity figures were reported in cubic meter per square meter of gross floor area in 2021. For 2022, the intensity figures were reported in cubic meter per square meter of area only.

2. The figures included the water consumption volume for fitting out projects in Hong Kong, and the factory in Dongguan.

3. As Kin Shing was disposed, our reporting scope in 2022 has excluded the related projects and offices of this operation.

## Use and efficiency of energy

Being ecologically conscious during the project's execution and throughout the group's general operations is essential. As a result, the Group has established Guidelines for Resource Management to reduce the environmental impacts of its electricity use. Examples include requiring employees to adhere to resource-saving initiatives, and using certified energy-efficient appliances and equipment to manage the potential risks brought on by climate change. In the air-conditioned room the optimal temperature should be set at 25.5°C, or the power-saving mode should be adopted.

The Group has also adopted other measures to save energy at the offices and project sites:

- Turning off unnecessary indoor lights beyond normal office hours;
- Setting the machines to power off when being idle for a certain period;
- Using energy-efficient exterior lighting at project sites;
- Prioritising energy-efficient lighting equipment, machines and fixtures when procuring new machinery; and
- Performing regular inspection and preventive maintenance on machinery and equipment to reduce the fatigue and distraction risk in the operations, and to maximise energy efficiency.

The Group's business mainly uses electricity as the source of energy. The electricity consumptions are as follow:

| Year | Unit | Projects *(note 1)* Amount | Projects *(note 1)* Intensity *(note 3)* | Offices *(note 2)* Amount | Offices *(note 2)* Intensity *(note 3)* | Dongguan Factory Amount | Dongguan Factory Intensity *(note 3)* |
|---|---|---|---|---|---|---|---|
| **2022** | **kWh** | **308,220** *(note 4)* | **191.64** *(note 4)* | **558,652** | **62.50** | **3,513,728** | **43.86** |
| 2021 | kWh | 206,780 | 49.68 | 675,920 | 76.88 | 3,893,634 | 55.62 |

*Notes:*

1. Projects included site office consumption of fitting out projects in Hong Kong and Singapore. Electricity usage of fitting out project sites in Hong Kong, Macau and the PRC were not included in the statistics as the electricity consumed were supplied directly by the main contractor or landlord and the relevant usage was not provided to the Group.

2. The figures represented electricity consumption amount and its intensity of Hong Kong, Macau, Beijing, Shanghai, Shenzhen and Singapore offices.

3. The intensity figures were reported in kilowatt hour ("**kWh**") per square meter of floor area in 2021. For 2022, the intensity figures were reported in cubic meter per square meter of area only.

4. As the Group managed various projects during the Year, and the time span of projects differed from one another, the electricity consumption of projects varied considerably with the Previous Year. The intensity increased significantly because there was a notable cut of the gross floor area of alteration and addition and construction projects covered during the Year.

## Noise pollution

During fitting-out projects, machinery operations and various project work procedures produce bothersome or unwanted sound, which may have an adverse impact on the physical and mental health of adjacent residents. The Group strictly abides by the Noise Control Ordinance in Hong Kong, the Prevention and Control of Environmental Noise Law in Macau, the Prevention and Control of Environmental Noise Pollution in the PRC, as well as any other relevant laws and regulations. The Group has established Noise Management Guidelines to minimise the impact of neighbourhood noise caused by industrial or electrical appliances. Here are some steps made to lessen the noise pollution that is created. For instance:

- maximising the use of quiet mechanical tools whenever possible, such as the "Quality Powered Mechanical Equipment" approved by the Environmental Protection Department;
- placing tools producing higher noise levels, such as pumps, further away from the noise-sensitive areas such as residential areas, schools and hospitals;
- improving the processes to reduce unnecessary knocking and cutting works;
- prohibiting activities with high noise intensity during early morning and night hours;
- installing noise barriers near noisy mechanical equipment;
- shutting down machinery and equipment not in use from time to time and conducting regular maintenance and repair for equipment; and
- Monitoring noise intensity regularly.

## Air emissions

The Group strictly complies with all applicable laws and regulations governing air quality, including those imposed by the Air Pollution Control Ordinance and Air Pollution Control (Construction Dust) Regulation in Hong Kong, the Site Pollution Control Guidelines in Macau, the Air Pollution Prevention and Control Law in the PRC, and other relevant laws and regulations. The Group operates with insignificant direct exhaust emissions (note). Still, it implements the following practices to ensure that its activities adhere to applicable environmental standards.

In the process of fitting-out works, chemicals called volatile organic compounds ("**VOC**"), are often discharged from paints and other finishes into the air, where they cause smells and lower indoor air quality. The Group works to convince customers to select low VOC coatings at the planning phase in order to lower its level of concentration at the fitting-out site. It potentially decreases dangers to both human health and the environment. Unused volatile finishes must also be kept in firmly closed containers.

In addition, the Group adopts a series of dust control measures to reduce the impact on the surrounding environment, such as:

- Spraying water continuously during excavation, drilling, cutting, polishing, crushing etc;
- Providing cleaning equipment at the exit of the transport vehicles, including high-pressure water guns to wash the body and wheels of the transport vehicle before leaving the project site;
- Covering the stockpile of dusty materials with impermeable coating or storing them in sheltered areas;
- Setting hoarding of not less than 2.4 metres high from the ground level along the boundary of the project site adjoining the street or public area;
- Collecting pulverised fuel ash concrete or any other dusty materials collected by filtering devices in enclosed containers; and
- Conducting regular inspection on the dust concentration level at the project site to evaluate the effectiveness of dust control measures.

*Note:*

Disclosure of direct exhaust emissions data was not applicable as significant gas emissions were not directly generated in the Group's operating activities.

## Greenhouse gas

In order to successfully manage our influence on climate change, the Group continuously tracks and analyses GHG emissions. The main source of GHG emissions for the Group is energy use. The amount of GHG that the Group released is listed below *(note 1)*:

| | | Carbon dioxide equivalent | | | | |
|---|---|---|---|---|---|---|
| | Unit | Scope 1 *(note 2)* | Scope 2 *(note 3)* | Scope 3 *(note 4)* | Total | Intensity *(note 5)* |
| **2022** | **Tonnes** | **32.98** | **2,571.34** | **43.72** | **2,648.04** | **0.03** |
| 2021 | Tonnes | – | 2,450.86 | 33.79 | 2,484.65 | 0.03 |

Notes:

1. The data did not include the energy consumption that the Group cannot directly manage and control. The greenhouse gas emission is calculated with reference to the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute, and the Reporting Guidance on Environmental KPIs of the Stock Exchange.

2. Scope 1 emissions refer to the mobile fuel used by the vehicles directly related to the project works. The data collection system has been enhanced, therefore such data is disclosed in 2022.

3. The figures were resulted from purchased electricity.

4. The figures were resulted from electricity used for processing fresh water. The calculation is based on "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx.

5. The intensity figures were reported in tons of carbon dioxide equivalent per square meter of gross floor area in 2021. For 2022, the intensity figures were reported in tons per square meter of area only.

6. The figures included the carbon dioxide emission for projects in Hong Kong and Macau, the offices in Hong Kong, Macau, Beijing, Shanghai, Shenzhen, Singapore as well as the factory in Dongguan.

7. As the Kin Shing was disposed, our reporting scope has excluded the related projects and offices of this operation.

### Green building

The Group aims at striking an effective balance between land usages and environmental conservation such as energy and water-saving as well as waste reduction into real practices. To ensure its overall effectiveness while minimising its effects on the environment, the Group continues to incorporate green features into the designs and products. In addition to helping the project owner obtain the highest possible ratings under Hong Kong Building Environment Assessment Method ("**BEAM**") Plus certification for new building projects, we are devoted to implementing best practices.

In order to make a concerted effort to incorporate sustainable development and the most cutting-edge green technology into our customers' projects, the Group will also keep expanding its team and be committed to attracting more talents with qualifications in green building, energy, and environmental design, such as LEED Pro, BEAM Pro, and BEAM Plus.

## CLIMATE RISK AND RESILIENCE

The Group is very sensitive to its business impact on the environment and natural resources. We are devoted to preventing climate change and preserving the environment. We recognises that the long-term risks of climate change have far-reaching impact on our operations and business environment.

The Group has gradually incorporated climate change consideration into internal management and the project implementation process. Such implementation adheres to the relevant laws and internationally recognised standards of conduct that urge the need for taking appropriate actions in relation to climate change.

## Climate Physical Risk (Acute and Chronic)

### Impacts

- Direct damage to the facilities in the factory may occur due to an increase in the number of extreme climate events, such as flooding and typhoons
- Decrease in production capability due to operational difficulties and supply chain disruptions under extreme weather events may increase the risk of delayed delivery and failure of order fulfilment. This may end up in contract cancellation or even compensation claims by clients
- Change in precipitation pattern may affect the water availability
- Temperature rise may increase the electricity costs and the risk of heatstroke and machinery breakdown, which increases the cost of occupational safety incidents, maintenance for machinery, and reputational damage
- The insurance premiums may be increased and the availability of insurance may be decreased on assets located at "high-risk" locations like those with rising sea levels

### Countermeasures

- Renting project site offices near to the major project work sites which provide indoor air-conditioning, water dispensers, shower facilities to ensure site staff are protected from extreme heat and heat stroke
- Procuring work uniforms that are made of cooler materials
- Offering iced drinks, portable electric fans, cooling towels, hats for construction workers to reimburse
- Covering the project tools and placing machines that are sensitive to water and humidity damage to an elevated level upon any rainstorm signals to avoid loss

## Climate Transition Risk

### Impacts

- Increased costs resulting from fines and legal proceedings in the event of non-compliance of the newly implemented regulations
- Increased production costs due to changing input prices (e.g., energy, water) and output requirements (e.g., waste treatment)
- Increased research and development and/or procurement expenditures to introduce new and alternative technologies

### Countermeasures

- Continuously assessing the potential environmental impacts of our business operations with the goal of minimising those impacts
- Closely monitoring the GHG emissions produced by the operations
- Developing strategies to reduce the environmental impacts at sources

## SUPPORTING OUR COMMUNITY

The Group firmly believes in upholding the highest standards of business conduct since it plays a crucial role in defining the Group's values and guiding principles. "Sundart Cheers" is able to consistently contribute, have a beneficial impact on society, and "bring communities together" as a result of their diligent work. "Sundart Cheers" adheres to the group's purpose of corporate social responsibility, and organises various activities to strengthen the employment relations. Activities are planned and coordinated by a group of colleagues from different departments.

In 2022, our initiatives main focused on supporting the disadvantages of our community. Details are as follows:

### Skip Lunch Day 2022

This event was to benefit "Services for Street Sleepers, Residents in Cage Homes and Cubicles" supported by The Community Chest. It encourages the participants to donate their lunch fees to support the needy. By making a donation of HK$38 or more, each donor will receive a Skip Lunch Day e-Coupon as a token of appreciation. The holder of e-Coupon can redeem drinks or herbal tortoise plastron jelly. The participants could also consider donating their coupons to the less fortunate via the Chest's social welfare member agencies.

### Gift for Love

The charity sale for cookies was organised by Hong Kong Federation of Handicapped Youth. It mainly supports the disabled to develop their potential, fully integrate into society, and contribute to the community.

### Mid-Autumn Festival Mooncake Sponsorship

Collaborated with Methodist Centre, we made sponsorship for mooncakes for the donation to the elderly who are living alone, hidden and vulnerable.

# Directors' Report

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Group for the Year.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 48 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 79.

The Directors proposed the payment of a final dividend of HK6 cents per Share for the Year to the Shareholders on the register of members of the Company on 9 June 2023, amounting to approximately HK$129.5 million.

## BUSINESS REVIEW

The review of the business of the Group during the Year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in note 42 to the consolidated financial statements. In addition, discussions on the Group's relationships with key stakeholders, environmental policies and performance and compliance with relevant laws and regulations which have a significant impact on the Group are as follows:

### Relationship with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers and subcontractors and suppliers.

**Employees**

Employees are regarded as important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate trainings and by providing opportunities within the Group for career advancement.

**Customers**

The Group's principal customers are property developers, hotel owners and main contractors in Hong Kong, Macau and the PRC. The Group provides professional and quality services in fitting-out business whilst maintaining long term profitability, business and asset growth. The Group maintains good reputation and long-term working relationships with its customers in the provision of product re-engineering and pre-fabrication technique for sizeable fitting-out projects to meet its customers' requirements.

**Subcontractors and suppliers**

The Group firmly believes that its subcontractors and suppliers are equally important in cost control and increasing its bargaining power on procurement of materials, which further secures its competitiveness when bidding for tenders. The Group proactively communicates with its subcontractors and suppliers to ensure they are committed to delivering high-quality and sustainable products and services. Unless the customers require the Group to engage subcontractors and suppliers nominated by them, the Group will select subcontractors and suppliers from its approved lists of subcontractors and suppliers. In addition, during the continuance of the contracts with the subcontractors, the Group will provide them with its internal guidelines on safety and environmental issues and require them to follow. The Group effectively implements the subcontractor assessment process to monitor the performance of its subcontractors by conducting regular site visits, evaluation on the performance of the contract and other measures.

### Environmental policies and performance

The Group believes that its business also depends on its ability to meet the customers' requirements in respect of safety, quality and environmental aspects. To meet the customers' requirements on safety, quality and environmental aspects, the Group has established safety, quality and environmental management systems. Through the systematic and effective control of its operations, compliance with safety, quality and environmental requirements can be further assured. The Group believes that its certifications to ISO 9001 and ISO 14001 enhance its public image and credibility and also help the Group improve its customers' confidence in its services. Details of the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report".

### Compliance with relevant laws and regulations

The Group mainly undertakes fitting-out works in Hong Kong, Macau, Singapore and the PRC, alteration and addition and construction works in Hong Kong and the operations of manufacturing, sourcing and distribution of interior decorative materials are primarily carried out in Hong Kong, Macau and the PRC. The Directors confirmed that during the Year, the Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in Hong Kong, Macau, Singapore and the PRC in all material respects.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 164.

## SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in note 36 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution to the Shareholders in accordance with the Articles of Association amounted to HK$1,814.8 million.

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 82 and note 37 to the consolidated financial statements, respectively.

## DIRECTORS

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

### Executive Directors

Mr. Ng Tak Kwan *(Chief Executive Officer)*
Mr. Leung Kai Ming *(Retired on 30 December 2022)*
Mr. Ng Chi Hang
Mr. Ding Jingyong *(Appointed on 30 December 2022)*
Mr. Guan Yihe *(Appointed on 30 December 2022)*
Mr. Xie Jianyu *(Chief Financial Officer)*

### Non-executive Director

Mr. Liu *(Chairman)*

### Independent non-executive Directors

Mr. Tam Anthony Chun Hung
Mr. Huang Pu
Mr. Li Zheng

In accordance with article 75(1) of the Articles of Association and pursuant to paragraph B.2.2 in Part 2 of the Code Provisions, Mr. Liu, Mr. Ng Tak Kwan and Mr. Huang Pu shall retire at the AGM and, being eligible, will offer themselves for re-election at the AGM. In addition, two newly appointed Directors of Mr. Ding Jingyong and Mr. Guan Yihe will hold office until the AGM pursuant to article 74(3) of the Articles of Association and, being eligible, offer themselves for re-election at the AGM.

Information regarding the Directors' and chief executive's emoluments are set out in note 12 to the consolidated financial statements.

## DIRECTORS' PROFILES

For details of the Directors' profiles, please see "Biographies of Directors and Senior Management".

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his and/or his immediate family members' independence, pursuant to Rule 3.13 of the Listing Rules and has duly reviewed the confirmation of independence of each of the Directors. The Company, based on such confirmations, considers that all of the independent non-executive Directors continue to be independent.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for election or re-election at the AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at 31 December 2022, none of the Directors and chief executive of the Company had any beneficial interests (including interests or short positions) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### Long position in the Shares and underlying Shares

| Name of Director | Nature of interests/capacity | Number of Shares held | Approximate percentage of interests in the Company |
|---|---|---|---|
| Mr. Liu *(note)* | Interest in controlled corporation | 1,281,516,117 | 59.38% |

*Note:*

These Shares were indirectly held by Jangho Co through Jangho HK and Reach Glory. As Jangho Co was approximately 27.86% beneficially owned by Beijing Jiangheyuan (a company which was 85% and 15% beneficially owned by Mr. Liu and his spouse, Ms. Fu, respectively) and approximately 25.53% beneficially owned by Mr. Liu, Mr. Liu was deemed to be interested in such Shares under the SFO.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

Save as disclosed below, as at 31 December 2022, so far as is known to the Directors and the chief executive of the Company, the persons (other than the Directors or the chief executive of the Company) or entities who had an interest or a short position in the Shares and the underlying Shares (within the meaning of Part XV of the SFO) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### Long positions in the Shares and underlying Shares

| Name of substantial shareholder | Nature of interests/capacity | Number of Shares held | Approximate percentage of interests in the Company *(Note 1)* |
|---|---|---|---|
| Reach Glory | Beneficial owner | 1,281,516,117 | 59.38% |
| Jangho HK *(note 2)* | Interest in controlled corporation | 1,281,516,117 | 59.38% |
| Jangho Co *(note 3)* | Interest in controlled corporation | 1,281,516,117 | 59.38% |
| Beijing Jiangheyuan *(note 4)* | Interest in controlled corporation | 1,281,516,117 | 59.38% |
| Ms. Fu *(note 5)* | Interest of spouse | 1,281,516,117 | 59.38% |
| Caiyun International | Beneficial owner | 353,144,337 | 16.36% |
| Yunnan Co *(note 6)* | Interest in controlled corporation | 353,144,337 | 16.36% |

*Notes:*

1. 2,158,210,000 Shares were in issue as at 31 December 2022.

2. Reach Glory was beneficially wholly-owned by Jangho HK and therefore Jangho HK was deemed to be interested in the Shares held by Reach Glory under the SFO.

3. Jangho HK was beneficially wholly-owned by Jangho Co and therefore Jangho Co was deemed to be interested in the Shares indirectly held by Jangho HK through Reach Glory under the SFO.

4. Ms. Fu, the spouse of Mr. Liu, was the sole director of Beijing Jiangheyuan. The board of directors of Jangho Co was controlled by Beijing Jiangheyuan and therefore Beijing Jiangheyuan was deemed to be interested in the Shares indirectly held by Jangho Co through Jangho HK and Reach Glory under the SFO.

5. Ms. Fu is the spouse of Mr. Liu and was therefore deemed to be interested in the Shares indirectly held by Mr. Liu under the SFO.

6. Caiyun International was beneficially wholly-owned by Yunnan Co and therefore Yunnan Co was deemed to be interested in the Shares held by Caiyun International under the SFO.

## SHARE OPTION SCHEME

The Company's Share Option Scheme was adopted pursuant to a resolution passed on 1 December 2015 for the purpose of providing incentives or rewards to eligible persons who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Under the Share Option Scheme, the Board may grant options to eligible persons, including directors of the Company and its subsidiaries, to subscribe for the Shares. Eligible persons of the Share Option Scheme, amongst others, include any executives, any employee (including proposed, full-time or part-time employee), a director or proposed director (including an independent non-executive director), a direct or indirect shareholder of any member of the Company and its subsidiaries and an associate of any of the aforementioned persons.

The Board shall set out in the offer the terms on which the option is to be granted. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options shall be granted under the Share Option Scheme at any time if such grant shall result in the scheme limit being exceeded.

The total number of securities available for issue under the Share Option Scheme was 200,000,000 Shares, representing approximately 9.27% of the total number of issued Shares as at the date of this annual report. The Company may seek approval of its Shareholders in general meeting for refreshing such 10% limit.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Any grant of options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme is subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who or whose associates is the grantee of an options). Where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5.0 million, such further grant of the options shall be subject to prior approval of the Shareholders with such person and his associates abstaining from voting in favour of general meeting.

An offer for the grant of option must be accepted within 28 days from the offer date. Options granted shall be taken up upon payment of HK$1 as consideration for the grant of option. Options may be exercised at any time from the date which option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceeding a period of 10 years from the date on which the share options are deemed to be granted and accepted but subject to the provisions for early termination thereof contained in the Share Option Scheme.

The exercise price is determined by the Board, and shall not be less than whichever is the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 1 December 2015 and its remaining life is approximately 3 years (expiring on 30 November 2025). There had been no share option granted since the adoption of the Share Option Scheme, and no share options were granted, exercised, cancelled or lapsed during the Year. No share options were outstanding at the beginning and the end of the Year. No shares are expected to be issued in relation to the share options, and the proportion of such shares divided by the weighted average number of shares in issue during 2022 would be nil. Accordingly, there are no share options subject to any vesting period under the Share Option Scheme.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Year, neither the Company, any of its subsidiaries, nor a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the Year.

## EQUITY-LINKED AGREEMENTS

Save as disclosed under the paragraph headed "Share Option Scheme" above, no equity-linked agreements were entered into by the Group, or existed during the Year.

## CONNECTED TRANSACTIONS

Save as the transactions disclosed below, none of the related party transactions set out in note 47 to the consolidated financial statements constituted non-exempt continuing connected transactions or connected transactions under Chapter 14A of the Listing Rules during the Year.

### Continuing connected transactions

**Business cooperation framework agreement with Jangho Co**

Jangho Co is a substantial shareholder of the Company and is therefore a connected person of the Company within the meaning of the Listing Rules. Mr. Liu is the legal representative, director and chairman of Jangho Co which was approximately 27.86% beneficially owned by Beijing Jiangheyuan (a company which was 85% and 15% beneficially owned by Mr. Liu and his spouse, Ms. Fu, respectively) and approximately 25.53% beneficially owned by Mr. Liu as at 31 December 2022.

On 21 November 2022, the Company (for itself and on behalf of its subsidiaries) entered into a framework agreement on mutual provision of services (the "**Business Cooperation Framework Agreement**") with Jangho Co (for itself and on behalf of its subsidiaries, but excluding the members of the Group) ("**Jangho Group**"), for a term commenced from 21 November 2022 and ended on 31 December 2024. Under the Business Cooperation Framework Agreement, Jangho Group agreed to subcontract fitting-out works in relation to the projects undertaken by Jangho Group to the Group. The maximum annual transaction amounts for the three years ended 31 December 2024 are HK$10 million, HK$20 million and HK$20 million, respectively ("**The Group's Annual Caps**"). During the Year, the aggregate transaction amount under The Group's Annual Caps was HK$2.3 million.

Meanwhile, the Group agreed to subcontract specialised works and/or technical advisory services in relation to the projects undertaken by the Group to Jangho Group under the Business Cooperation Framework Agreement. The maximum annual transaction amounts for the three years ended 31 December 2024 are HK$10 million, HK$30 million and HK$30 million, respectively ("**Jangho Group's Annual Caps**"). During the Year, the aggregate transaction amount under Jangho Group's Annual Caps was HK$4.2 million.

The Business Cooperation Framework Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) in respect of transactions under the Business Cooperation Framework Agreement are, on an annual basis, more than 0.1% but less than 5%, the transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular and Shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions for the Year have been entered into (i) in the ordinary and usual course of the business of the Group; (ii) on normal commercial terms or better; (iii) on terms that are fair and reasonable according to the relevant agreement governing them and in the interests of the Shareholders as a whole; and (iv) within the caps as disclosed in the relevant announcement. The auditor of the Company was engaged to report on the continuing connected transaction entered into by the Group for the Year in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions 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.

The Board confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the aforesaid continuing connected transactions.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as those disclosed in the paragraph headed "Connected Transactions" above and in note 47 to the consolidated financial statements, no other transactions, arrangements and contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

For particulars of the contracts of significance between the Group and the controlling shareholders of the Company or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the controlling shareholders of the Company or their respective subsidiaries, please see the paragraph headed "Connected Transactions" above and note 47 to the consolidated financial statements, respectively.

## 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 by the Group or existed during the Year.

## COMPETING BUSINESS

During the Year, none of the Directors or the controlling shareholders of the Company and their respective associates had any interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

### Non-competition undertaking

In order to avoid any possible future competition between the Group and each of the controlling shareholders of the Company, each of the controlling shareholders of the Company as a covenantor (the "**Covenantor**") executed the Amended Deed, pursuant to which, each of the Covenantors undertakes, *inter alia*, that it/he/she will not, and will use its/his/her best endeavours to procure, its/his/her close associates (other than any member of the Group) not to, whether directly or indirectly, whether for profit or not, participate in or engage in any business which, directly or indirectly, competes or may compete with the Group's business. For details, please refer to the announcements of the Company dated 17 May 2017 and 25 July 2017 and the circular of the Company dated 30 June 2017, respectively.

The independent non-executive Directors have reviewed on the compliance with the terms of the Amended Deed and considered that the Covenantors have complied with the terms of the Amended Deed and the enforcement of the undertakings contained therein by the parties thereto.

## PERMITTED INDEMNITY PROVISION

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

The Company has arranged appropriate directors' and officers' liability insurance coverage for its Directors and officers.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a Share Option Scheme as an incentive to eligible persons, details of which are set out under the paragraph headed "Share Option Scheme" above.

## RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes are set out in note 44 to the consolidated financial statements.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or applicable laws of the BVI where the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

## SANCTIONS

During the Year, two meetings of the Internal Control Committee were held on 21 March 2022 and 28 July 2022, respectively, to review, *inter alia*, the Group's guidelines and procedures with respect to the sanction law matters. The Internal Control Committee was of the view that such guidelines and procedures, which have been complied with, were effective and well-functioned.

As at 31 December 2022, the Group has not used any funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, any activities or business in breach of the sanctions enacted, enforced or imposed by the United States government, the European Union and Australian government with respect to Russia.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules throughout the Year.

## CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to HK$2,000.

## MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

For the Year, the aggregate amount of revenue attributable to the Group's five largest customers accounted for 46.2% of the Group's total revenue and the revenue from its largest customer accounted for 17.2% of its total revenue.

In addition, the Group's purchases attributable to its five largest subcontractors and suppliers accounted for less than 30% of the Group's total purchases.

During the Year, none of the Directors, their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the total number of issued Shares) had any interests in any of the Group's five largest customers.

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

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

## AUDITOR

The Group's consolidated financial statements and the related notes thereto for the Year as set out in this annual report have been audited by BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. A resolution to re-appoint BDO Limited as the auditor of the Company will be submitted for Shareholders' approval at the AGM. Deloitte Touche Tohmatsu resigned as the auditor of the Company with effect from 29 June 2021.

On behalf of the Board
**Ng Tak Kwan**
*Chief Executive Officer and Executive Director*

Hong Kong, 28 March 2023

# Independent Auditor's Report

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**To the Shareholders of SUNDART HOLDINGS LIMITED**
**承達集團有限公司**
*(incorporated in British Virgin Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of SUNDART HOLDINGS LIMITED 承達集團有限公司 (the "Company") and its subsidiaries (together the "Group") set out on pages 79 to 163, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 *(Continued)*

**Contract revenue from fitting-out works and alteration and addition and construction works and contract costs**

We identified the contract revenue from fitting-out works and alteration and addition and construction works and contract costs as a key audit matter as they are quantitatively significant to the consolidated financial statements as a whole and there are significant judgments exercised by the management of the Group in determining the total outcome of the projects as well as the stage of completion of construction works and the amount of contract revenue recognised.

The Group recognises contract revenue by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. If actual contract costs deviates significantly from the budgets, the actual profit for each of the individual projects would differ significantly from the estimate. Accordingly, recognition of contract revenue involves a significant degree of management estimates and judgment, with estimates being made to assess the total contract costs and stage of completion of the contract. The details of the accounting policies and estimation uncertainty in relation to revenue recognition on fitting-out works and alteration and addition and construction works are set out in notes 3 and 4, respectively, to the consolidated financial statements.

As disclosed in notes 5 and 11 to the consolidated financial statements, the contract revenue and the contract costs amounted to HK$4,672,303,000 and HK$4,010,489,000 for the year ended 31 December 2022, respectively.

**Our response:**

Our procedures in relation to contract revenue and contract costs included:

- Understanding the Group's internal process over the recognition of contract revenue;
- Discussing with the project managers, quantity surveyors and the management of the Group and checking the supporting documents including contracts and variation orders to evaluate the reasonableness of the management's estimation of the budgeted revenue and budgeted contract costs;
- Checking the basis of the budgeted revenue to underlying construction contracts and other relevant correspondences and supporting documents in respect of variations in construction works or price adjustments;
- Recalculating the percentage of completion based on accumulated actual cost incurred to date over the total budget cost; and
- Agreeing the contract costs, on a sample basis, incurred to date to the subcontractor payment certificates and supplier invoices.

## KEY AUDIT MATTERS *(Continued)*

**Estimated provision of expected credit losses ("ECL") for trade receivables (including unbilled receivables) and contract assets**

We identified the estimated provision of ECL for trade receivables and contract assets as a key audit matter due to the significance to the consolidated financial position as a whole and the use of judgement and estimates by the management of the Group in determining the allowance for credit losses.

As shown in notes 24 and 27 to the consolidated financial statements, as at 31 December 2022, the carrying amounts of trade receivables and contract assets are HK$2,374,061,000 (net of allowance for credit losses of HK$160,067,000) and HK$1,309,737,000 (net of allowance for credit losses of HK$37,251,000), respectively.

As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets. For trade receivables and contract assets that the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessments is performed through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables and contract assets that are credit-impaired are assessed for ECL individually. The loss allowance of trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

As disclosed in note 42 to the consolidated financial statements, the impairment losses of HK$9,253,000 and HK$10,296,000 in respect of the trade receivables and contract assets were recognised in profit or loss by the Group for the year ended 31 December 2022, respectively.

**Our response:**

Our procedures in relation to the estimated provision of ECL for trade receivables and contract assets included:

- Obtaining an understanding of key process on how the management estimates the ECL of trade receivables and contract assets including the individual assessment on the credit-impaired trade receivables and contract assets and the use of collective assessment;

- Testing the integrity of information used by management to develop the internal credit rating, including trade receivables ageing analysis and contract assets as at 31 December 2022, on a sample basis, by comparing individual items in the analysis with the relevant invoices/progress certificates and/or other supporting documents;

- Challenging management's basis and judgement in identification of credit-impaired trade receivables and contract assets as at 31 December 2022, and the reasonableness of management's grouping of the remaining trade debtors into different categories in the collective assessment; and

- Discussing with the specialist appointed by the Group and involving our specialist to evaluate the appropriateness of the valuation methodology adopted by the management and the reasonableness of the assumptions including estimated loss rates applied in each category in the collective assessment and forward-looking information.

## OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include 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.

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

## 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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.

- 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.

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

- 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 directors, 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.

**BDO Limited**
*Certified Public Accountants*
Chan Wing Fai
Practising Certificate no. P05443

Hong Kong, 28 March 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

| | *Notes* | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|---|
| Revenue | 5 | **4,678,627** | 5,689,948 |
| Cost of sales | | **(4,014,925)** | (4,881,178) |
| Gross profit | | **663,702** | 808,770 |
| Other income, other gains and losses | 7 | **30,634** | (15,570) |
| Impairment losses under expected credit loss model, net of reversal | 8 | **(31,447)** | (29,903) |
| Gain on disposal of a subsidiary | 38 | **19,700** | – |
| Selling expenses | | **(8,771)** | (8,108) |
| Administrative expenses | | **(237,572)** | (204,829) |
| Other expenses | | **(87,751)** | (113,121) |
| Share of losses of associates | | **(10,998)** | (2,050) |
| Finance costs | 9 | **(1,118)** | (2,371) |
| Profit before tax | | **336,379** | 432,818 |
| Income tax expense | 10 | **(48,849)** | (61,531) |
| **Profit for the year attributable to owners of the Company** | 11 | **287,530** | 371,287 |
| **Other comprehensive (expense) income** | | | |
| ***Item that will not be reclassified to profit or loss:*** | | | |
| Gain on revaluation of properties transferred to investment properties | | **3,006** | – |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Exchange differences arising on translation of foreign operations | | **(115,239)** | 30,842 |
| Share of other comprehensive (expense) income of an associate | | **(3,932)** | 1,015 |
| | | **(119,171)** | 31,857 |
| Other comprehensive (expense) income for the year | | **(116,165)** | 31,857 |
| **Total comprehensive income for the year attributable to owners of the Company** | | **171,365** | 403,144 |
| **Earnings per share** | | | |
| Basic and diluted *(HK cents)* | 15 | **13.32** | 17.20 |

# Consolidated Statement of Financial Position

At 31 December 2022

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **322,992** | 365,594 |
| Right-of-use assets | 17 | **19,561** | 8,688 |
| Investment properties | 18 | **69,163** | 57,939 |
| Goodwill | 19 | **1,510** | 1,510 |
| Interests in associates | 20 | **97,976** | 121,391 |
| Financial assets at fair value through profit or loss | 21 | **18,438** | 113,802 |
| Other financial assets at amortised cost | 22 | **9,608** | 16,125 |
| Deferred tax assets | 35 | **25,188** | 25,685 |
| | | **564,436** | 710,734 |
| **Current assets** | | | |
| Inventories | 23 | **50,514** | 49,359 |
| Trade and other receivables and bills receivable | 24 | **2,994,340** | 3,082,112 |
| Amounts due from related companies | 25 | **1,571** | 5,436 |
| Amounts due from fellow subsidiaries | 26 | **1,069** | 1,005 |
| Contract assets | 27 | **1,309,737** | 1,249,285 |
| Tax recoverable | | **15,882** | 219 |
| Financial assets at fair value through profit or loss | 21 | **115,866** | – |
| Other financial assets at amortised cost | 22 | **49,439** | 4,940 |
| Pledged bank deposits | 28 | **62,294** | 132,000 |
| Bank balances and cash | 28 | **1,527,653** | 1,797,890 |
| | | **6,128,365** | 6,322,246 |
| **Current liabilities** | | | |
| Trade and other payables | 29 | **2,626,377** | 2,682,913 |
| Bills payable | 30 | **650,793** | 839,859 |
| Amounts due to fellow subsidiaries | 31 | **647** | – |
| Tax payable | | **39,390** | 38,983 |
| Bank borrowings | 32 | **526** | 84,537 |
| Lease liabilities | 33 | **11,289** | 8,186 |
| Contract liabilities | 34 | **104,513** | 147,212 |
| | | **3,433,535** | 3,801,690 |
| **Net current assets** | | **2,694,830** | 2,520,556 |
| **Total assets less current liabilities** | | **3,259,266** | 3,231,290 |

Consolidated Statement of Financial Position
At 31 December 2022

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 36 | **1,246,815** | 1,246,815 |
| Reserves | | **2,000,813** | 1,980,523 |
| **Equity attributable to owners of the Company** | | **3,247,628** | 3,227,338 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 35 | **2,984** | 2,153 |
| Lease liabilities | 33 | **8,654** | 1,799 |
| | | **11,638** | 3,952 |
| | | **3,259,266** | 3,231,290 |

The consolidated financial statements on pages 79 to 163 were approved and authorised for issue by the board of directors on 28 March 2023 and are signed on its behalf by:

| | |
|---|---|
| **Ng Tak Kwan** | **Xie Jianyu** |
| *Director* | *Director* |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** *HK$'000* | **Share premium** *HK$'000* | **Legal reserve** *HK$'000 (Note a)* | **Statutory reserve** *HK$'000 (Note b)* | **Property revaluation reserve** *HK$'000* | **Shareholders' contribution reserve** *HK$'000* | **Translation reserve** *HK$'000* | **Other reserves** *HK$'000 (Note c)* | **Accumulated profits** *HK$'000* | **Total** *HK$'000* |
| At 1 January 2021 | 1,246,815 | 19,700 | 60 | 66,625 | 3,458 | 6,615 | 15,791 | (277,406) | 1,915,193 | 2,996,851 |
| Exchange differences arising on translation of foreign operations | – | – | – | – | – | – | 30,842 | – | – | 30,842 |
| Share of other comprehensive income of an associate | – | – | – | – | – | – | 1,015 | – | – | 1,015 |
| Profit for the year | – | – | – | – | – | – | – | – | 371,287 | 371,287 |
| Total comprehensive income for the year | – | – | – | – | – | – | 31,857 | – | 371,287 | 403,144 |
| Transfer from accumulated profits to statutory reserve | – | – | – | 20,631 | – | – | – | – | (20,631) | – |
| Dividend paid *(note 14)* | – | – | – | – | – | – | – | – | (172,657) | (172,657) |
| At 31 December 2021 | 1,246,815 | 19,700 | 60 | 87,256 | 3,458 | 6,615 | 47,648 | (277,406) | 2,093,192 | 3,227,338 |
| Gain on revaluation of properties transferred to investment properties | – | – | – | – | 3,006 | – | – | – | – | 3,006 |
| Exchange differences arising on translation of foreign operations | – | – | – | – | – | – | (115,239) | – | – | (115,239) |
| Share of other comprehensive expense of an associate | – | – | – | – | – | – | (3,932) | – | – | (3,932) |
| Profit for the year | – | – | – | – | – | – | – | – | 287,530 | 287,530 |
| Total comprehensive income (expense) for the year | – | – | – | – | 3,006 | – | (119,171) | – | 287,530 | 171,365 |
| Transfer from accumulated profits to statutory reserve | – | – | – | 1,950 | – | – | – | – | (1,950) | – |
| Dividend paid *(note 14)* | – | – | – | – | – | – | – | – | (151,075) | (151,075) |
| At 31 December 2022 | 1,246,815 | 19,700 | 60 | 89,206 | 6,464 | 6,615 | (71,523) | (277,406) | 2,227,697 | 3,247,628 |

*Notes:*

(a) In accordance with the provisions of the Macau Commercial Code, the subsidiaries of SUNDART HOLDINGS LIMITED 承達集團有限公司 (the "Company") and its subsidiaries (collectively referred to as the "Group") in Macau are required to transfer a minimum of 25% of their profit for the year to the legal reserve before appropriation of dividends until the legal reserve equals half of the quota capital of these subsidiaries. This reserve is not distributable to the shareholders.

(b) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiaries established in the PRC shall set aside 10% of their net profits based on statutory accounts prepared in accordance with the relevant regulations and accounting principles generally accepted in the PRC to the statutory reserve before the distribution of the net profit each year until the balance reaches 50% of its paid-in capital. The statutory reserve can only be used upon approval by the board of directors of the relevant subsidiary to offset accumulated losses or increase capital.

(c) Other reserves included (i) a credit amount of HK$33,600,000 of recognition of other service costs, which represented the difference between the fair value and consideration (represented by the net assets attributable to) of the acquisition of 10.2% equity interests in the Company by a director, and (ii) a debit amount of HK$311,006,000, which represented the merger reserve of the acquisition of 100% equity interests in Sundart Engineering & Contracting (Beijing) Limited ("Sundart Beijing") in relation to the application of merger accounting to the acquisition of Sundart Beijing, being a business combination involving entities under common control, in prior years.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before tax | 336,379 | 432,818 |
| Adjustments for: | | |
| Finance costs | 1,118 | 2,371 |
| Interest income | (15,452) | (11,545) |
| Dividends from financial assets at fair value through profit or loss | – | (724) |
| Share of losses of associates | 10,998 | 2,050 |
| Depreciation of property, plant and equipment | 18,819 | 19,010 |
| Depreciation of right-of-use assets | 10,370 | 10,233 |
| Impairment losses under expected credit loss model, net of reversal | 31,447 | 29,903 |
| (Gain) loss on disposal of property, plant and equipment | (45) | 232 |
| Gain on disposal of a subsidiary | (19,700) | – |
| Net loss from fair value changes of financial assets at fair value through profit or loss | 8,030 | 33,605 |
| (Reversal of) allowance for inventories | (2,924) | 209 |
| Operating cash flows before movements in working capital | 379,040 | 518,162 |
| Decrease (increase) in inventories | 1,769 | (11,628) |
| Increase in trade and other receivables and bills receivable | (115,609) | (902,445) |
| Decrease (increase) in amounts due from related companies | 3,540 | (3,889) |
| Increase in amounts due from fellow subsidiaries | (151) | (1,005) |
| (Increase) decrease in contract assets | (105,419) | 464,378 |
| Increase in trade and other payables | 113,069 | 231,697 |
| (Decrease) increase in bills payable | (122,156) | 277,061 |
| Increase in amounts due to fellow subsidiaries | 647 | – |
| (Decrease) increase in contract liabilities | (37,578) | 56,526 |
| Cash generated from operations | 117,152 | 628,857 |
| Income tax paid | (64,480) | (98,830) |
| Income tax refunded | 256 | 816 |
| **Net cash from operating activities** | 52,928 | 530,843 |

Consolidated Statement of Cash Flows
For the year ended 31 December 2022

| | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Interest received | | **15,541** | 11,145 |
| Dividends from financial assets at fair value through profit or loss | | **–** | 724 |
| Repayment from an associate | | **8,520** | 5,130 |
| Net payment of share of losses of an associate | | **(35)** | – |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **18,687** | 28,144 |
| Proceeds from disposal of property, plant and equipment | | **305** | 247 |
| Purchases of financial assets at fair value through profit or loss | | **(50,116)** | (22,200) |
| Purchases of other financial assets at amortised cost | | **(49,076)** | (20,580) |
| Purchases of property, plant and equipment | | **(8,030)** | (9,746) |
| Net cash inflow on disposal of a subsidiary | 38 | **14,700** | – |
| Withdrawal of a deposit at a broker | | **28,616** | – |
| Placement of a deposit at a broker | | **(28,616)** | (20,000) |
| Withdrawal of pledged bank deposits | | **173,465** | 179,030 |
| Placement of pledged bank deposits | | **(114,946)** | (217,978) |
| **Net cash from (used in) investing activities** | | **9,015** | (66,084) |
| **Financing activities** | | | |
| Dividends paid | | **(151,075)** | (172,657) |
| Interest paid | | **(1,118)** | (2,371) |
| Repayments of bank borrowings | | **(84,011)** | (97,455) |
| Repayments of lease liabilities | | **(11,282)** | (10,380) |
| New bank borrowings raised | | **–** | 17,245 |
| **Net cash used in financing activities** | | **(247,486)** | (265,618) |
| **Net (decrease) increase in cash and cash equivalents** | | **(185,543)** | 199,141 |
| **Cash and cash equivalents at the beginning of the year** | | **1,797,890** | 1,572,111 |
| Effect of foreign exchange rate changes | | **(84,694)** | 26,638 |
| **Cash and cash equivalents at the end of the year** | | **1,527,653** | 1,797,890 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 1. GENERAL INFORMATION

The Company is a public limited company incorporated in the British Virgin Islands (the "BVI") on 21 May 2001 as an international business company, governed by the International Business Companies Act (Cap 291) and was automatically re-registered as a BVI business company with limited liability on 1 January 2007 under the BVI Companies Act, and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, BVI, VG1110 and 19/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong, respectively.

The ultimate holding company of the Company is Jangho Group Company Limited ("Jangho Co"), a joint stock company incorporated in the PRC and listed on the Shanghai Stock Exchange. The Company's ultimate controlling party is Mr. Liu Zaiwang ("Mr. Liu"), the chairman of Jangho Co.

The Company acts as an investment holding company and provides corporate management services. The principal activities of the Company's subsidiaries are set out in note 48.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 | Annual Improvements to HKFRSs 2018-2020 |

None of the application of the amendments to HKFRSs in the current year has material impact on the Group's performance and financial positions for the current and prior years and/or on the disclosures in the consolidated financial statements.

#### Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments update a reference in HKFRS 3 *Business Combinations* so that it refers to *the Conceptual Framework for Financial Reporting 2018* issued in June 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 *Levies*, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

**Amendments to HKAS 16 *Property, Plant and Equipment: Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

**Amendments to HKAS 37 *Onerous Contracts – Cost of Fulfilling a Contract***

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

**Annual Improvements to HKFRSs 2018-2020**

The annual improvements make amendments to the following standards:

- HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9 *Financial Instruments*, which clarify the fees included in the "10 per cent" test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16 *Leases*, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41 *Agriculture*, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### New/revised HKFRSs that have been issued but are not yet effective

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

| | |
|---|---|
| Amendments to HKAS 1 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] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised)[2] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback (amendments)[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

**Amendments to HKAS 1 and HKFRS Practice Statement 2**

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company are currently assessing the impact of the application of the amendments on the Group's consolidated financial statements.

**Amendments to HKAS 8**

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The directors of the Company are currently assessing the impact of the application of the amendments on the Group's consolidated financial statements.

**Amendments to HKAS 12**

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments were issued in response to a recommendation from the IFRS Interpretations Committee. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The directors of the Company are currently assessing the impact of the application of the amendments on the Group's consolidated financial statements.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

**Amendments to HKAS 1**

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

The amendments also deal with the classification of long-term loan arrangements with covenants by specifying that covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date. Instead, companies are required to disclose information about these covenants in the notes to the financial statements.

The directors of the Company are currently assessing the impact of the application of the amendments on the Group's consolidated financial statements.

**Amendments to HKFRS 16**

The amendments add subsequent measurement requirements for a sale and leaseback transaction, where the transfer of the asset satisfies the requirements in HKFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale.

The directors of the Company are currently assessing the impact of the application of the amendments on the Group's consolidated financial statements.

**Amendments to HKFRS 10 and HKAS 28**

The amendments address an acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The directors of the Company are currently assessing the impact of the application of the amendments on the Group's consolidated financial statements.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

For certain financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.1 Basis of preparation of consolidated financial statements *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3.2 Significant accounting policies

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Merger accounting for business combination involving businesses under common control**

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

**Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Revenue from contracts with customers**

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. Trading income from manufacturing, sourcing and distribution of interior decorative materials is recognised at a point in time when the customer obtains control of the distinct good or service.

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

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

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

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

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Leases**

***Definition of a lease***

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

***The Group as a lessee***

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of leased properties, machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from rent concessions for the coronavirus disease 2019 (COVID-19) ("Covid-19"), in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Leases** *(Continued)*

***The Group as a lessee*** *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, 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 the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Leases** *(Continued)*

***The Group as a lessee*** *(Continued)*

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient of not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Leases** *(Continued)*

***The Group as a lessor***

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risk and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Foreign currencies** *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is a disposal of the Group's entire interests in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

**Borrowing costs**

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

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

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

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, other gain and losses".

**Employee benefits**

***Short-term employee benefits***

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Employee benefits** *(Continued)*

***Retirement benefit costs***

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and other defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

**Share-based payments**

***Equity-settled share-based payments transactions***

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to accumulated profits. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will also be transferred to accumulated profits.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Taxation** *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**Property, plant and equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

If a property becomes an investment property because its use has changed as evidenced by end of owner occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated profits.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Property, plant and equipment** *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

**Impairment on property, plant and equipment, right-of-use assets and contract costs**

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and contract costs are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Impairment on property, plant and equipment, right-of-use assets and contract costs** *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contract with customers which are initially measured in a accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

***Financial assets***

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

*(i) Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

*(ii) Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets including trade and other receivables and bills receivable, amounts due from related companies, amounts due from fellow subsidiaries, other financial assets at amortised cost, pledged bank deposits 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.

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. Assessment are done based on the Group's historical credit loss experience, 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.

The Group always recognises lifetime ECL for trade receivables, bills receivable and contract assets.

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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

*(i)* *Significant increase in credit risk*

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and/or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii)* *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

*(iii)* *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

*(iv)* *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

*(v)* *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

*(v) Measurement and recognition of ECL (Continued)*

Lifetime ECL for certain trade receivables, bills receivable and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition/modification of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

Derecognition/modification of financial assets *(Continued)*

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

***Financial liabilities and equity***

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, bills payable, amounts due to fellow subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Estimation uncertainty on supply and installation contracts including fitting-out works and alteration and addition and construction works

As detailed in notes 3 and 5, the Group recognises contract revenue by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. If actual contract costs deviates significantly from the budgets, the actual profit for each of the individual projects would differ significantly from the estimate. Accordingly, recognition of contract revenue involves a significant degree of management estimates and judgement, with estimates being made to assess the total contract costs and stage of completion of the contract.

### Fair value measurement of financial instruments

The Group's unlisted equity fund amounting to HK$87,000,000 as at 31 December 2022 (2021: HK$90,000,000) are measured at fair values based on the valuation performed by an independent professional valuer with fair values being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair values of these instruments. Further disclosures are set out in note 42.

### Provision of ECL for trade receivables (including unbilled receivables) and contract assets

Trade receivables (including unbilled receivables) and contract assets considered to be credit-impaired are assessed for ECL individually.

In addition, for trade receivables (including unbilled receivables) and contract assets that the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings.

The provision of ECL is sensitive in estimates, the information about the ECL and the Group's trade receivables (including unbilled receivables) and contract assets are disclosed in note 42.

### Fair values of investment properties

Investment properties are stated at fair values based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 18.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of any market volatility, or other unexpected incidents would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2022, the carrying amount of the Group's investment properties is HK$69,163,000 (2021: HK$57,939,000).

## 5. REVENUE

An analysis of the Group's revenue for the year was as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Contract revenue from fitting-out works *(note a)* | **4,605,440** | 5,573,435 |
| Contract revenue from alteration and addition and construction works *(note a)* | **66,863** | 94,084 |
| Manufacturing, sourcing and distribution of interior decorative materials *(note b)* | **6,324** | 22,429 |
| | **4,678,627** | 5,689,948 |

### For the year ended 31 December 2022

| | Fitting-out works HK$'000 | Alteration and addition and construction works HK$'000 | Manufacturing, sourcing and distribution of interior decorative materials HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Geographical markets | | | | |
| Hong Kong | 1,158,063 | 66,863 | – | 1,224,926 |
| Macau | 832,230 | – | – | 832,230 |
| Singapore | 119,855 | – | – | 119,855 |
| The PRC | 2,495,292 | – | 6,324 | 2,501,616 |
| Total | 4,605,440 | 66,863 | 6,324 | 4,678,627 |
| Timing of revenue recognition | | | | |
| A point in time | – | – | 6,324 | 6,324 |
| Over time | 4,605,440 | 66,863 | – | 4,672,303 |
| Total | 4,605,440 | 66,863 | 6,324 | 4,678,627 |

## 5. REVENUE *(Continued)*

For the year ended 31 December 2021

| | Fitting-out works *HK$'000* | Alteration and addition and construction works *HK$'000* | Manufacturing, sourcing and distribution of interior decorative materials *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Geographical markets | | | | |
| Hong Kong | 1,734,484 | 94,084 | 5,963 | 1,834,531 |
| Macau | 701,721 | – | 174 | 701,895 |
| The PRC | 3,137,230 | – | 16,292 | 3,153,522 |
| Total | 5,573,435 | 94,084 | 22,429 | 5,689,948 |
| Timing of revenue recognition | | | | |
| A point in time | – | – | 22,429 | 22,429 |
| Over time | 5,573,435 | 94,084 | – | 5,667,519 |
| Total | 5,573,435 | 94,084 | 22,429 | 5,689,948 |

*Notes:*

(a) The Group provides fitting-out works and alteration and addition and construction works to its customers. Under the terms of contracts, the Group's performance creates and enhances the properties which the customers control during the course of work by the Group. Revenue from provision of contracting services is therefore recognised based on the stage of completion of contract over time using input method. The Group normally receives progress payment from customers on a monthly basis with reference to the value of works done. The Group requires certain customers to provide upfront deposits ranging from 5% to 30% of total contract sum. The deposit received by the Group before the project commences will give rise to contract liabilities at the start of a contract, until the full amount of deposit is deducted proportionately from monthly progress payment.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed and not billed because the rights are conditioned on the Group's future performance accepted by the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers its contract assets to trade receivables when progress certificate/invoice is issued.

Retentions receivable, prior to expiration of maintenance period, are classified as contract assets, which usually ranges from one to two years from the date of the practical completion of the project. The relevant amount of contract assets is reclassified to trade receivables when the maintenance period expires, and/or the maintenance/payment certificate is issued, and/or the final account is issued. The maintenance period serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

(b) The Group also generates revenue from manufacturing, sourcing and distribution of interior decorative materials business. This revenue is recognised at a point in time when the goods have been delivered to specific location and customers obtain control of the materials.

(c) The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and the expected timing of recognising revenue are as follows:

| | Construction contracts | |
|---|---|---|
| | **2022** **HK$'000** | 2021 *HK$'000* |
| Within one year | **4,790,425** | 3,644,276 |
| More than one year but not more than two years | **865,356** | 554,016 |
| Over two years | **–** | 42,766 |
| | **5,655,781** | 4,241,058 |

Certain services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 6. OPERATING SEGMENTS

The Company's executive directors are the chief operating decision makers. Information reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance focuses on three principal business activities.

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

(a) Fitting-out works in Hong Kong;

(b) Fitting-out works in Macau;

(c) Fitting-out works in Singapore;

(d) Fitting-out works in the PRC;

(e) Alteration and addition and construction works in Hong Kong; and

(f) Manufacturing, sourcing and distribution of interior decorative materials.

Information regarding the above segments was reported below:

### Segment revenue and results

**For the year ended 31 December 2022**

| | Fitting-out works in Hong Kong *HK$'000* | Fitting-out works in Macau *HK$'000* | Fitting-out works in Singapore *HK$'000* | Fitting-out works in the PRC *HK$'000* | Alteration and addition and construction works in Hong Kong *HK$'000* | Manufacturing, sourcing and distribution of interior decorative materials *HK$'000* | Segment total *HK$'000* | Elimination *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | | |
| External revenue | 1,158,063 | 832,230 | 119,855 | 2,495,292 | 66,863 | 6,324 | 4,678,627 | – | 4,678,627 |
| Inter-segment revenue | (980) | – | – | – | – | 165,366 | 164,386 | (164,386) | – |
| Segment revenue | 1,157,083 | 832,230 | 119,855 | 2,495,292 | 66,863 | 171,690 | 4,843,013 | (164,386) | 4,678,627 |
| Segment profit (loss) | 96,364 | 263,777 | 20,489 | 16,997 | (586) | (15,918) | 381,123 | – | 381,123 |
| Share of losses of associates | | | | | | | | | (10,998) |
| Gain on disposal of a subsidiary | | | | | | | | | 19,700 |
| Unallocated other income | | | | | | | | | 18,973 |
| Unallocated corporate expenses | | | | | | | | | (71,301) |
| Unallocated finance costs | | | | | | | | | (1,118) |
| Profit before tax | | | | | | | | | 336,379 |

## 6. OPERATING SEGMENTS *(Continued)*

### Segment revenue and results *(Continued)*

For the year ended 31 December 2021

| | Fitting-out works in Hong Kong *HK$'000* | Fitting-out works in Macau *HK$'000* | Fitting-out works in the PRC *HK$'000* | Alteration and addition and construction works in Hong Kong *HK$'000* | Manufacturing, sourcing and distribution of interior decorative materials *HK$'000* | Segment total *HK$'000* | Elimination *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | |
| External revenue | 1,734,484 | 701,721 | 3,137,230 | 94,084 | 22,429 | 5,689,948 | – | 5,689,948 |
| Inter-segment revenue | 612 | – | – | – | 196,810 | 197,422 | (197,422) | – |
| Segment revenue | 1,735,096 | 701,721 | 3,137,230 | 94,084 | 219,239 | 5,887,370 | (197,422) | 5,689,948 |
| Segment profit (loss) | 144,703 | 112,169 | 242,807 | (17,766) | 18,567 | 500,480 | – | 500,480 |
| Share of losses of associates | | | | | | | | (2,050) |
| Unallocated other income | | | | | | | | 14,984 |
| Unallocated corporate expenses | | | | | | | | (78,225) |
| Unallocated finance costs | | | | | | | | (2,371) |
| Profit before tax | | | | | | | | 432,818 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represented the profit earned by/loss from each segment, excluding income and expenses of the corporate function, which included gain on disposal of a subsidiary, certain other income, certain selling expenses, certain administrative expenses, certain other expenses, share of losses of associates and finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

Inter-segment revenue was charged at prevailing market rates.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022

## 6. OPERATING SEGMENTS *(Continued)*

### Segment assets and liabilities

The following was an analysis of the Group's assets and liabilities by reportable and operating segments:

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Segment assets | | |
| Fitting-out works in Hong Kong | **1,148,979** | 1,108,871 |
| Fitting-out works in Macau | **245,869** | 384,485 |
| Fitting-out works in Singapore | **227,910** | – |
| Fitting-out works in the PRC | **2,655,862** | 2,845,365 |
| Alteration and addition and construction works in Hong Kong | **166,218** | 192,020 |
| Manufacturing, sourcing and distribution of interior decorative materials | **103,063** | 94,923 |
| Total segment assets | **4,547,901** | 4,625,664 |
| Unallocated corporate assets | | |
| Property, plant and equipment | **48,359** | 50,629 |
| Right-of-use assets | **708** | 1,058 |
| Investment properties | **69,163** | 57,939 |
| Interests in associates | **97,976** | 121,391 |
| Financial assets at FVTPL | **134,304** | 113,802 |
| Other financial assets at amortised cost | **59,047** | 21,065 |
| Deferred tax assets | **25,188** | 25,685 |
| Other receivables, prepayments and deposits | **104,326** | 85,638 |
| Tax recoverable | **15,882** | 219 |
| Pledged bank deposits | **62,294** | 132,000 |
| Bank balances and cash | **1,527,653** | 1,797,890 |
| Total consolidated assets of the Group | **6,692,801** | 7,032,980 |

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Segment liabilities | | |
| Fitting-out works in Hong Kong | **393,223** | 425,609 |
| Fitting-out works in Macau | **188,106** | 244,551 |
| Fitting-out works in Singapore | **28,565** | – |
| Fitting-out works in the PRC | **2,471,474** | 2,679,557 |
| Alteration and addition and construction works in Hong Kong | **93,791** | 105,835 |
| Manufacturing, sourcing and distribution of interior decorative materials | **50,732** | 42,956 |
| Total segment liabilities | **3,225,891** | 3,498,508 |
| Unallocated corporate liabilities | | |
| Other payables | **175,661** | 180,359 |
| Tax payable | **39,390** | 38,983 |
| Bank borrowings | **526** | 84,537 |
| Lease liabilities | **721** | 1,102 |
| Deferred tax liabilities | **2,984** | 2,153 |
| Total consolidated liabilities of the Group | **3,445,173** | 3,805,642 |

## 6. OPERATING SEGMENTS *(Continued)*

### Segment assets and liabilities *(Continued)*

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use assets, investment properties, interests in associates, financial assets at FVTPL, other financial assets at amortised cost, deferred tax assets, certain other receivables, prepayments and deposits, tax recoverable, pledged bank deposits and bank balances and cash.

- all liabilities are allocated to operating segments other than certain other payables, tax payable, bank borrowings, certain lease liabilities and deferred tax liabilities.

### Other segment information

**For the year ended 31 December 2022**

| | Fitting-out works in Hong Kong *HK$'000* | Fitting-out works in Macau *HK$'000* | Fitting-out works in Singapore *HK$'000* | Fitting-out works in the PRC *HK$'000* | Alteration and addition and construction works in Hong Kong *HK$'000* | Manufacturing, sourcing and distribution of interior decorative materials *HK$'000* | Segment total *HK$'000* | Unallocated *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | | |
| Additions of property, plant and equipment | 294 | 124 | 177 | 3,016 | - | 4,044 | 7,655 | 375 | 8,030 |
| Additions of right-of-use assets | - | - | 478 | - | - | 21,228 | 21,706 | 508 | 22,214 |
| Depreciation of property, plant and equipment | 4,278 | 11 | 22 | 7,296 | - | 4,566 | 16,173 | 2,646 | 18,819 |
| Depreciation of right-of-use assets | 424 | - | 126 | - | 1,070 | 7,893 | 9,513 | 857 | 10,370 |
| Net impairment loss on trade and other receivables and bills receivable recognised (reversed) in profit or loss | 130 | (557) | 17 | 16,298 | (5,770) | - | 10,118 | - | 10,118 |
| Net impairment loss on contract assets (reversed) recognised in profit or loss | (130) | - | 40 | 6,286 | 4,100 | - | 10,296 | - | 10,296 |
| Loss (gain) on disposal of property, plant and equipment | - | - | - | (56) | - | 11 | (45) | - | (45) |
| Reversal of allowance for inventories | - | - | - | - | - | (2,924) | (2,924) | - | (2,924) |

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022

## 6. OPERATING SEGMENTS *(Continued)*

### Other segment information *(Continued)*

For the year ended 31 December 2021

| | Fitting-out works in Hong Kong *HK$'000* | Fitting-out works in Macau *HK$'000* | Fitting-out works in the PRC *HK$'000* | Alteration and addition and construction works in Hong Kong *HK$'000* | Manufacturing, sourcing and distribution of interior decorative materials *HK$'000* | Segment total *HK$'000* | Unallocated *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | |
| Additions of property, plant and equipment | 925 | 3 | 5,401 | – | 2,106 | 8,435 | 1,311 | 9,746 |
| Additions of right-of-use assets | 1,900 | – | – | – | – | 1,900 | – | 1,900 |
| Depreciation of property, plant and equipment | 4,683 | 2 | 6,311 | 12 | 5,271 | 16,279 | 2,731 | 19,010 |
| Depreciation of right-of-use assets | 700 | – | – | 1,167 | 7,518 | 9,385 | 848 | 10,233 |
| Net impairment loss on trade and other receivables and bills receivable recognised (reversed) in profit or loss | 2,572 | (23,400) | 56,304 | (1,313) | – | 34,163 | – | 34,163 |
| Net impairment loss on contract assets recognised (reversed) in profit or loss | 7,870 | 399 | (13,006) | 477 | – | (4,260) | – | (4,260) |
| Loss on disposal of property, plant and equipment | – | – | 32 | – | 200 | 232 | – | 232 |
| Allowance for inventories | – | – | – | – | 209 | 209 | – | 209 |

## 6. OPERATING SEGMENTS *(Continued)*

### Geographical information

The Group's operations are mainly located in Hong Kong, Macau, Singapore and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets (excluding financial instruments and deferred tax assets) is presented based on the geographical location of the assets.

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2022 HK$'000** | 2021 HK$'000 | **2022 HK$'000** | 2021 HK$'000 |
| Hong Kong | **1,224,926** | 1,834,531 | **242,389** | 273,937 |
| Macau | **832,230** | 701,895 | **155** | 53 |
| Singapore | **119,855** | – | **522** | – |
| The PRC | **2,501,616** | 3,153,522 | **268,136** | 281,132 |
| | **4,678,627** | 5,689,948 | **511,202** | 555,122 |

All non-current assets (excluding financial instruments and deferred tax assets) of the Group are located in the respective group entities' country of domicile.

### Information about major customers

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

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Customer A *(note a)* | **805,900** | 861,315 |
| Customer B *(note b)* | **774,600** | N/A[(Note d)] |
| Customer C *(note c)* | **N/A**[(Note d)] | 622,210 |

*Notes:*

(a) The revenue was from fitting-out works in Hong Kong and the PRC.

(b) The revenue was from fitting-out works in Macau.

(c) The revenue was from fitting-out works in Hong Kong.

(d) The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

## 7. OTHER INCOME, OTHER GAINS AND LOSSES

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Other income | | |
| Interest income | **15,452** | 11,545 |
| Government grants *(note)* | **6,807** | – |
| Rental income | **2,812** | 2,515 |
| Entrustment fee income | **329** | 341 |
| Dividends from financial assets at FVTPL | **–** | 724 |
| Others | **3,132** | 5,531 |
| | **28,532** | 20,656 |
| Other gains and losses | | |
| Net foreign exchange gains (losses) | **10,087** | (2,389) |
| Gain (loss) on disposal of property, plant and equipment | **45** | (232) |
| Net loss from fair value changes of financial assets at FVTPL | **(8,030)** | (33,605) |
| | **2,102** | (36,226) |
| | **30,634** | (15,570) |

*Note:* During the year, the government grants represented subsidies from the 2022 Employment Support Scheme under the Anti-epidemic Fund launched by the government of the Hong Kong Special Administrative Region.

## 8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Impairment losses recognised (reversed) on: | | |
| Trade and other receivables and bills receivable | **10,118** | 34,163 |
| Contract assets | **10,296** | (4,260) |
| Other financial assets at amortised cost | **11,033** | – |
| | **31,447** | 29,903 |

Details of impairment assessment were set out in note 42.

## 9. FINANCE COSTS

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| Interest on bank borrowings and overdraft | **829** | 1,987 |
| Interest on lease liabilities | **289** | 384 |
| | **1,118** | 2,371 |

## 10. INCOME TAX EXPENSE

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| Current tax | | |
| Hong Kong Profits Tax | **6,580** | 20,731 |
| Macau Complementary Tax | **34,918** | 12,978 |
| Singapore Corporate Income Tax | **3,478** | – |
| PRC Enterprise Income Tax | **932** | 33,295 |
| | **45,908** | 67,004 |
| (Over) under provision in prior years | | |
| Hong Kong Profits Tax | **(1,338)** | (1) |
| Macau Complementary Tax | **(370)** | (2,792) |
| PRC Enterprise Income Tax | **5,340** | 4,256 |
| | **3,632** | 1,463 |
| Deferred tax | | |
| Current year *(note 35)* | **(691)** | (6,936) |
| | **48,849** | 61,531 |

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for both years.

Macau Complementary Tax was calculated at 12% of the estimated assessable profits for both years.

Singapore Corporate Income Tax was calculated at 17% of the estimated assessable profits for both years.

## 10. INCOME TAX EXPENSE *(Continued)*

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25% for both years. Two PRC subsidiaries obtained approval from the relevant tax bureaus and are qualified as High and New Technology Enterprises which are entitled to a tax reduction from 25% to 15%.

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

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Profit before tax | **336,379** | 432,818 |
| Tax at the weighted average tax rate *(note a)* | **42,285** | 86,986 |
| Tax effect of expenses not deductible for tax purpose | **8,389** | 3,272 |
| Tax effect of income not taxable for tax purpose | **(4,961)** | (634) |
| Tax effect of share of losses of associates | **1,815** | 338 |
| Under provision in prior years | **3,632** | 1,463 |
| Tax effect of tax losses not recognised | **11,022** | 7,857 |
| Utilisation of tax losses previously not recognised | **(5,692)** | (391) |
| Income tax on concession rate | **7,612** | (17,832) |
| Additional tax allowance for research and development expenses *(note b)* | **(16,342)** | (21,097) |
| Others | **1,089** | 1,569 |
| Income tax expense for the year | **48,849** | 61,531 |

*Notes:*

(a) The weighted average applicable tax rate for different jurisdictions for the year ended 31 December 2022 is 12.6% (2021: 20.1%). The weighted average applicable tax rate represents the weighted average tax rate in different jurisdictions in which the Group operates and is calculated on the basis of the profit or loss before tax arising in these jurisdictions and the applicable statutory tax rates.

(b) A further tax deduction of 75% on the qualifying expenses for research and development activities were granted to two PRC subsidiaries.

## 11. PROFIT FOR THE YEAR

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting): | | |
| Auditor's remuneration | | |
| Audit service fee | **1,300** | 1,300 |
| Non-audit service fee | **738** | 347 |
| | **2,038** | 1,647 |
| Depreciation of property, plant and equipment | **18,819** | 19,010 |
| Depreciation of right-of-use assets | **10,370** | 10,233 |
| | **29,189** | 29,243 |
| Cost of inventories recognised as expenses in respect of | | |
| External revenue | **7,360** | 18,941 |
| Inter-segment revenue | **132,207** | 133,059 |
| | **139,567** | 152,000 |
| (Reversal of) allowance for inventories (included in cost of sales) | **(2,924)** | 209 |
| Contract costs recognised as expenses | | |
| Fitting-out works *(note)* | **3,943,722** | 4,753,192 |
| Alteration and addition and construction works | **66,767** | 108,836 |
| | **4,010,489** | 4,862,028 |
| Research and development expenses (included in other expenses) | **87,155** | 112,520 |
| Staff costs | | |
| Gross staff costs (including directors' emoluments) | **513,518** | 488,443 |
| Less: Staff costs capitalised to contract costs and inventories | **(316,458)** | (340,242) |
| | **197,060** | 148,201 |
| Gross rental income from investment properties | **(2,812)** | (2,515) |
| Less: Direct operating expenses incurred for investment properties that generated rental income during the year | **350** | 423 |
| | **(2,462)** | (2,092) |

*Note:* Contract costs of fitting-out works recognised as expenses included cost of inventories recognised as expenses of HK$132,207,000 (2021: HK$133,059,000).

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, was as follows:

| | 2022 | | | | |
|---|---|---|---|---|---|
| **Name of directors** | **Fees** *HK$'000* | **Salaries and other benefits** *HK$'000* | **Discretionary incentive payments** *HK$'000* | **Retirement benefit scheme contributions** *HK$'000* | **Total** *HK$'000* |
| Executive directors: | | | | | |
| Mr. Ng Tak Kwan | – | 2,400 | 10,000 | – | 12,400 |
| Mr. Leung Kai Ming *(note a)* | – | 2,402 | 7,500 | – | 9,902 |
| Mr. Ng Chi Hang | – | 1,537 | 2,000 | 18 | 3,555 |
| Mr. Ding Jingyong *(note b)* | – | – | – | – | – |
| Mr. Guan Yihe *(note b)* | – | – | – | – | – |
| Mr. Xie Jianyu | – | 1,747 | 2,000 | 18 | 3,765 |
| Non-executive director: | | | | | |
| Mr. Liu | 600 | – | – | – | 600 |
| Independent non-executive directors: | | | | | |
| Mr. Tam Anthony Chun Hung | 360 | – | – | – | 360 |
| Mr. Huang Pu | 360 | – | – | – | 360 |
| Mr. Li Zheng | 360 | – | – | – | 360 |
| | 1,680 | 8,086 | 21,500 | 36 | 31,302 |

*Notes:*

(a) Retired on 30 December 2022

(b) Appointed on 30 December 2022

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

| | 2021 | | | | |
|---|---|---|---|---|---|
| **Name of directors** | Fees *HK$'000* | Salaries and other benefits *HK$'000* | Discretionary incentive payments *HK$'000* | Retirement benefit scheme contributions *HK$'000* | Total *HK$'000* |
| Executive directors: | | | | | |
| Mr. Ng Tak Kwan | – | 2,400 | 10,000 | – | 12,400 |
| Mr. Leung Kai Ming | – | 2,412 | 5,500 | – | 7,912 |
| Mr. Ng Chi Hang | – | 1,513 | 2,000 | 18 | 3,531 |
| Mr. Xie Jianyu | – | 1,719 | 2,000 | 18 | 3,737 |
| Non-executive director: | | | | | |
| Mr. Liu | 600 | – | – | – | 600 |
| Independent non-executive directors: | | | | | |
| Mr. Tam Anthony Chun Hung | 360 | – | – | – | 360 |
| Mr. Huang Pu | 360 | – | – | – | 360 |
| Mr. Li Zheng | 360 | – | – | – | 360 |
| | 1,680 | 8,044 | 19,500 | 36 | 29,260 |

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emolument shown above was for his services as a director of the Company and the independent non-executive directors' emoluments shown above were for the services as directors of the Company.

These was no arrangement under which a director waived or agreed to waive any of their emoluments for both years.

The Group has been providing accommodation, which is leased from third party, to an executive director for use by his and his family members at no charge. The estimated money value of the benefit in kind is approximately HK$279,000 (2021: HK$270,000).

The discretionary incentive payments were discretionary and were determined with reference to the performance of individuals and the Group.

Mr. Ng Tak Kwan is also the chief executive officer of the Company (the "Chief Executive") and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

## 13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four directors (2021: four directors), details of whose emoluments were disclosed in note 12 above. Details of the remuneration for the year of the remaining one (2021: one) highest paid employee who was neither a director nor chief executive of the Company was as follows:

| | **2022**<br>***HK$'000*** | 2021<br>*HK$'000* |
|---|---:|---:|
| Salaries and other benefits | **1,254** | 1,254 |
| Discretionary incentive payments | **156** | 80 |
| Retirement benefit scheme contributions | **18** | 18 |
| | **1,428** | 1,352 |

The number of the highest paid employees who were not the directors of the Company whose remuneration fell within the following bands was as follows:

| | **2022** | 2021 |
|---|---:|---:|
| HK$1,000,001 to HK$1,500,000 | **1** | 1 |

No emolument was paid to the directors of the Company and the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

## 14. DIVIDENDS

| | **2022**<br>***HK$'000*** | 2021<br>*HK$'000* |
|---|---|---|
| Dividends for ordinary shareholders of the Company recognised as distribution during the year: | | |
| 2021 final dividend – HK7 cents per share (2021: 2020 final dividend – HK8 cents per share) | **151,075** | 172,657 |

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK6 cents (2021: final dividend in respect of the year ended 31 December 2021 of HK7 cents) per ordinary share, in an aggregate amount of HK$129,493,000 (2021: HK$151,075,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company was based on the following data:

| | **2022**<br>***HK$'000*** | 2021<br>*HK$'000* |
|---|---|---|
| Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share | **287,530** | 371,287 |

| | **2022**<br>***'000*** | 2021<br>*'000* |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | **2,158,210** | 2,158,210 |

Diluted earnings per share are the same as the basic earnings per share as the Company had no dilutive potential ordinary shares in existence for both years.

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## 16. PROPERTY, PLANT AND EQUIPMENT

| | Owned properties HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| COST | | | | | | |
| At 31 January 2021 | 342,492 | 48,478 | 29,880 | 14,919 | 4,488 | 440,257 |
| Exchange adjustments | 5,372 | 1,367 | 721 | 271 | 60 | 7,791 |
| Additions | – | 3,685 | 740 | 4,480 | 841 | 9,746 |
| Disposals | – | (2,430) | (1,226) | (683) | (3) | (4,342) |
| At 31 December 2021 | 347,864 | 51,100 | 30,115 | 18,987 | 5,386 | 453,452 |
| Exchange adjustments | (15,006) | (4,234) | (2,195) | (920) | (214) | (22,569) |
| Additions | – | 3,225 | 1,933 | 2,341 | 531 | 8,030 |
| Transfer to investment properties *(note 18)* | (14,873) | – | – | – | – | (14,873) |
| Disposals | – | (474) | (23) | (693) | (433) | (1,623) |
| At 31 December 2022 | 317,985 | 49,617 | 29,830 | 19,715 | 5,270 | 422,417 |
| DEPRECIATION | | | | | | |
| At 31 January 2021 | 15,256 | 22,870 | 19,028 | 11,521 | 2,574 | 71,249 |
| Exchange adjustments | 186 | 637 | 424 | 198 | 17 | 1,462 |
| Provided for the year | 9,989 | 4,508 | 1,937 | 1,778 | 798 | 19,010 |
| Eliminated on disposals | – | (2,370) | (1,027) | (463) | (3) | (3,863) |
| At 31 December 2021 | 25,431 | 25,645 | 20,362 | 13,034 | 3,386 | 87,858 |
| Exchange adjustments | (859) | (2,104) | (1,354) | (662) | (56) | (5,035) |
| Provided for the year | 10,494 | 3,892 | 1,530 | 2,619 | 284 | 18,819 |
| Transfer to investment properties *(note 18)* | (854) | – | – | – | – | (854) |
| Eliminated on disposals | – | (474) | (19) | (683) | (187) | (1,363) |
| At 31 December 2022 | 34,212 | 26,959 | 20,519 | 14,308 | 3,427 | 99,425 |
| CARRYING VALUES | | | | | | |
| At 31 December 2022 | 283,773 | 22,658 | 9,311 | 5,407 | 1,843 | 322,992 |
| At 31 December 2021 | 322,433 | 25,455 | 9,753 | 5,953 | 2,000 | 365,594 |

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

| | |
|---|---|
| Owned properties | Over the remaining term of lease or useful life, if shorter |
| Leasehold improvements | 10%–20% or over the remaining term of lease, if shorter |
| Plant and machinery | 9%–19% |
| Furniture, fixtures and equipment | 18%–33$^{1}/_{3}$% or over the remaining term of lease, if shorter |
| Motor vehicles | 18%–33$^{1}/_{3}$% |

## 17. RIGHT-OF-USE ASSETS

| | Leased properties *HK$'000* | Office equipment *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| COST | | | |
| At 1 January 2021 | 32,240 | 1,332 | 33,572 |
| Exchange adjustments | 772 | – | 772 |
| Additions | – | 1,900 | 1,900 |
| At 31 December 2021 | 33,012 | 3,232 | 36,244 |
| Exchange adjustments | (3,099) | 1 | (3,098) |
| Additions | 22,166 | 48 | 22,214 |
| Disposals | (1,025) | – | (1,025) |
| At 31 December 2022 | 51,054 | 3,281 | 54,335 |
| DEPRECIATION | | | |
| At 1 January 2021 | 15,864 | 928 | 16,792 |
| Exchange adjustments | 531 | – | 531 |
| Provided for the year | 9,533 | 700 | 10,233 |
| At 31 December 2021 | 25,928 | 1,628 | 27,556 |
| Exchange adjustments | (2,127) | – | (2,127) |
| Provided for the year | 9,941 | 429 | 10,370 |
| Eliminated on disposal | (1,025) | – | (1,025) |
| At 31 December 2022 | 32,717 | 2,057 | 34,774 |
| CARRYING VALUES | | | |
| At 31 December 2022 | 18,337 | 1,224 | 19,561 |
| At 31 December 2021 | 7,084 | 1,604 | 8,688 |

| | **2022** ***HK$'000*** | 2021 *HK$'000* |
|---|---|---|
| Expense relating to short-term leases | **30,740** | 27,543 |
| Total cash outflow for leases | **42,311** | 38,307 |

For both years, the Group leases factory, warehouse, office premises and office equipment for its operations. Lease contracts are entered into for fixed term of 2 to 6 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease terms and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for sites offices, warehouses, staff quarters and carparks. As at 31 December 2022 and 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

## 18. INVESTMENT PROPERTIES

| | *HK$'000* |
|---|---|
| FAIR VALUE | |
| At 1 January 2021 | 56,355 |
| Exchange adjustments | 1,584 |
| At 31 December 2021 | 57,939 |
| Exchange adjustments | (5,801) |
| Transfer from property, plant and equipment *(note 16)* | 17,025 |
| At 31 December 2022 | 69,163 |

During the year ended 31 December 2022, the Group changed the usage of certain units in the self-owned properties from owner occupation to investment properties. Such units were located in the same building being one of the Group's two commercial properties in the PRC with existing investment properties. Accordingly, the relevant portion of the properties with net carrying values of HK$14,019,000 was transferred from property, plant and equipment to investment properties at their fair values on the date of transfer of HK$17,025,000 which were determined by the directors of the Company with reference to the valuation carried out by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The difference between the fair values of these properties and their carrying values at the date of transfer has been credited to property revaluation reserve.

As at 31 December 2022 and 31 December 2021, the Group's properties interests (i) situated in Hong Kong which is one piece or parcel of ground held for capital appreciation; and (ii) located in the PRC which are two commercial properties held under operating leases to earn rental income. They are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties as at 31 December 2022 and 31 December 2021 have been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited.

The valuation of the piece or parcel of ground situated in Hong Kong has been arrived at using direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The fair values of the other two commercial properties located in the PRC were determined based on the income capitalisation approach, where the market rentals of all lettable units of the properties are assessed and discounted at the reversionary yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in the relevant locations and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

The management of the Group considered that the fair value change was insignificant and therefore no fair value change was recognised for the year ended 31 December 2022 and 31 December 2021.

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

## 18. INVESTMENT PROPERTIES *(Continued)*

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy within which the fair value measurements are categories (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

| Investment properties held by the Group in the consolidated statement of financial position | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Investment property in Hong Kong with carrying amount of HK$2,410,000 (2021: HK$2,410,000) | Level 3 | Direct comparison method<br>The key input is<br>(1) Unit sale rate | (1) Unit sale rate, taking into account the size, location, and character, between the comparable and the property, ranging from HK$500 to HK$707 (2021: HK$400 to HK$765) per square feet on gross floor area basis for the property. | (1) An increase in the unit sale rate used would result in an increase in the fair value of the investment property and vice versa. |
| Investment property in the PRC with carrying amount of HK$59,140,000 (2021: HK$47,212,000) | Level 3 | Income capitalisation method<br>The key input is<br>(1) Reversionary yield | (1) Reversionary yield of 5.2% (2021: 5.4%) | (1) An increase in the reversionary yield used would result in a decrease in the fair value of the investment property and vice versa. |
| | | (2) Yearly market unit rent | (2) Yearly market unit rent per gross floor area (square meter) of Renminbi ("RMB") 877 (2021: RMB914) | (2) An increase in the yearly market unit rent used would result in an increase in the fair value of the investment property and vice versa. |
| Investment property in the PRC with carrying amount of HK$7,613,000 (2021: HK$8,317,000) | Level 3 | Income capitalisation method<br>The key input is<br>(1) Reversionary yield | (1) Reversionary yield of 5.1% (2021: 5.2%) | (1) An increase in the reversionary yield used would result in a decrease in the fair value of the investment property and vice versa. |
| | | (2) Yearly market unit rent | (2) Yearly market unit rent per gross floor area (square meter) of RMB1,914 (2021: RMB1,956) | (2) An increase in the yearly market unit rent used would result in an increase in the fair value of the investment property and vice versa. |

## 18. INVESTMENT PROPERTIES *(Continued)*

The fair values of all investment properties as at 31 December 2022 and 31 December 2021 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfers into or out of Level 3 during the year.

## 19. GOODWILL

| | *HK$'000* |
|---|---|
| Carrying amount as at 1 January 2021, 31 December 2021 and 31 December 2022 | 1,510 |

Amount represented the excess of consideration paid over the fair value of net assets taken over on the acquisition of subsidiaries, Sundart Timber Products Company Limited ("Sundart Timber") and Sundart Living Limited ("Sundart Living"). For the purpose of impairment test, the carrying amount of goodwill had been allocated to the cash-generating unit of Sundart Timber and Sundart Living under the fitting-out works in Hong Kong segment, and the manufacturing, sourcing and distribution of interior decorative materials segment, amounting to HK$746,000 and HK$764,000, respectively. The recoverable amounts of cash-generating units of Sundart Timber and Sundart Living have been determined based on a value in use calculation. No impairment is recognised.

## 20. INTERESTS IN ASSOCIATES

| | **2022**<br>***HK$'000*** | 2021<br>*HK$'000* |
|---|---|---|
| Unlisted shares, at cost | **–** | – |
| Amount due from an associate *(note)* | **56,517** | 65,037 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | **41,459** | 56,354 |
| | **97,976** | 121,391 |

*Note:* The amount due from an associate is unsecured, interest free and has no fixed repayment terms. The directors of the Company are of the opinion that the balance will not be repaid within 12 months from the end of the reporting period.

As at 31 December 2022 and 31 December 2021, the Group had interests in the following associates:

| Name of entity | Form of business structure | Country of incorporation | Principal place of operation | Class of share held | Proportion of issued capital and voting rights held by the Group | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | | | **2022**<br>**%** | 2021<br>% | |
| EAGLE VISION DEVELOPMENT LIMITED ("Eagle Vision") | Incorporated | BVI | Hong Kong | Ordinary | **28.57** | 28.57 | Investment holding |
| FORTUNE MARVEL LIMITED ("FML") | Incorporated | BVI | Hong Kong | Ordinary | **–** | 30 | Investment holding |

## 20. INTERESTS IN ASSOCIATES *(Continued)*

On 30 November 2022, the Group disposed 30% equity interests in FML to Bamstein Limited which held 70% equity interests in FML, at net payment of share of losses at HK$35,000.

The summarised consolidated financial information of Eagle Vision and FML and which was prepared in accordance with HKFRSs, was set out below:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Eagle Vision** *HK$'000* | **FML** *HK$'000* | **Total** *HK$'000* | Eagle Vision *HK$'000* | FML *HK$'000* | Total *HK$'000* |
| Current assets | **408,062** | **–** | **408,062** | 536,957 | – | 536,957 |
| Non-current assets | **385,741** | **–** | **385,741** | 403,807 | – | 403,807 |
| Current liabilities | **(355,228)** | **–** | **(355,228)** | (376,731) | (97) | (376,828) |
| Non-current liabilities | **(29,037)** | **–** | **(29,037)** | (28,248) | – | (28,248) |
| Net assets (liabilities) attributable to: | | | | | | |
| Shareholders | **145,117** | **–** | **145,117** | 197,353 | (97) | 197,256 |
| Non-controlling interests | **264,421** | **–** | **264,421** | 338,432 | – | 338,432 |
| | **409,538** | **–** | **409,538** | 535,785 | (97) | 535,688 |
| Revenue | **382,293** | **–** | **382,293** | 448,032 | – | 448,032 |
| Loss for the year | **(74,140)** | **(19)** | **(74,159)** | (16,363) | (21) | (16,384) |
| Attributable to: | | | | | | |
| Shareholders | **(39,528)** | **(19)** | **(39,547)** | (7,805) | (21) | (7,826) |
| Non-controlling interests | **(34,612)** | **–** | **(34,612)** | (8,558) | – | (8,558) |
| | **(74,140)** | **(19)** | **(74,159)** | (16,363) | (21) | (16,384) |
| Other comprehensive (expense) income for the year | **(26,763)** | **–** | **(26,763)** | 7,145 | – | 7,145 |
| Attributable to: | | | | | | |
| Shareholders | **(13,762)** | **–** | **(13,762)** | 3,555 | – | 3,555 |
| Non-controlling interests | **(13,001)** | **–** | **(13,001)** | 3,590 | – | 3,590 |
| | **(26,763)** | **–** | **(26,763)** | 7,145 | – | 7,145 |

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## 20. INTERESTS IN ASSOCIATES *(Continued)*

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Eagle Vision** ***HK$'000*** | **FML** ***HK$'000*** | **Total** ***HK$'000*** | Eagle Vision *HK$'000* | FML *HK$'000* | Total *HK$'000* |
| Total comprehensive expense for the year | **(100,903)** | **(19)** | **(100,922)** | (9,218) | (21) | (9,239) |
| Attributable to: | | | | | | |
| Shareholders | **(53,290)** | **(19)** | **(53,309)** | (4,250) | (21) | (4,271) |
| Non-controlling interests | **(47,613)** | **–** | **(47,613)** | (4,968) | – | (4,968) |
| | **(100,903)** | **(19)** | **(100,922)** | (9,218) | (21) | (9,239) |

Reconciliation of the above summarised consolidated financial information of Eagle Vision and FML to the carrying amounts of the interests in the associates recognised in the consolidated financial statements:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Eagle Vision** ***HK$'000*** | **FML** ***HK$'000*** | **Total** ***HK$'000*** | Eagle Vision *HK$'000* | FML *HK$'000* | Total *HK$'000* |
| Net assets (liabilities) attributable to shareholders | **145,117** | **–** | **145,117** | 197,353 | (97) | 197,256 |
| Proportion of the Group's ownership interests | **28.57%** | **–** | **28.57%** | 28.57% | 30% | N/A |
| | **41,459** | **–** | **41,459** | 56,383 | (29) | 56,354 |
| Amount due from an associate | **56,517** | **–** | **56,517** | 65,037 | – | 65,037 |
| Carrying amount of the Group's interests | **97,976** | **–** | **97,976** | 121,420 | (29) | 121,391 |

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2022<br>*HK$'000* | 2021<br>*HK$'000* |
|---|---|---|
| Listed equity securities | **18,438** | 23,802 |
| Unlisted fund investments | **28,866** | – |
| Unlisted equity fund | **87,000** | 90,000 |
| | **134,304** | 113,802 |
| Analysed for reporting purposes as: | | |
| Current assets | **115,866** | – |
| Non-current assets | **18,438** | 113,802 |
| | **134,304** | 113,802 |

Unlisted fund investments were classified as current as the management of the Group expected to realise these financial assets within 12 months after the reporting period.

During the year ended 31 December 2021, the Group further injected HK$22,200,000 to the unlisted equity fund to fulfill capital commitment in capacity as a limited partner. As at 31 December 2022 and 31 December 2021, the Group's interest in the unlisted equity fund remained at 18.71%. The general partner of the unlisted equity fund is a subsidiary of a related company listed in Hong Kong. The unlisted equity fund was in relation to commercial buildings development in Hong Kong. It was measured at fair value at the end of the reporting period. The unlisted equity fund within 12 months (2021: with more than 12 months) operation period from the end of reporting period was classified as current assets (2021: non-current assets) in the consolidated statement of financial position. The Group recognised loss from fair value changes of the fund of HK$3,000,000 (2021: HK$24,200,000) in profit or loss during the year. There was no capital returned to the Group from the unlisted equity fund during the year ended 31 December 2022 and 31 December 2021.

During the current year, net loss from fair value changes of financial assets at FVTPL of HK$8,030,000 (2021: HK$33,605,000) was recognised in profit or loss.

## 22. OTHER FINANCIAL ASSETS AT AMORTISED COST

| | **2022 *HK$'000*** | 2021 *HK$'000* |
|---|---|---|
| Loan receivable *(note a)* | **48,266** | – |
| Debt instrument *(note b)* | **10,781** | 21,065 |
| | **59,047** | 21,065 |
| Analysed for reporting purposes as: | | |
| Current assets | **49,439** | 4,940 |
| Non-current assets | **9,608** | 16,125 |
| | **59,047** | 21,065 |

*Notes:*

(a) During the year, the Group advanced a loan to a subsidiary of the unlisted equity fund (set out in note 21), an independent third party, which will mature on 31 December 2023, with a fixed interest rate at 8% per annum. As at 31 December 2022, the loan receivable was not past due. Impairment loss of HK$810,000 was recognised during the year (2021: nil).

(b) As at 31 December 2022 and 31 December 2021, the Group held three corporate bonds with fixed interest rates ranging from 5.75% to 8.50% per annum. The bonds are held by the Group within a business model whose objective is to collect contractual cash flows. These corporate bonds are therefore classified as financial assets at amortised cost.

As at 31 December 2022, the directors of the Company are in the view that there is significant increase in credit risk of certain bond issuers. Impairment loss of HK$10,223,000 was recognised during the year (2021: nil).

## 23. INVENTORIES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Raw materials | **15,962** | 17,058 |
| Work-in-progress | **34,290** | 32,003 |
| Finished goods | **262** | 298 |
| | **50,514** | 49,359 |

## 24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

Trade and other receivables and bills receivable at the end of each reporting period comprised receivables from third parties as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Trade receivables (gross carrying amount) | | |
| Fitting-out works | **952,492** | 1,143,763 |
| Alteration and addition and construction works | **23,327** | 32,304 |
| Manufacturing, sourcing and distribution of interior decorative materials | **1,665** | 5,737 |
| | **977,484** | 1,181,804 |
| Less: Allowance for credit losses | **(56,183)** | (59,450) |
| Trade receivables (net carrying amount) | **921,301** | 1,122,354 |
| Unbilled receivables (gross carrying amount) *(note)* | **1,556,644** | 1,434,524 |
| Less: Allowance for credit losses | **(103,884)** | (104,696) |
| Unbilled receivables (net carrying amount) | **1,452,760** | 1,329,828 |
| Other receivables (gross carrying amount) | **164,959** | 184,448 |
| Less: Allowance for credit losses | **(11,361)** | (9,216) |
| Other receivables (net carrying amount) | **153,598** | 175,232 |
| Bills receivable (gross carrying amount) | **29,898** | 120,725 |
| Less: Allowance for credit losses | **(3,470)** | (5,871) |
| Bills receivable (net carrying amount) | **26,428** | 114,854 |
| Prepayments and deposits | **440,253** | 339,844 |
| | **2,994,340** | 3,082,112 |

*Note:* Unbilled receivables represented the remaining balances of contract receivables to be billed for completed portion of construction contracts according to the contract terms.

## 24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(Continued)*

### Trade receivables

The Group allows a credit period of 7 to 60 days to its trade customers. The following was an ageing analysis of trade receivables, net of allowance for credit losses, presented based on invoice date at the end of each reporting period.

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| 1–30 days | **421,285** | 611,588 |
| 31–60 days | **100,243** | 314,137 |
| 61–90 days | **28,925** | 30,803 |
| Over 90 days | **370,848** | 165,826 |
| | **921,301** | 1,122,354 |

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

As at 31 December 2022, included in the Group's trade receivable balances were customers with an aggregate carrying amount of HK$466,850,000 (2021: HK$414,278,000) which were past due as at the reporting date. Out of the past due balances, HK$360,221,000 (2021: HK$146,716,000) has been past due more than 90 days and was not considered as in default. The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on no significant change in credit quality after understood these customers' background as well as the good payment records of and continuous business relationship with those customers. Further, such long outstanding balances were primarily due to overdue payment was a common practice in construction industry and prolonged internal procedures of the relevant customers. These customers were assessed individually and/or collectively with appropriate groupings for the credit risk based on their historical default rate, probability of default and exposure of default and were adjusted for forward-looking information that was available without undue cost or effort. The Group did not hold any collateral over these balances.

### Bills receivable

As at 31 December 2022, the carrying amount of bills receivable amounting to HK$26,428,000 (2021: HK$114,854,000) were held by the Group for settlement. All bills receivable held by the Group were with a maturity period of less than one year.

## 24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(Continued)*

### Bills receivable *(Continued)*

Ageing of bills receivable, net of allowance for credit losses, was as follows:

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| 1-30 days *(note)* | **19,149** | 61,737 |
| 31-60 days | **–** | 6,426 |
| 61-90 days | **–** | 4,481 |
| Over 90 days | **7,279** | 42,210 |
| | **26,428** | 114,854 |

*Note:* As at 31 December 2022, the relevant bills receivable amounting to HK$3,729,000 (2021: HK$24,179,000) were issued by a related company in which Mr. Liu and his spouse have beneficial interest.

Details of impairment assessment of trade and other receivables and bills receivable were set out in note 42.

## 25. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies, in which Mr. Liu and his spouse have beneficial interest, represented trade receivables.

The Group allows a credit period of 30 days to its trade receivables due from related companies. As at 31 December 2022, the trade receivables due from the related companies were aged over 90 days (2021: within 30 days) based on invoice date. The Group did not hold any collateral over these balances.

Details of impairment assessment of amounts due from related companies were set out in note 42.

## 26. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| Trade receivables | **920** | 1,005 |
| Other receivables | **149** | – |
| | **1,069** | 1,005 |

### Trade receivables from a fellow subsidiary

The Group allows a credit period of 30 days to its trade receivables due from a fellow subsidiary. As at 31 December 2022 and 31 December 2021, the trade receivables due from the fellow subsidiary were aged within 30 days based on invoice date. The Group did not hold any collateral over this balance.

### Other receivables from fellow subsidiaries

As at 31 December 2022, the other receivables represented deposits paid to a fellow subsidiary and rent receivables from a fellow subsidiary.

Details of impairment assessment of amounts due from fellow subsidiaries were set out in note 42.

## 27. CONTRACT ASSETS

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| Contract assets (gross carrying amount) | | |
| Fitting-out works | **1,231,433** | 1,133,922 |
| Alteration and addition and construction works | **114,903** | 143,918 |
| Manufacturing, sourcing and distribution of interior decorative materials | **652** | 91 |
| | **1,346,988** | 1,277,931 |
| Less: Allowance for credit losses | **(37,251)** | (28,646) |
| Net carrying amount shown under current assets | **1,309,737** | 1,249,285 |

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed and not billed because the rights are conditioned on the Group's future performance accepted by the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers its contract assets to trade receivables when progress certificate/invoice is issued. As at 31 December 2022, contract assets included HK$784,000 and HK$300,000 (2021: HK$1,272,000 and HK$328,000) from related companies and fellow subsidiaries, respectively. The Group typically agrees 5% of the total contract sum as retention money, of which half will generally be released after the issue of the certificate of practical completion and the remaining portion will be released after the maintenance period. The Group generally provides their customers with one to two years maintenance period from the date of the practical completion of the project. Upon the expiration of maintenance period, the customers will provide a maintenance certificate and pay the retentions within the term specified in the contract. The details of the typical payment terms which impact on the amount of contract assets recognised are set out in note 5.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

The Group applies the simplified approach to provide the ECL prescribed by HKFRS 9. Impairment loss of HK$10,296,000 was recognised during the year (2021: HK$4,260,000 was reversed). Details of impairment assessment were set out in note 42.

## 28. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits carried interest at market rates of the range from 0.30% to 0.35% per annum as at 31 December 2022 and 31 December 2021.

As at 31 December 2022, the bank balances included a sum of HK$407,177,000 (2021: HK$558,672,000) deposits carried fixed interest rate at 1.35% to 5.70% (2021: 0.13% to 1.75%) per annum. The remaining balances carried interest at market rates which ranged from 0.001% to 3.32% per annum as at 31 December 2022 (2021: 0.001% to 0.38% per annum).

Pledged bank deposits represented deposits pledged to secure certain bills payable, certain performance bonds and certain tender bonds and were therefore classified as current assets.

Details of impairment assessment of pledged bank deposits and bank balances were set out in note 42.

## 29. TRADE AND OTHER PAYABLES

Trade and other payables at the end of the reporting period comprised amounts outstanding for trade purposes and daily operating costs. The credit period taken for trade purchase is 7 to 45 days.

| | **2022**<br>***HK$'000*** | 2021<br>*HK$'000* |
|---|---|---|
| Contract creditors and suppliers | **1,863,600** | 1,879,861 |
| Retentions payable | **462,624** | 494,510 |
| | **2,326,224** | 2,374,371 |
| Other tax payables | **151,863** | 163,410 |
| Other payables and accruals | **148,290** | 145,132 |
| | **2,626,377** | 2,682,913 |

The ageing analysis of contract creditors and suppliers was stated based on invoice date as follows:

| | **2022**<br>***HK$'000*** | 2021<br>*HK$'000* |
|---|---|---|
| 1–30 days | **945,569** | 1,223,058 |
| 31–60 days | **219,278** | 165,199 |
| 61–90 days | **84,760** | 77,457 |
| Over 90 days | **613,993** | 414,147 |
| | **1,863,600** | 1,879,861 |

As at 31 December 2022, the Group's retentions payable of HK$229,056,000 (2021: HK$248,025,000) was expected to be paid after one year.

## 30. BILLS PAYABLE

As at 31 December 2022 and 31 December 2021, certain bills payable were secured by certain pledged bank deposits as set out in note 28 and were repayable as follows:

| | **2022**<br>***HK$'000*** | 2021<br>*HK$'000* |
|---|---|---|
| 1–30 days | **128,331** | 147,733 |
| 31–60 days | **81,431** | 143,321 |
| 61–90 days | **92,953** | 108,920 |
| Over 90 days | **348,078** | 439,885 |
| | **650,793** | 839,859 |

## 31. AMOUNTS DUE TO FELLOW SUBSIDIARIES

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Retentions payable | 14 | – |
| Other payables | 633 | – |
| | 647 | – |

### Retentions payable to fellow subsidiaries

As at 31 December 2022, retentions payable to fellow subsidiaries was expected to be paid after one year.

### Other payables to fellow subsidiaries

As at 31 December 2022, the other payables represented leasehold improvements on office payable to a fellow subsidiary and received in advance of rental income from a fellow subsidiary.

## 32. BANK BORROWINGS

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **The ranges of effective interest rates** | **Carrying amount *HK$'000*** | The ranges of effective interest rates | Carrying amount *HK$'000* |
| Variable-rate borrowings | | | | |
| Secured *(note a)* | **6.77%** | **526** | 1.73% | 737 |
| Unsecured | **–** | **–** | 1.69% to 1.70% | 83,800 |
| | | **526** | | 84,537 |

| | **2022** *HK$'000* | 2021 *HK$'000* |
|---|---|---|
| Carrying amount of the above bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable as follows *(note b)*: | | |
| Within one year | **210** | 80,210 |
| More than one year but not exceeding two years | **211** | 4,011 |
| More than two years but not exceeding five years | **105** | 316 |
| | **526** | 84,537 |

*Notes:*

(a) As at 31 December 2022, the secured bank borrowings were secured by a commercial property (included in property, plant and equipment) with carrying amount of HK$89,895,000 (2021: HK$93,564,000).

(b) The amounts due are based on scheduled repayment dates set out in the banking facility letters.

## 33. LEASE LIABILITIES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Lease liabilities payable: | | |
| Within one year | **11,289** | 8,186 |
| Within a period of more than one year but not exceeding two years | **8,542** | 707 |
| Within a period of more than two years but not exceeding five years | **112** | 1,062 |
| Over five years | **–** | 30 |
| | **19,943** | 9,985 |
| Less: Amount due for settlement with 12 months shown under current liabilities | **(11,289)** | (8,186) |
| Amount due for settlement after 12 months shown under non-current liabilities | **8,654** | 1,799 |

The incremental borrowing rates applied to lease liabilities ranging from 1.56% to 4.75% (2021: from 1.56% to 5.90%).

## 34. CONTRACT LIABILITIES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Fitting-out works | **102,360** | 146,256 |
| Alteration and addition and construction works | **2,153** | 956 |
| Shown under current liabilities | **104,513** | 147,212 |

The following table shows how much of the revenue recognised 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 year | **147,212** | 84,845 |

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group requires certain customers to provide upfront deposits ranging from 5% to 30% of total contract sum, when the Group receives a deposit before the project commences, this will give rise to contract liabilities at the start of a contract, until the full amount of deposit is deducted proportionately from monthly progress payment.

## 35. DEFERRED TAX ASSETS/LIABILITIES

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

| | **2022** *HK$'000* | 2021 *HK$'000* |
|---|---|---|
| Deferred tax assets | **25,188** | 25,685 |
| Deferred tax liabilities | **(2,984)** | (2,153) |
| | **22,204** | 23,532 |

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

| | **Accelerated tax depreciation** *HK$'000* | **ECL provision** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| At 1 January 2021 | (1,806) | 17,823 | 16,017 |
| Exchange adjustments | (58) | 637 | 579 |
| (Charge) credit to profit or loss *(note 10)* | (289) | 7,225 | 6,936 |
| At 31 December 2021 | (2,153) | 25,685 | 23,532 |
| Exchange adjustments | 224 | (2,243) | (2,019) |
| (Charge) credit to profit or loss *(note 10)* | (1,055) | 1,746 | 691 |
| At 31 December 2022 | (2,984) | 25,188 | 22,204 |

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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## 35. DEFERRED TAX ASSETS/LIABILITIES *(Continued)*

At the end of the reporting period, the Group has unused estimated tax losses of HK$120,491,000 (2021: HK$137,855,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses were HK$103,891,000 (2021: HK$64,833,000) with expiry dates as disclosed in the following table. The remaining losses of HK$16,600,000 (2021: HK$73,022,000) may be carried forward indefinitely.

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| 2022 | **–** | 19,332 |
| 2023 | **6,520** | 8,343 |
| 2024 | **12,456** | 13,609 |
| 2025 | **13,166** | 14,897 |
| 2026 | **6,054** | 8,652 |
| 2027 | **65,695** | – |
| | **103,891** | 64,833 |

## 36. SHARE CAPITAL

| | **Number of shares** '000 | **Share capital** HK$'000 |
|---|---|---|
| Issued and fully paid ordinary shares with no par value | | |
| At 1 January 2021, 31 December 2021 and 31 December 2022 | 2,158,210 | 1,246,815 |

## 37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Interests in subsidiaries | **1,744,476** | 1,583,234 |
| Property, plant and equipment | **1,226** | 1,573 |
| Right-of-use assets | **7,679** | 3,420 |
| | **1,753,381** | 1,588,227 |
| **Current assets** | | |
| Prepayments and deposits | **603** | 920 |
| Tax recoverable | **–** | 122 |
| Dividend receivable | **87,000** | – |
| Bank balances and cash | **5,907** | 7,581 |
| | **93,510** | 8,623 |
| **Current liabilities** | | |
| Other payables | **23,704** | 16,856 |
| Tax payable | **312** | – |
| Bank borrowings | **–** | 83,800 |
| Lease liabilities | **2,956** | 3,269 |
| | **26,972** | 103,925 |
| **Net current liabilities** | **66,538** | (95,302) |
| **Total assets less current liabilities** | **1,819,919** | 1,492,925 |
| **Capital and reserves** | | |
| Share capital | **1,246,815** | 1,246,815 |
| Reserves | **568,016** | 245,746 |
| | **1,814,831** | 1,492,561 |
| **Non-current liability** | | |
| Lease liabilities | **5,088** | 364 |
| | **1,819,919** | 1,492,925 |

### Movements in the Company's reserves

| | Share premium HK$'000 | Other reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2021 | 19,700 | 33,600 | 37,866 | 91,166 |
| Profit for the year | – | – | 327,237 | 327,237 |
| Dividend paid | – | – | (172,657) | (172,657) |
| At 31 December 2021 | 19,700 | 33,600 | 192,446 | 245,746 |
| Profit for the year | – | – | 473,345 | 473,345 |
| Dividend paid | – | – | (151,075) | (151,075) |
| At 31 December 2022 | 19,700 | 33,600 | 514,716 | 568,016 |

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## 38. DISPOSAL OF A SUBSIDIARY

On 17 November 2022, the Group entered into a share purchase agreement with Aim Far International Limited ("Aim Far"), an independent third party, to dispose its entire equity interests in Kin Shing (Leung's) General Contractors Limited to Aim Far at a consideration of HK$37,800,000.

| | *HK$'000* |
|---|---|
| The assets and liabilities disposed of in the transaction | |
| Bank balances and cash | 22,800 |
| Amount due to a fellow subsidiary | (5,000) |
| | 17,800 |

| | *HK$'000* |
|---|---|
| Gain on disposal of a subsidiary | |
| Cash consideration received | 37,800 |
| Less: Transaction costs | (300) |
| Less: Net asset disposed of | (17,800) |
| | 19,700 |
| Net cash inflow arising on disposal | |
| Cash consideration | 37,800 |
| Less: Transaction costs | (300) |
| Less: Bank balances and cash disposed of | (22,800) |
| | 14,700 |

The cash consideration was settled by Aim Far in full on 17 November 2022.

## 39. OPERATING LEASING ARRANGEMENTS

### The Group as lessor

Property rental income earned during the year ended 31 December 2022 was HK$2,812,000 (2021: HK$2,515,000). The investment properties with carrying amount of HK$66,753,000 (2021: HK$55,529,000) as at 31 December 2022 were held for rental purposes. The properties held have committed lessees from one to two months.

At the end of the reporting period, the Group as lessor had contracted with lessees for the following undiscounted lease payment receivables:

| | **2022** **HK$'000** | 2021 *HK$'000* |
|---|---|---|
| Within one year | **450** | 482 |

## 40. CAPITAL COMMITMENTS

| | **2022** **HK$'000** | 2021 *HK$'000* |
|---|---|---|
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment | **50** | 29 |

## 41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes bank borrowings and lease liabilities disclosed in notes 32 and 33, respectively, net of cash and cash equivalents and pledged bank deposits and equity attributable to the owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

## 42. FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | **2022** **HK$'000** | 2021 *HK$'000* |
|---|---|---|
| Financial assets | | |
| Financial assets at amortised cost | **4,205,605** | 4,699,665 |
| Financial assets at FVTPL | **134,304** | 113,802 |
| | **4,339,909** | 4,813,467 |
| Financial liabilities | | |
| Amortised cost | **3,125,402** | 3,441,924 |

### Financial risk management objectives and policies

The Group's financial instruments include financial assets at FVTPL, other financial assets at amortised cost, trade and other receivables and bills receivable, amounts due from related companies, amounts due from fellow subsidiaries, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, amounts due to fellow subsidiaries, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 42. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

**Market risk**

***(i) Currency risk***

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The directors of the Company consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than functional currency of its respective group entities at the end of the reporting period are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2022 HK$'000** | 2021 HK$'000 | **2022 HK$'000** | 2021 HK$'000 |
| HK$ against Macau Pataca ("MOP") | **39,880** | 183,086 | **20,604** | 14,939 |
| United States dollars ("USD") against HK$ | **12,986** | 24,262 | **677** | 760 |
| USD against MOP | **832** | 865 | **492** | 492 |
| British Pound Sterling against HK$ | **537** | 7 | **–** | – |
| RMB against HK$ and MOP | **46,040** | 25,982 | **45** | 268 |
| Euro against HK$ and MOP | **8,573** | 24,353 | **–** | – |
| Singapore dollars ("SGD") against HK$ and MOP | **1,460** | – | **–** | – |
| HK$ against RMB | **88** | 290 | **–** | 1 |
| HK$ against SGD | **1,342** | – | **5,522** | – |
| USD against SGD | **270** | – | **–** | – |
| Euro against SGD | **–** | – | **106** | – |
| *Intra-group balances* | | | | |
| HK$ and MOP against RMB | **37,540** | 74,051 | **409** | 259 |
| HK$ and MOP against SGD | **2,832** | – | **205,499** | – |

## 42. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

**Market risk** *(Continued)*

***(i)*** ***Currency risk*** *(Continued)*

Sensitivity analysis

As HK$ is pegged to USD and the exchange rate of HK$/MOP and USD/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK$/MOP, USD/HK$ and USD/MOP exchange rates. As a result, the directors of the Company consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between HK$/MOP, USD/HK$ and USD/MOP is minimal.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK$ and MOP, Euro against HK$ and MOP, HK$ and MOP against RMB, and HK$ and MOP against SGD. 5% represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period includes only outstanding foreign currency denominated monetary items.

A positive number below indicates an increase in post-tax profit for the current year where a 5% strengthening of RMB against HK$ and MOP, Euro against HK$ and MOP, HK$ and MOP against RMB, or HK$ and MOP against SGD. For a 5% weakening of RMB against HK$ and MOP, Euro against HK$ and MOP, HK$ and MOP against RMB, or HK$ and MOP against SGD, there would be an equal and opposite impact on the post-tax profit for the year as set out below:

| | Increase (decrease) in post-tax profit | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| RMB against HK$ and MOP | **1,921** | 1,073 |
| Euro against HK$ and MOP | **359** | 1,018 |
| HK$ and MOP against RMB | **1,582** | 3,148 |
| HK$ and MOP against SGD | **(8,584)** | – |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

***(ii)*** ***Fair value interest rate risk***

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's fair value interest rate risk relates to fixed-rate of certain bank deposits (see note 28 for details) and lease liabilities (see note 33 for details). The management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

## 42. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

**Market risk** *(Continued)*

***(iii) Cash flow interest rate risk***

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's cash flow interest rate risk relates primarily to variable-rate pledged bank deposits, bank balances and bank borrowings (see note 28 for details of the pledged bank deposits and bank balances and note 32 for details of bank borrowings). The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For variable-rate pledged bank deposits, bank balances and bank borrowings, the analysis is prepared assuming the pledged bank deposits, bank balances and bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. A 10 basis points increase or decrease in variable-rate pledged bank deposits and bank balances represents management's assessment of the reasonably possible change in interest rates. If interest rate increases/decreases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would increase/decrease by HK$1,005,000 (2021: HK$1,202,000). A 50 basis points increase or decrease in variable-rate bank borrowings represents management's assessment of the reasonably possible change in interest rates. If interest rate increases/decreases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would decrease/increase by HK$2,000 (2021: HK$353,000).

***(iv) Equity price risk***

The Group's equity price risk mainly concentrated on financial assets at FVTPL. In addition, the Group has appointed a special team to monitor the equity price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the equity shares had been 30% higher/lower, the profit for the year ended 31 December 2022 would increase/decrease by HK$5,531,000 (2021: HK$7,141,000) as a result of the changes in fair value of financial assets at FVTPL.

**Credit risk and impairment assessment**

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Except for financial assets at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

## 42. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

**Credit risk and impairment assessment** *(Continued)*

***Trade receivables, bills receivable and contract assets arising from contracts with customers***

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced, In addition, the Group performs impairment assessment under ECL model on trade balances individually and/or collectively. Except for trade receivables, bills receivable and contract assets that are credit-impaired, which are assessed for impairment individually, the remaining trade receivables, bills receivable and contract assets are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. Details of the quantitative disclosures are set out below in this note.

***Other receivables***

For other receivables, the management of the Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Except for other receivables that are credit-impaired, which are assessed for impairment based on lifetime ECL, the remaining other receivables are assessed for impairment based on 12m ECL. Impairment loss of HK$2,844,000 (2021: HK$5,678,000) was recognised in profit or loss during the year.

***Other financial assets at amortised cost***

The management of the Group assesses the credit risk of other financial assets at amortised cost based on the default rate and credit rating assigned by international credit-rating agencies. Impairment loss of HK$11,033,000 (2021: nil) was recognised in profit or loss during the year.

***Pledged bank deposits and bank balances***

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers.

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

| Internal credit rating | Description | Trade receivables/ bills receivable/ contract assets | Other financial assets/other items |
|---|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | Lifetime ECL – not credit-impaired | 12m ECL |
| Watch list | Debtor frequently repays after due dates but usually settle in full | Lifetime ECL – not credit-impaired | 12m ECL |
| Doubtful | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

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## 42. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

**Credit risk and impairment assessment** *(Continued)*

The table below details the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

| | *Notes* | Internal credit rating | 12m or lifetime ECL | Gross carrying amount 2022 *HK$'000* | Gross carrying amount 2021 *HK$'000* |
|---|---|---|---|---|---|
| Trade receivables | *24* | *(Note)* | Lifetime ECL (not credit-impaired) | **2,150,627** | 2,418,745 |
| | | Loss | Lifetime ECL (credit-impaired) | **383,501** | 197,583 |
| | | | | **2,534,128** | 2,616,328 |
| Bills receivable | *24* | *(Note)* | Lifetime ECL (not credit-impaired) | **29,898** | 82,809 |
| | | Loss | Lifetime ECL (credit-impaired) | **–** | 37,916 |
| | | | | **29,898** | 120,725 |
| Contract assets | *27* | *(Note)* | Lifetime ECL (not credit-impaired) | **1,270,594** | 1,238,056 |
| | | Loss | Lifetime ECL (credit-impaired) | **76,394** | 39,875 |
| | | | | **1,346,988** | 1,277,931 |
| Other receivables | *24* | Low risk | 12m ECL (not credit-impaired) | **140,089** | 178,577 |
| | | Loss | Lifetime ECL (credit-impaired) | **24,870** | 5,871 |
| | | | | **164,959** | 184,448 |
| Other financial assets at amortised cost | 22 | Low risk | 12m ECL (not credit-impaired) | **58,691** | 9,690 |
| | | Loss | Lifetime ECL (credit-impaired) | **11,389** | 11,375 |
| | | | | **70,080** | 21,065 |
| Amounts due from related companies | *25* | Low risk | 12m ECL (not credit-impaired) | **1,571** | 5,436 |
| Amounts due from fellow subsidiaries | *26* | Low risk | 12m ECL (not credit-impaired) | **953** | 1,005 |
| Pledged bank deposits | *28* | Low risk | 12m ECL (not credit-impaired) | **62,294** | 132,000 |
| Bank balances | *28* | Low risk | 12m ECL (not credit-impaired) | **1,527,342** | 1,797,575 |

*Note:*

For trade receivables, bills receivable and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables, bills receivable and contract assets with credit-impaired, the Group determines the ECL on a collective basis, grouped by internal credit rating.

## 42. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

**Credit risk and impairment assessment** *(Continued)*

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables, bills receivable and contract assets which are assessed on a collective basis within lifetime ECL (not credit-impaired). Trade receivables, bills receivable and contract assets which are credit-impaired with gross carrying amounts of HK$383,501,000, nil and HK$76,394,000, respectively (2021: HK$197,583,000, HK$37,916,000 and HK$39,875,000, respectively) as at 31 December 2022 were assessed individually.

***Gross carrying amount***

| Internal credit rating | 2022 Average loss rate | 2022 Trade receivables HK$'000 | 2022 Bills receivable HK$'000 | 2022 Contract assets HK$'000 | 2021 Average loss rate | 2021 Trade receivables HK$'000 | 2021 Bills receivable HK$'000 | 2021 Contract assets HK$'000 |
|---|---|---|---|---|---|---|---|---|
| Low risk | 0.01% | 1,133,477 | 8,069 | 949,682 | 0.25% | 1,369,920 | 52,321 | 860,251 |
| Watch list | 4.85% | 1,017,150 | 21,829 | 320,912 | 4.48% | 1,048,825 | 30,488 | 377,805 |
| | | 2,150,627 | 29,898 | 1,270,594 | | 2,418,745 | 82,809 | 1,238,056 |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The bills receivable and contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for bills receivable and contract assets.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and bills receivable under the simplified approach.

| | Trade receivables Lifetime ECL (not credit-impaired) HK$'000 | Trade receivables Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 | Bills receivable Lifetime ECL (not credit-impaired) HK$'000 | Bills receivable Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2021 | 41,844 | 93,609 | 135,453 | 838 | 1,515 | 2,353 |
| Transfer to credit-impaired | (9,634) | 9,634 | – | – | – | – |
| Impairment losses recognised | 22,961 | 2,128 | 25,089 | 271 | 3,125 | 3,396 |
| Exchange adjustments | 1,293 | 2,311 | 3,604 | 29 | 93 | 122 |
| At 31 December 2021 | 56,464 | 107,682 | 164,146 | 1,138 | 4,733 | 5,871 |
| Transfer to credit-impaired | (4,557) | 4,557 | – | – | – | – |
| Impairment losses recognised (reversed) | 2,966 | 6,287 | 9,253 | 2,526 | (4,505) | (1,979) |
| Exchange adjustments | (4,477) | (8,855) | (13,332) | (194) | (228) | (422) |
| At 31 December 2022 | 50,396 | 109,671 | 160,067 | 3,470 | – | 3,470 |

## 42. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

**Credit risk and impairment assessment** *(Continued)*

The Group writes off a trade receivable or bills receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables and bills receivable that have been written off is subject to enforcement activities.

The following table shows reconciliation of loss allowances that has been recognised for contract assets.

| | Lifetime ECL (not credit-impaired) *HK$'000* | Lifetime ECL (credit-impaired) *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| At 1 January 2021 | 16,819 | 15,426 | 32,245 |
| Transfer to credit-impaired | (314) | 314 | – |
| Impairment losses reversed | (3,507) | (753) | (4,260) |
| Exchange adjustments | 360 | 301 | 661 |
| At 31 December 2021 | 13,358 | 15,288 | 28,646 |
| Transfer to credit-impaired | (1,665) | 1,665 | – |
| Impairment losses recognised | 1,480 | 8,816 | 10,296 |
| Exchange adjustments | (835) | (856) | (1,691) |
| At 31 December 2022 | 12,338 | 24,913 | 37,251 |

The changes in the loss allowance for trade receivables, bills receivable and contract assets are mainly due to the default in payment by certain debtors during the year. As at 31 December 2022, the gross carrying amounts of the aforesaid assets were HK$383,501,000, nil and HK$76,394,000, respectively (2021: HK$197,583,000, HK$37,916,000 and HK$39,875,000, respectively) and were determined as credit-impaired at average loss rate of 28.60%, N/A and 32.61%, respectively (2021: 54.50%, 12.48% and 38.34%, respectively).

Additionally, there were long outstanding balances of trade receivables and contract assets in relation to certain fitting-out projects undertaken by the Group in the PRC. Such long outstanding balances were mainly attributable to the low amount of settlements during the year. The management of the Group had been negotiating with such customers for the settlements, therefore no further impairment loss was made.

## 42. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

**Credit risk and impairment assessment** *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for other receivables.

| | 12m ECL (not credit-impaired) HK$'000 | Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2021 | 3,360 | – | 3,360 |
| Transfer to credit-impaired | (211) | 211 | – |
| Impairment losses recognised | 112 | 5,566 | 5,678 |
| Exchange adjustments | 84 | 94 | 178 |
| At 31 December 2021 | 3,345 | 5,871 | 9,216 |
| Transfer to credit-impaired | (353) | 353 | – |
| Impairment losses (reversed) recognised | (1,323) | 4,167 | 2,844 |
| Exchange adjustments | (169) | (530) | (699) |
| At 31 December 2022 | 1,500 | 9,861 | 11,361 |

The changes in the loss allowance for other receivables are mainly due to the significant increase of credit risk of certain counterparties during the year. As at 31 December 2022, the gross carrying amount of the credit-impaired aforesaid asset was HK$24,870,000 (2021: HK$5,871,000).

The following table shows reconciliation of loss allowances that has been recognised for other financial assets at amortised cost.

| | 12m ECL (not credit-impaired) HK$'000 | Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2021 and 31 December 2021 | – | – | – |
| Impairment losses recognised | 810 | 10,223 | 11,033 |
| At 31 December 2022 | 810 | 10,223 | 11,033 |

The changes in the loss allowance for other financial asset at amortised cost are mainly due to the significant increase of credit risk of certain bond issuers during the year. As at 31 December 2022, the gross carrying amount of the credit-impaired aforesaid asset was HK$11,389,000 (2021: HK$11,375,000).

## 42. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

**Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table included both interest and principal cash flows. To the extent that interest flows were floating rate, the undiscounted amount was derived from contracted interest rate curve at the end of each reporting period.

| | Weighted average interest rate | Less than 4 months or on demand | Between 4 to 6 months | Between 7 to 12 months | Between 1 to 5 years | Over 5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **2022** | | | | | | | | |
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | N/A | 2,154,633 | 18,453 | 51,370 | 229,056 | – | 2,453,512 | 2,453,512 |
| Bills payable | N/A | 302,716 | 270,925 | 77,152 | – | – | 650,793 | 650,793 |
| Amounts due to fellow subsidiaries | N/A | 614 | – | – | 14 | – | 628 | 628 |
| Bank borrowings | N/A | 526 | – | – | – | – | 526 | 526 |
| Lease liabilities | 4.42 | 3,005 | 3,005 | 5,749 | 8,756 | 30 | 20,545 | 19,943 |
| | | 2,461,494 | 292,383 | 134,271 | 237,826 | 30 | 3,126,004 | 3,125,402 |
| 2021 | | | | | | | | |
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | N/A | 2,209,994 | 22,225 | 27,299 | 248,025 | – | 2,507,543 | 2,507,543 |
| Bills payable | N/A | 399,974 | 377,078 | 62,807 | – | – | 839,859 | 839,859 |
| Bank borrowings | N/A | 84,537 | – | – | – | – | 84,537 | 84,537 |
| Lease liabilities | 4.46 | 3,089 | 2,471 | 2,654 | 1,804 | 30 | 10,048 | 9,985 |
| | | 2,697,594 | 401,774 | 92,760 | 249,829 | 30 | 3,441,987 | 3,441,924 |

## 42. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

**Liquidity risk** *(Continued)*

Bank borrowings with a repayment on demand clause were included in the "Less than 4 months or on demand" time band in the above maturity analysis. As at 31 December 2022, the aggregate undiscounted principal amounts of the bank borrowings amounted to HK$526,000 (2021: HK$84,537,000). Taking into account the Group's financial position, the director of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such outstanding bank borrowings as at 31 December 2022 and 31 December 2021 will be fully repaid by June 2025 in accordance with the scheduled repayment dates set out in the banking facility letter, details of which are set out in the table below:

| | Maturity analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments | | | | | |
|---|---|---|---|---|---|---|
| | Weighted average interest rate<br>% | Less than 1 year<br>HK$'000 | Between 1–2 years<br>HK$'000 | Between 3–5 years<br>HK$'000 | Total undiscounted cash outflows<br>HK$'000 | Carrying amount<br>HK$'000 |
| At 31 December 2022 | **6.77%** | **240** | **225** | **107** | **572** | **526** |
| At 31 December 2021 | 1.70% | 80,934 | 4,027 | 320 | 85,281 | 84,537 |

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

### Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair values for financial reporting purposes. The management of the Group determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Levels 1 or 2 inputs are not available, the Group engages an independent qualified professional valuer to perform the valuation. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model. The respective management team reports the findings to the directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets.

| | **2022**<br>***HK$'000*** | 2021<br>*HK$'000* | **Fair value hierarchy** |
|---|---|---|---|
| Financial assets at FVTPL | | | |
| Listed equity securities | **18,438** | 23,802 | Level 1 |
| Unlisted fund investments | **28,866** | – | Level 2 |
| Unlisted equity fund | **87,000** | 90,000 | Level 3 |
| Total | **134,304** | 113,802 | |

## 42. FINANCIAL INSTRUMENTS *(Continued)*

### Fair value measurements of financial instruments *(Continued)*

There were no transfers among Levels 1, 2 and 3 during both years. The Group will recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of listed equity securities are determined with reference to quoted market bid prices from relevant stock exchanges.

The fair values of unlisted fund investments are determined with reference to the fair values of the underlying assets and liabilities of fund investments at the end of the reporting period.

The fair value of unlisted equity fund is determined with reference to market values of underlying asset, which mainly comprise investment property located in Hong Kong held by the investee fund. The valuation of the property was principally arrived at using the comparison method, in which the property is valued on the assumption that the property can be sold with the benefit of vacant possession. Comparison based on prices realised on actual sales of comparable properties is made for similar properties in the similar location. The significant unobservable inputs include the premium/discount on quality and characteristic for the comparable properties. Higher premium or discount for differences in the quality and characteristic of the property and the comparable properties would result in correspondingly higher or lower fair value of the unlisted equity fund.

**Reconciliation of Level 3 fair value measurements of financial assets**

| | Unlisted equity fund *HK$'000* |
|---|---|
| At 1 January 2021 | 92,000 |
| Addition | 22,200 |
| Loss from fair value changes recognised in profit or loss | (24,200) |
| At 31 December 2021 | 90,000 |
| Loss from fair value changes recognised in profit or loss | (3,000) |
| At 31 December 2022 | 87,000 |

Of the loss for the year included in profit or loss HK$3,000,000 (2021: HK$24,200,000) relating to financial assets of the unlisted equity fund that are measured at fair value at the end of each reporting period. Such fair value loss is included in other gains and losses.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

Except as detailed in above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 43. PERFORMANCE BONDS, ADVANCE PAYMENT BONDS AND TENDER BONDS

As at 31 December 2022, the Group has issued performance bonds, advance payment bonds, and tender bonds in respect of certain supply and installation contracts through the banks amounting to HK$757,231,000 (2021: HK$659,913,000).

As at 31 December 2022 and 31 December 2021, certain performance bonds and certain tender bonds were secured by certain pledged bank deposits as set out in note 28.

## 44. RETIREMENT BENEFIT SCHEMES

The Group has arranged for all qualifying employees of the Company and its Hong Kong subsidiaries to join the MPF Scheme. The MPF Scheme is a defined contribution scheme managed by independent trustees. Under the MPF Scheme, both the Group and the employees make monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HK$1,500 per month and thereafter contributions are voluntary.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2022 and 31 December 2021.

Eligible employees in Macau currently participate in a defined contribution pension scheme operated by the local government which is a fixed amount for each employee.

The subsidiary operated in Singapore makes contributions to the Central Provident Fund scheme ("CPF Scheme") in Singapore, a defined contribution pension scheme. The subsidiary is required to contribute certain specified percentage of payroll costs, subject to certain caps under the CPF Scheme.

The employees of the subsidiaries operated in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year, the Group has made contributions to retirement benefit schemes as follows:

| | **2022**<br>***HK$'000*** | 2021<br>*HK$'000* |
|---|---|---|
| Contributions paid and payable | **24,364** | 21,689 |
| Less: Capitalised to contract costs and inventories | **(15,157)** | (15,382) |
| | **9,207** | 6,307 |

## 45. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 1 December 2015 (the "Share Option Scheme") for the purpose of providing incentives or rewards to any executives, any employee (including proposed, full-time or part-time employee), a director or proposed director (including an independent non-executive director), a direct or indirect shareholder of any member of the Company and its subsidiaries and an associate of any of the aforementioned persons ("Eligible Persons") who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group. Under the Share Option Scheme, the board of directors of the Company may grant options to Eligible Persons, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at 29 December 2015, being the date of the listing of ordinary shares of the Company (i.e. 200,000,000 shares). The maximum number of shares issued and to be issued upon exercise of the options granted to each Eligible Persons (including both exercised and outstanding options), in any 12-month period shall not exceed 1% of the shares of the Company in issue for the time.

Options granted shall be taken up upon payment of HK$1 as consideration for the grant of option. Options may be exercised at any time not exceeding a period of 10 years from the date which the share option is deemed to be granted and accepted. The subscription price is determined by the board of directors of the Company, and shall not be less than whichever is the highest of (i) the closing price of the Company's shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet on the date of offer and (ii) the average closing price of the shares for the five business days immediately preceding the offer date.

No share options were granted, exercised, cancelled, lapsed, forfeited or expired during the year.

## 46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Bank borrowings *HK$'000* | Lease liabilities *HK$'000* | Dividend payable *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| At 1 January 2021 | 164,747 | 18,190 | – | 182,937 |
| Financing cash flows | (82,197) | (10,764) | (172,657) | (265,618) |
| New leases entered | – | 1,900 | – | 1,900 |
| Exchange adjustments | – | 275 | – | 275 |
| Interest expenses | 1,987 | 384 | – | 2,371 |
| Dividends recognised as distribution | – | – | 172,657 | 172,657 |
| At 31 December 2021 | 84,537 | 9,985 | – | 94,522 |
| Financing cash flows | (84,840) | (11,571) | (151,075) | (247,486) |
| New leases entered | – | 22,214 | – | 22,214 |
| Exchange adjustments | – | (974) | – | (974) |
| Interest expenses | 829 | 289 | – | 1,118 |
| Dividends recognised as distribution | – | – | 151,075 | 151,075 |
| At 31 December 2022 | 526 | 19,943 | – | 20,469 |

## 47. RELATED PARTY TRANSACTIONS

Apart from bills receivable, amounts due from related companies, amounts due from fellow subsidiaries and contract assets from related companies and fellow subsidiaries as set out in notes 24, 25, 26 and 27, respectively, the Group has following transactions with its related parties:

| Relationships | Nature of transactions | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| Related companies | Revenue from fitting-out works | – | 25,795 |
| | Rental income | 1,933 | 1,999 |
| | Property management fee expenses | 868 | 1,002 |
| Ultimate holding company | Entrustment fee income | 91 | 94 |
| Fellow subsidiaries | Revenue from fitting-out works | 2,339 | 13,023 |
| | Rental income | 381 | – |
| | Entrustment fee income | 238 | 247 |
| | Technical advisory service fee expenses | 4,910 | 1,064 |
| | Management consultancy fee expenses | 31 | 2,101 |

In addition,

(a) as at 31 December 2022, the ultimate holding company had outstanding performance bonds and advance payment bonds amounting to HK$233,102,000 (2021: HK$300,939,000) issued in favour of customers of the Group through banks and an insurance company.

(b) as at 31 December 2022 and 31 December 2021, Sundart Beijing's banking facilities were guaranteed by the ultimate holding company. Sundart Beijing did not pay any charges for the guarantee granted.

### Compensation of key management personnel

The remuneration of key management personnel of the Group during the year was as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Salaries and short-term benefits | 48,836 | 43,118 |
| Post-employment benefits | 391 | 381 |
| | 49,227 | 43,499 |

## 47. RELATED PARTY TRANSACTIONS *(Continued)*

### Compensation of key management personnel *(Continued)*

The remuneration of key management personnel was determined by the directors of the Company having regard to the performance of individuals and the Group.

The above related party transactions for the year ended 31 December 2022 in respect of revenue from fitting-out works and technical advisory service fee expenses constituted discloseable connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Connected transactions" in the Directors' Report.

## 48. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2022 and 31 December 2021 are as follows:

| Name of subsidiary | Place of incorporation or establishment/ operations | Issued and fully paid capital/ registered capital/ quota capital | Equity interests attributable to the Group | | Principal activities |
|---|---|---|---|---|---|
| | | | **2022** | 2021 | |
| *Direct subsidiaries:* | | | | | |
| Sundart Investments Limited | Hong Kong | HK$1,000 | **100%** | 100% | Investment holding |
| HONEST PARK LIMITED | BVI/Hong Kong | USD1 | **100%** | 100% | Investment holding |
| Sundart Products Limited | BVI/Hong Kong | USD1 | **100%** | 100% | Investment holding and leasing of intellectual properties |
| GLORYEILD ENTERPRISES LIMITED | BVI/Hong Kong | USD1 | **100%** | 100% | Investment holding |
| GROW PATH INTERNATIONAL LIMITED | BVI/Hong Kong | USD1 | **100%** | 100% | Investment holding |
| *Indirect subsidiaries:* | | | | | |
| Sundart Timber | Hong Kong | HK$46,510,000 | **100%** | 100% | Investment holding and fitting-out works |
| Sundart Engineering Services (Macau) Limited | Macau | MOP100,000 | **100%** | 100% | Fitting-out works |
| SUNDART ENGINEERING SERVICES (SINGAPORE) PTE. LIMITED | Singapore | SGD500,000 (2021: SGD1) | **100%** | 100% | Fitting-out works |
| Sundart Elite Base Engineering Limited | Hong Kong | HK$1 | **100%** | 100% | Fitting-out works |
| Sundart Engineering Investments Limited | Hong Kong | HK$1 | **100%** | 100% | Investment holding |
| Sundart Beijing *(note a)* | The PRC | HK$182,270,000 | **100%** | 100% | Fitting-out works |
| 承達創建建設工程有限公司 *(note a)* | The PRC | RMB100,000,000 | **100%** | 100% | Fitting-out works |

## 48. PARTICULARS OF THE SUBSIDIARIES *(Continued)*

| Name of subsidiary | Place of incorporation or establishment/ operations | Issued and fully paid capital/ registered capital/ quota capital | Equity interests attributable to the Group | | Principal activities |
|---|---|---|---|---|---|
| | | | **2022** | 2021 | |
| 北京承達置業有限公司 | The PRC | RMB30,000,000 | **100%** | 100% | Property holding and leasing of properties |
| GLORY SPRING INVESTMENTS LIMITED | BVI/Hong Kong | USD1 | **100%** | 100% | Investment holding |
| Kin Shing (Leung's) General Contractors Limited *(note b)* | Hong Kong | HK$17,800,000 | **–** | 100% | Construction and civil engineering works |
| Sundart Project Management & Consultancy Limited | Hong Kong | HK$1 | **100%** | 100% | Project management and consultancy services |
| Sundart Living | Hong Kong | HK$100 | **100%** | 100% | Investment holding |
| Dongguan Sundart Home Furnishing Co., Ltd. *(note c)* | The PRC | HK$111,570,000 | **100%** | 100% | Manufacturing and distribution of interior decorative materials |
| Sundart International Supply Limited | Hong Kong | HK$10,000 | **100%** | 100% | Sourcing and distribution of interior decorative materials |
| Sundart International Supply (Macau) Limited | Macau | MOP25,000 | **100%** | 100% | Sourcing and distribution of interior decorative materials |
| EASY GLORY HOLDINGS LIMITED | BVI/Hong Kong | USD1 | **100%** | 100% | Investment holding |
| PROPER WEALTH GROUP LIMITED | BVI/Hong Kong | USD1 | **100%** | 100% | Investment holding |
| Sundart Industry Investment Limited | Hong Kong | HK$100 | **100%** | 100% | Investment holding |
| 廣州承達實業有限公司 *(note a)* | The PRC | RMB120,000,000 | **100%** | 100% | Investment holding |
| 武漢承達創建實業有限公司 *(note c)* | The PRC | RMB100,000,000 | **100%** | 100% | Investment holding |
| PEAK GAIN DEVELOPMENT LIMITED | BVI/Hong Kong | USD1 | **100%** | 100% | Investment holding |
| Glory One Investments Limited | Hong Kong | HK$1 | **100%** | 100% | Investment holding |
| GOOD ENCORE LIMITED | BVI/Hong Kong | USD1 | **100%** | 100% | Investment holding |
| Good Encore Development Limited | Hong Kong | HK$100 | **100%** | 100% | Leasing of property |
| In Wave Limited | Hong Kong | HK$1 | **–** | 100% | Inactive and deregistered on 4 February 2022 |
| ACUTE KEY INTERNATIONAL LIMITED | BVI/Hong Kong | USD1 | **100%** | 100% | Investment holding |
| Metro Palace Limited | Hong Kong | HK$3 | **100%** | 100% | Leasing of property |

*Notes:*

(a) This is a sino-foreign joint venture established in the PRC.

(b) This company ceased to be a subsidiary of the Group with effective from 17 November 2022.

(c) This is a wholly foreign-owned enterprise in the PRC.

None of the subsidiaries had issued any debt securities during the year.

# Five-Year Financial Summary

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Results** | | | | | |
| Revenue | **4,678,627** | 5,689,948 | 5,929,077 | 6,096,159 | 5,390,754 |
| Profit before tax | **336,379** | 432,818 | 478,729 | 489,139 | 445,214 |
| Income tax expense | **(48,849)** | (61,531) | (72,271) | (76,165) | (64,012) |
| Profit for the year attributable to owners of the Company | **287,530** | 371,287 | 406,458 | 412,974 | 381,202 |
| **Earnings per share** | | | | | |
| Basic and diluted *(HK cents)* | **13.32** | 17.20 | 18.83 | 19.14 | 17.66 |

| | At 31 December | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Assets and liabilities** | | | | | |
| Total assets | **6,692,801** | 7,032,980 | 6,281,560 | 5,743,174 | 4,946,189 |
| Total liabilities | **(3,445,173)** | (3,805,642) | (3,284,709) | (3,207,854) | (2,647,560) |
| Equity attributable to owners of the Company | **3,247,628** | 3,227,338 | 2,996,851 | 2,535,320 | 2,298,629 |