2021
Annual Report

建榮地基 KIN WING

CHINNEY KIN WING HOLDINGS LIMITED
建業建榮控股有限公司*

(Incorporated in Bermuda with limited liability)
Stock Code : 1556

* for identification purpose only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Yuen-Keung CHAN *(Chairman)*
James Sing-Wai WONG
Wing-Sang YU *(Managing Director)*
Philip Bing-Lun LAM
Hin-Kwong SO

Independent Non-Executive Directors

Siu-Chee KONG
Ivan Ti-Fan PONG
Robert Che-Kwong TSUI

AUDIT COMMITTEE

Siu-Chee KONG *(Chairman)*
Ivan Ti-Fan PONG
Robert Che-Kwong TSUI

REMUNERATION COMMITTEE

Robert Che-Kwong TSUI *(Chairman)*
Ivan Ti-Fan PONG
Yuen-Keung CHAN

NOMINATION COMMITTEE

Ivan Ti-Fan PONG *(Chairman)*
Robert Che-Kwong TSUI
Yuen-Keung CHAN
James Sing-Wai WONG
Siu-Chee KONG

COMPANY SECRETARY

Eric Wing-Hung YUEN

PRINCIPAL BANKERS

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

AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2308, 23/F
Wing On Centre
111 Connaught Road Central
Hong Kong

STOCK CODE

SEHK 01556

BUSINESS ADDRESSES AND CONTACTS

Chinney Kin Wing Holdings Limited

Room 2308, 23/F
Wing On Centre
111 Connaught Road Central
Hong Kong

Tel	:	(852) 2877-3307
Fax	:	(852) 2877-2035
Website	:	http://www.chinneykinwing.com.hk
E-mail	:	enquiry@chinneykinwing.com.hk

Kin Wing Engineering Company Limited
Kin Wing Foundations Limited
Kin Wing Machinery & Transportation Limited

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

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

Kinwing Engineering (Macau) Company Limited

Alameda Dr. Carlos D'Assumpção
nºs 411-417, Praça Wong Chio
5º andar D-G
em Macau

Tel	:	(853) 2871-5564
		(853) 2871-5718
Fax	:	(853) 2871-3948

DrilTech Ground Engineering Limited
DrilTech Geotechnical Engineering Limited

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

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

DrilTech Ground Engineering (Macau) Limited

Alameda Dr. Carlos D'Assumpção
nºs 411-417, Praça Wong Chio
5º andar D-G
em Macau

Tel	:	(853) 2871-5564
		(853) 2871-5718
Fax	:	(853) 2871-3948

DrilTech Ground Engineering (Singapore) Pte. Ltd.

80 Robinson Road
#25-00
Singapore 068898

Tel	:	(65) 6534-5755
Fax	:	(65) 6534-5766

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Chinney Kin Wing Holdings Limited (the "Company", collectively with its subsidiaries, the "Group") will be held on Thursday, 2 June 2022 at 10:30 a.m. at Artyzen Club, 401A, 4/F Shun Tak Centre (near China Merchants Tower), 200 Connaught Road Central, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company for the year ended 31 December 2021 together with the reports of the directors and the independent auditor thereon.

2. To declare a final dividend for the year ended 31 December 2021.

3. To re-elect directors of the Company (the "Directors") and to authorise the board of Directors (the "Board") to fix the directors' remuneration.

4. To re-appoint auditor and to authorise the Board to fix their remuneration.

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

ORDINARY RESOLUTION

"**THAT**:

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

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

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

(d) for the purpose of this Resolution,

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

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

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

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

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

By Order of the Board
Eric Wing-Hung Yuen
Company Secretary

Hong Kong, 28 April 2022

Notes:

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

(2) In order to be valid, a form of proxy in the prescribed form, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or other authority must be completed, signed and deposited with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 48 hours before the time appointed for holding the AGM (and at any adjournment thereof).

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

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

Notes: (continued)

(5) With regard to resolution 3 in this notice, Mr. Yuen-Keung Chan ("Mr. Chan"), Mr. Hin-Kwong So ("Mr. So") and Mr. Siu-Chee Kong ("Mr. Kong") will retire by rotation at the AGM in accordance with bye-law 84 of the Bye-laws of the Company. All Mr. Chan, Mr. So and Mr. Kong, being eligible, will offer themselves for re-election at the AGM.

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

Yuen-Keung Chan

Aged 67, joined our Group in September 1994. He was appointed as our executive Director on 9 July 2015 and concurrently serves as the chairman of our Board. Mr. Chan is responsible for strategic planning, overall corporate and business development of our Group. He also serves as a director of all major subsidiaries of our Group.

Mr. Chan has over forty-five years of experience in the construction industry. He is a member of the Chartered Institute of Building.

Currently, Mr. Chan is an executive director, the vice chairman and the managing director of Chinney Alliance Group Limited (stock code: 385, "CAGL") and an executive director, the vice chairman and the managing director of Chinney Investments, Limited (stock code: 216, "Chinney Investments"). Chinney Investments and CAGL are both listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

There is a service agreement entered into between the Company and Mr. Chan. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. He is entitled to a fixed fee of HK$200,000 per annum which is based on the Company's remuneration policy adopted for executive Directors. In addition, he is also entitled to a discretionary bonus to be determined by the Board and other employment benefits provided by the Group to all eligible staff. He was entitled to a performance-related bonus of HK$7,000,000 for the year ended 31 December 2021.

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

Notes: (continued)

Hin-Kwong So

Aged 64, was appointed as our executive Director on 11 August 2015 and concurrently serves as the general manager of our Company. He is the Head of our Execution Panel and responsible for the overall management and supervision of operations of our Group, including but not limited to, tendering, project planning, project management, quality assurance and general corporate administration. He is currently a director of Kin Wing Engineering Company Limited ("Kin Wing Engineering"), Kin Wing Foundations Limited ("Kin Wing Foundations") and Everest Engineering Company Limited.

Mr. So has over thirty years of experience in site supervision, project management and tendering in various types of foundation, substructure and site formation projects. He worked as a joint general manager of Kin Wing Engineering and Kin Wing Foundations since April 2009 and the general manager since January 2012. Mr. So obtained a Bachelor's degree in Civil Engineering from the National Cheng Kung University in Taiwan in June 1982.

Within the meaning of Part XV of the SFO, Mr. So has interests of 2,000,000 shares of the Company at 31 December 2021. Save as disclosed above, Mr. So does not hold any other positions in the Company or any members of the Group, and did not hold any directorships in any listed public companies in the past three years. He does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company.

There is a service agreement entered into between the Company and Mr. So. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. He is entitled to a fixed fee of HK$200,000 per annum which is based on the Company's remuneration policy adopted for executive Directors. Mr. So has an employment contract with the Company which is terminable by either party by serving to another party six months' advance written notice. He is entitled to monthly salary and allowances of HK$247,000 which has been fixed by reference to his position, his level of responsibilities and the remuneration policy of the Group. In addition, he is also entitled to a discretionary bonus to be determined by the Board and other employment benefits provided by the Group to all eligible staff. He was entitled to a performance-related bonus of HK$1,800,000 for the year ended 31 December 2021.

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

Siu-Chee Kong

Aged 75, was appointed as our independent non-executive Director on 20 October 2015. He is also the chairman of the audit committee of the Company.

Mr. Kong received an MBA degree from The Chinese University of Hong Kong in December 1980, and received a diploma in Banking from the Chartered Banker Institute in London in December 1973.

Mr. Kong began his career in 1969 with Standard Chartered Bank, where he served in various managerial positions for twenty-four years. He was a director of Champion Technology Holdings Limited (stock code: 0092) from 1993 to 1994 and a director of Kantone (UK) Limited from 1994 to 1996. From 1999 to 2005, he served as an executive vice-president, director, and alternate chief executive officer of CITIC Ka Wah Bank Limited, and was an executive director of CITIC International Financial Holdings Limited (formerly known as CITIC Ka Wah Bank Limited). He has been appointed as an independent non-executive director of China New Town Development Company Limited (stock code: 1278) since November 2006. He was an independent non-executive director of Harbin Bank Co., Ltd (stock code: 6138) from October 2013 to October 2019 and DIGITALHONGKONG.COM (stock code: 8007, now known as Global Strategic Group Limited) from 28 March 2014 to 16 October 2014.

Notes: (continued)

Siu-Chee Kong *(continued)*

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

There is a service agreement entered into between the Company and Mr. Kong. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. He is entitled to a fixed fee of HK$320,000 per annum which is based on the Company's remuneration policy adopted for independent non-executive Directors.

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

(7) Taking into account of the recent development of the pandemic caused by Covid-19, the Company will implement the following prevention and control measures at the AGM to protect the shareholders from the risk of infection:

(i) Compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue;

(ii) Every shareholder or proxy is required to wear surgical facial mask properly throughout the meeting;

(iii) Hand sanitiser will be provided; and

(iv) No drinks and refreshment will be served.

Furthermore, the Company strongly encourages the shareholders, particularly those who are unwell or subject to quarantine in relation to Covid-19, to appoint the chairman of the AGM as a proxy to vote on the resolutions instead of attending the AGM in person.

(8) Due to the constantly evolving situation relating to the Covid-19 pandemic in Hong Kong, the Company may implement further precautionary measures or may be required to change the AGM arrangements at short notice. Shareholders should visit the websites of the Company at "http://www.chinneykinwing.com.hk" and HKEXnews at "http://www.hkexnews.hk" for future announcements and updates on the AGM arrangements.

(9) At the date hereof, the Board comprises of eight Directors, of which five are executive Directors, namely Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong, Mr. Wing-Sang Yu, Mr. Philip Bing-Lun Lam and Mr. Hin-Kwong So; and three are independent non-executive Directors, namely Mr. Siu-Chee Kong, Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui.

TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors") of Chinney Kin Wing Holdings Limited (the "Company"), I am pleased to present to our shareholders the annual report of the Company together with its subsidiaries (the "Group") for the year ended 31 December 2021. The Group's revenue increased by 31.5% to HK$2,042 million (2020: HK$1,553 million). The profit for the year fell slightly to HK$67 million (2020: HK$77 million), representing a decrease of 13.6% from the previous year.

The increase in the Group's revenue was attributable to continuing contributions from sizeable foundation contracts together with enhanced revenues from the drilling and down-the-hole contracts. On the other hand, intensive competition among market limited our ability to grow contract profit margins. That said, the industry saw increased tender opportunities, both in public and private sectors in 2021. Headwinds included a high index level of direct material costs and labour wages, increasingly stringent contract requirements and ever more complex construction techniques. Nonetheless, our Group's financial position remains sound and debt free and the Board is prudently optimistic for the foundation industry going forward.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2021 to the shareholders of the Company whose names appear on the Company's register of members on 15 June 2022. Subject to approval by the shareholders on the forthcoming annual general meeting, the dividend cheques are expected to be despatched to the shareholders on or before 6 July 2022.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 2 June 2022. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 30 May 2022 to 2 June 2022 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 27 May 2022.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2021 is subject to the approval by the shareholders of the Company at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 10 June 2022 to 15 June 2022 (both days inclusive), during which period no share transfers will be registered. The last day for dealing in the Company's share cum entitlements to the proposed final dividend will be 7 June 2022. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 9 June 2022.

PROSPECTS

At the end of 2021, Hong Kong's economy logged a 6.4% growth year-on-year following a moderate rebound of global demand as the Covid-19 pandemic showed signs of easing off. Steady economic growth through continued infrastructure investment is the key to maintaining our business momentum. The Hong Kong economy is expected to grow by 2% to 3.5% in 2022 with a better performance in the second half of the year. Despite the recent Omicron outbreak and the re-imposition of strict Covid-19 quarantine policies, the Group believes that consequential adverse economic effects will be transitory and will not dampen the long-term development of the construction and foundation industry in Hong Kong.

Over the years, the Group has continued to pursue business development and along the way built up an unrivalled reputation in the foundation industry. We are proud to be one of the most trusted contractors in the foundation segment with a sterling reputation, stellar technical abilities, as well as a broad range of specialised machinery and equipment. Over the short term, the business outlook remains challenging. The foundation industry is not immune to global logistics and inflationary pressures and is facing challenges in controlling direct material costs as well as a general labour shortage. These challenges are reflected in our profit margins. We have been reviewing our organisation structure and fleet of machineries in an effort to optimise our cost structure. In addition, we are emphasising risk controls and pricing discipline when evaluating prospective tenders in protecting our profit margins.

In the near term, the Hong Kong SAR Government is expected to expedite various initiatives to increase land supply and residential supply with a view to easing Hong Kong's chronic housing shortage. Further, as laid out in the 2022 Policy Address, the Government will push forward with the development of Lantau Tomorrow Vision and the Northern Metropolis. Such mega development projects plans will create promising growth opportunities for the construction industry over the next decade. Capitalising on our reputation for quality, excellence and innovation in the foundation industry, the Group is looking forward to creating greater value for our shareholders and investors.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the management team and all of the staff members for their contributions and commitment, particularly amid difficult conditions that were exacerbated by the pandemic. Also, my gratitude must certainly be extended to all of the Group's business partners and shareholders for their unwavering support. Going forward, we will make every effort to bolster our fundamentals and strive to safeguard our steady business growth in the long run.

Yuen-Keung Chan
Chairman

Hong Kong, 29 March 2022

EXECUTIVE DIRECTORS

Yuen-Keung Chan

Aged 67, joined our Group in September 1994. He was appointed as our executive Director on 9 July 2015 and concurrently serves as the chairman of our Board. Mr. Chan is responsible for strategic planning, overall corporate and business development of our Group. He also serves as a director of all major subsidiaries of our Group.

Mr. Chan has over forty-five years of experience in the construction industry. He is a member of the Chartered Institute of Building.

Currently, Mr. Chan is an executive director, the vice chairman and the managing director of Chinney Alliance Group Limited (stock code: 385, "CAGL") and an executive director, the vice chairman and the managing director of Chinney Investments, Limited (stock code: 216, "Chinney Investments"). Chinney Investments and CAGL are both listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

James Sing-Wai Wong

Aged 58, was appointed as our executive Director on 2 September 2016. He graduated from the University of Washington with a Bachelor's degree with honors in Economics. He also holds a Juris Doctor degree from the University of California Hastings College of Law, and a Master's degree in Systems Engineering and Information Systems from the Florida Institute of Technology. He is licensed to practice law in the United States of America and the State of California, where he also holds a Real Estate Broker's License. He has accumulated over thirty years of experience in economics, law, management and information systems in Hong Kong, United States, Canada, the United Kingdom, and the Mainland China.

Mr. Wong is currently the director of all major subsidiaries of our Group.

He is an executive director of CAGL (stock code: 385), being a controlling shareholder of the Company. He is an executive director of Chinney Investments (stock code: 216) and Hon Kwok Land Investment Company, Limited (stock code: 160, "Hon Kwok"). CAGL, Hon Kwok and Chinney Investments are listed on the Main Board of the Stock Exchange. He is the son of Dr. James Sai-Wing Wong, the Chairman and substantial shareholder of CAGL and Chinney Investments and a controlling shareholder of the Company.

EXECUTIVE DIRECTORS *(continued)*

Wing-Sang Yu

Aged 61, was appointed as our executive Director on 9 July 2015 and concurrently serves as the managing director of our Company. Mr. Yu is responsible for formulating corporate development and business strategies, the establishment and ensuring compliance with the Group's core value and leading and training our core management team. Mr. Yu is a founder of our Group and established Kin Wing Engineering Company Limited ("Kin Wing Engineering") in 1994. In February 2003, he left our Group to pursue his personal interest and re-joined as the managing director in May 2011. Mr. Yu currently also serves as a director of all major subsidiaries of our Group.

Mr. Yu has over twenty years of experience in the foundation industry. He obtained a Bachelor's degree in Engineering from The University of Hong Kong ("HKU") in 1983 and a Master's degree in Arts (Christian Studies) from The Chinese University of Hong Kong in 2009. He has been a corporate member of The Hong Kong Institution of Engineers since May 1992.

Philip Bing-Lun Lam

Aged 79, was appointed as our executive Director on 2 September 2016. Mr. Lam began his career in 1963 with Hang Seng Bank Limited for eleven years, and then joined HKU in 1975 as an Assistant Finance Director. He then worked as the Chief Accountant and Comptroller in Overseas Bank (Canada) in Vancouver for three years from 1982 to 1985. In December 1985, Mr. Lam re-joined HKU and had served as the Director of Finance from 1990 until his retirement on 30 June 2012. He was then asked by the Vice-Chancellor of HKU to be his Senior Advisor for financial, investment and fund-raising matters until June 2014, and had been the Honorary Advisor to the Chairman of The University of Hong Kong Foundation for Educational Development and Research until end of 2019.

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

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

Mr. Lam is an executive director of CAGL (stock code: 385) and Hon Kwok (stock code: 160). CAGL and Hon Kwok are listed on the Main Board of the Stock Exchange. He has been an independent non-executive director of Oriental University City Holdings (H.K.) Limited (stock code: 8067) from December 2014 to December 2021, which is listed on the GEM of the Stock Exchange.

EXECUTIVE DIRECTORS *(continued)*

Hin-Kwong So

Aged 64, was appointed as our executive Director on 11 August 2015 and concurrently serves as the general manager of our Company. He is the Head of our Execution Panel and responsible for the overall management and supervision of operations of our Group, including but not limited to, tendering, project planning, project management, quality assurance and general corporate administration. He is currently a director of Kin Wing Engineering, Kin Wing Foundations Limited ("Kin Wing Foundations") and Everest Engineering Company Limited ("Everest").

Mr. So has over thirty years of experience in site supervision, project management and tendering in various types of foundation, substructure and site formation projects. He worked as a joint general manager of Kin Wing Engineering and Kin Wing Foundations since April 2009 and the general manager since January 2012. Mr. So obtained a Bachelor's degree in Civil Engineering from the National Cheng Kung University in Taiwan in June 1982.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Siu-Chee Kong

Aged 75, was appointed as our independent non-executive Director on 20 October 2015. He is also the chairman of the audit committee of the Company.

Mr. Kong received an MBA degree from The Chinese University of Hong Kong in December 1980, and received a diploma in Banking from the Chartered Banker Institute in London in December 1973.

Mr. Kong began his career in 1969 with Standard Chartered Bank, where he served in various managerial positions for twenty-four years. He was a director of Champion Technology Holdings Limited (stock code: 0092) from 1993 to 1994 and a director of Kantone (UK) Limited from 1994 to 1996. From 1999 to 2005, he served as an executive vice-president, director, and alternate chief executive officer of CITIC Ka Wah Bank Limited, and was an executive director of CITIC International Financial Holdings Limited (formerly known as CITIC Ka Wah Bank Limited). He has been appointed as an independent non-executive director of China New Town Development Company Limited (stock code: 1278) since November 2006. He was an independent non-executive director of Harbin Bank Co., Ltd. (stock code: 6138) from October 2013 to October 2019 and DIGITALHONGKONG.COM (stock code: 8007, now known as Global Strategic Group Limited) from 28 March 2014 to 16 October 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Ivan Ti-Fan Pong

Aged 62, was appointed as our independent non-executive Director on 20 October 2015. He is also the chairman of the nomination committee of the Company. Mr. Pong obtained his Bachelor's degree in Economics (with Honours) from the University of Essex, U.K. in July 1983 and obtained his Master's degree in Business Administration from the EMBA Program of The Chinese University of Hong Kong in December 1999. He became a fellow of Hong Kong Institute of Directors (FHKIoD) since January 2020.

Mr. Pong has over thirty years of experience in the real estate investment market in Hong Kong and the People's Republic of China. Mr. Pong worked for Hon Kwok and its affiliated companies from January 1984 to October 1988 and was responsible for property development, property investments and project acquisitions for the Hon Kwok group. Mr. Pong worked at Chesterton Petty Ltd. as a senior agency manager in 1988. He joined Richard Ellis Ltd. as a senior manager in 1989 and promoted as an associate director in 1991. During the periods from 1992 to 1994 and from 1994 to 2000, Mr. Pong was a director of Metrobase Surveyors Limited and Cosmo Surveyors Limited respectively and completed a number of property investment and acquisition projects. He is currently a director of Metroland Property Consultants Limited.

Robert Che-Kwong Tsui

Aged 68, was appointed as our independent non-executive Director on 20 October 2015. He is also the chairman of the remuneration committee of the Company. He graduated from the University of Buckingham with a Bachelor's degree of Laws in February 1981. Mr. Tsui was admitted to the Law Society of Hong Kong in 1985 and qualified to practice law in Singapore in 1994 and in Anguilla, Caribbean in 2005.

Mr. Tsui has over thirty years of experience as practicing solicitor in Hong Kong. He is the founder and owner of Robert C.K. Tsui & Co., Solicitors, a law firm established in 1990. Mr. Tsui was an executive director of Landing International Development Limited (stock code: 0582, formerly known as "Greenfield Chemical Holdings Limited", a company listed on the Main Board of the Stock Exchange) from November 2007 to November 2009. He was also an independent non-executive director of APAC Resources Limited (stock code: 1104, formerly known as "Shanghai Merchants Holdings Limited", a company listed on the Main Board of the Stock Exchange) from July 2004 to November 2007, Gome Finance Technology Co., Ltd. (stock code: 0628, formerly known as "Sino Credit Holdings Limited", a company listed on the Main Board of the Stock Exchange) from August 2004 to July 2009 and Kaisa Capital Investment Holdings Limited (stock code: 0936, formerly known as "Eagle Legend Asia Limited"), a company listed on the Main Board of the Stock Exchange from December 2014 to November 2019.

SENIOR MANAGEMENT

Hon-Man Wai

Aged 48, has been the deputy general manager of our Group since January 2020. Mr. Wai is also a director of Kin Wing Engineering, Kin Wing Foundations, DrilTech Ground Engineering Limited ("DrilTech Ground"), DrilTech Geotechnical Engineering Limited ("DrilTech Geotechnical") and Everest. He is primarily responsible for site, production and plant management and implementation of foundation construction and ancillary services projects of our Group.

Mr. Wai has over twenty-five years of experience in supervising and managing various foundation piling projects. He obtained a Bachelor's degree in Environmental Engineering from The Hong Kong Polytechnic University in November 1996. After graduation, he joined our Group as an assistant engineer in September 1996.

Hoi-Fan Lam

Aged 48, has been the general manager of our Group since April 2019. Mr. Lam is also a director of DrilTech Ground and DrilTech Geotechnical. He is the Head of our safety department and DrilTech and responsible for the overall management and operations of our drilling and site investigation business.

Mr. Lam has over twenty-six years of experience in performing and supervising various site investigation works. He joined DrilTech Ground in February 1997 as a senior technician. He obtained a Bachelor's degree in Civil Engineering from Chu Hai College of Higher Education in July 2009.

Clement Tze-Loong Lee

Aged 57, has been the assistant general manager (project management) of our Group since January 2020. He is the Head of our project management department and responsible for the overall project planning and management of our foundation construction and ancillary services business.

Mr. Lee has over thirty-five years of experience in supervising and managing foundation and site formation projects. Prior to joining our Group, he worked as contracts manager at Vibro (HK) Ltd. for twelve years. He is currently a member of Hong Kong Institute of Construction Managers. He obtained a Bachelor's degree in Civil Engineering from The University of London, Imperial College, United Kingdom in 1986.

Ka-Wah Chan

Aged 54, has been the assistant general manager (project) of our Group since January 2012. Mr. Chan is also a director of Kin Wing Engineering, Kin Wing Foundations, DrilTech Ground and DrilTech Geotechnical. He is responsible for the overall project planning and management of our foundation construction and ancillary services business.

Mr. Chan has over twenty-seven years of experience in supervising and managing foundation and site formation projects. Prior to joining our Group, he worked as a graduate/assistant engineer at Leighton-Bruckner Foundation Engineering Ltd. from August 1990 to April 1992 and a site engineer at Chee Shing Foundation Limited from April 1993 to July 1994. Mr. Chan joined our Group in 1994. He obtained a Bachelor's degree in Civil and Structural Engineering from HKU in 1990.

SENIOR MANAGEMENT *(continued)*

Man-Fu Tang

Aged 55, has been the assistant general manager of DrilTech since January 2020. He is the Deputy Head of DrilTech and primarily responsible for site management and implementation of foundation construction and ancillary services projects of our Group.

Mr. Tang has over twenty-eight years of experience in project and site management. He obtained a Master's degree in Project Management from The University of South Australia in April 2004 and a Master's degree in Civil Engineering from The Hong Kong Polytechnic University in November 2010. He was admitted as a member of Australian Institute of Project Management in November 2004. Mr. Tang joined our Group as a site agent in January 2000.

Eric Wing-Hung Yuen

Aged 57, is the company secretary and financial controller of our Group and is responsible for the financial and accounting matters of our Group. He joined Chinney Construction Company, Limited in September 1992 and worked for our Group since September 1994. Mr. Yuen has about thirty-three years of experience in accounting field. He obtained a diploma in accountancy from Shue Yan College in July 1988 and was admitted as a member of the Hong Kong Institute of Certified Public Accountants in July 1993 and a fellow member of the Association of Chartered Certified Accountants in December 1997.

CORPORATE GOVERNANCE PRACTICES

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

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

Throughout the year ended 31 December 2021, in the opinion of the Directors, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules, except A.1.1 (which has been re-numbered as C.5.1 since 1 January 2022), which is discussed in this report.

CORPORATE GOVERNANCE STRUCTURE

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

BOARD OF DIRECTORS

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive Directors. The biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" on pages 11 to 16 of this Annual Report.

The Board currently comprises of five executive Directors and three independent non-executive Directors. The Directors during the financial year and up to the date of the report are currently as follows:

Executive Directors
Yuen-Keung Chan *(Chairman)*
James Sing-Wai Wong
Wing-Sang Yu *(Managing Director)*
Philip Bing-Lun Lam
Hin-Kwong So

Independent Non-Executive Directors
Siu-Chee Kong
Ivan Ti-Fan Pong
Robert Che-Kwong Tsui

BOARD OF DIRECTORS *(continued)*

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

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

Board meetings of the Company were held twice during the year on a regular basis, which deviated from code provision A.1.1 of the CG Code (which has been re-numbered as C.5.1 since 1 January 2022) which stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of Chairman and Chief Executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the Chairman and the management executives.

Mr. Yuen-Keung Chan, Chairman of the Company, is responsible for the management of the Board. The Group's business namely Foundation Division and Drilling Division are managed by its divisional managing directors and/or general managers.

Throughout the year, there was a clear division of responsibilities between the Chairman and the management executives.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his or her appointment, and every executive and non-executive Director is subject to retirement by rotation and re-election at the Company's annual general meeting by shareholders every three years under the provision of the Bye-laws of the Company (the "Bye-laws").

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

Directors are required to submit to the Company annually details of training sessions undertaken by them in each financial year for the Company to maintain a training record for its Directors. According to the training records maintained by the Company, the training received by each of the Directors during the year ended 31 December 2021 is summarised as follows:

Name of Director	Type of trainings
Executive Directors	
Yuen-Keung Chan	A, B
James Sing-Wai Wong	A, B
Wing-Sang Yu	A, B
Philip Bing-Lun Lam	A, B
Hin-Kwong So	B
Independent Non-Executive Directors	
Siu-Chee Kong	B
Ivan Ti-Fan Pong	A, B
Robert Che-Kwong Tsui	A, B

A: attending seminars/conferences/workshops/forums

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

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021. Securities interests in the Company and its associated corporations held by each of the Directors are set out in the "Report of the Directors" on pages 27 to 37 of this Annual Report.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 October 2015 and it currently comprises two independent non-executive Directors namely Mr. Robert Che-Kwong Tsui (as Chairman) and Mr. Ivan Ti-Fan Pong and an executive Director namely Mr. Yuen-Keung Chan.

The terms of reference of the Remuneration Committee are available on the Stock Exchange's website and the Company's website. The principal functions include, but not limited to:

– reviewing and approving the management's remuneration proposals with reference to the Board's goals and objectives; and

– as the Board shall direct, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee consults the chairman of the Board and an executive Director about their remuneration proposals for other executive Directors and senior management.

Details of remuneration packages of the executive Directors during the year are set out under heading "Directors' Remuneration" on pages 84 and 85 in this Annual Report.

In 2021, two meetings of the Remuneration Committee were held during which the remuneration packages of all executive Directors and senior management for the year have been reviewed individually and the proposal for year 2021 remuneration adjustment and bonus distribution were considered.

NOMINATION COMMITTEE

The Nomination Committee was established on 20 October 2015 and it currently comprises three independent non-executive Directors namely Mr. Ivan Ti-Fan Pong (as Chairman), Mr. Robert Che-Kwong Tsui and Mr. Siu-Chee Kong and two executive Directors namely Mr. Yuen-Keung Chan and Mr. James Sing-Wai Wong.

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

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

NOMINATION COMMITTEE *(continued)*

In March 2021, one meeting of the Nomination Committee was held for reviewing the structure, size and composition, and assessing the independence of the independent non-executive Directors of the Board.

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

The Nomination Committee will monitor the implementation of the Board Diversity Policy and report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy. The Nomination Committee will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

AUDIT COMMITTEE

The Audit Committee was established on 20 October 2015 and it currently comprises three independent non-executive Directors namely Mr. Siu-Chee Kong (as Chairman), Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui.

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

The primary duties of the Audit Committee include, but not limited to:

- to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to review the accounting principles and policies adopted by the Company and discuss with management and the external auditor the financial reporting matters;
- to review the financial statements of the Group before their submission to the Board for approval; and
- to review the effectiveness of the internal control and risk management system of the Group.

The Audit Committee met two times during the year under review. In March 2021, one meeting of Audit Committee was held at which the Audit Committee reviewed final results of the Company and its subsidiaries for the year ended 31 December 2020 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. In August 2021, one meeting of Audit Committee was held at which the Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management and the external auditor the financial reporting matters of the Group for the period ended 30 June 2021.

Draft minutes of the Audit Committee meetings were circulated to members of Audit Committee for comments and the signed minutes are kept by the Company Secretary.

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

	Attended/Eligible to attend during the year ended 31 December 2021				
Name of Director	**Board Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meeting**	**Audit Committee Meetings**	**Annual General Meeting held on 4 June 2021**
Executive Directors					
Yuen-Keung Chan	2/2	2/2	1/1	N/A	1/1
James Sing-Wai Wong	2/2	N/A	N/A	N/A	1/1
Wing-Sang Yu	2/2	N/A	N/A	N/A	1/1
Philip Bing-Lun Lam	2/2	N/A	N/A	N/A	1/1
Hin-Kwong So	2/2	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Siu-Chee Kong	2/2	N/A	N/A	2/2	1/1
Ivan Ti-Fan Pong	2/2	2/2	1/1	2/2	1/1
Robert Che-Kwong Tsui	2/2	2/2	1/1	2/2	1/1

AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the Group has engaged its external auditor, Ernst & Young, to provide the following services and their respective fees charged are set out as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit services	1,363
Non-audit services (review and other services)	90

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the independent auditor of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 38 to 43.

DIVIDEND POLICY

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

a. financial results;

b. cash flow situation;

c. business conditions and strategies;

d. future operations and earnings;

e. capital requirements and expenditure plans;

f. interests of shareholders;

g. any restrictions on payment of dividends; and

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

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

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a Shareholders' Communication Policy on 20 October 2015 reflecting mostly the current practices of the Company for communication with its shareholders. Information will be communicated to shareholders through:

– continuous disclosure to the Stock Exchange of all material information;

– periodic disclosure through the annual and interim reports;

– notices of meetings and explanatory material;

– the annual general meetings and other general meetings; and

– the Company's website.

Full text of the Shareholders' Communication Policy is available at the following link of the Company's website: http://chinneykinwing.etnet.com.hk/cg_doc/E-communicationpolicy.pdf.

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene a special general meeting

Pursuant to bye-law 58 of the Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company 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 a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981, but any meeting so convened shall not be held after the expiration of three months from the said date.

The requisition must be signed by the requisitionists and deposited at the principal place of business of the Company at Room 2308, 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong (the "Principal Place of Business") for the attention of the Company Secretary.

The requisition will then be verified with the Company's Branch Share Registrar and Transfer Office in Hong Kong and upon its confirmation that the requisition is proper and in order, the Company Secretary will forward the requisition to the Board.

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

If a shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with the appointment or election of Director(s), wishes to propose a person for election as a Director at that meeting, he/she shall have to lodge a written notice at the Company's headquarters at Room 2308, 23/F, Wing On Centre, 111 Connaught Road Central, Hong Kong, for the attention of the Company Secretary of the Company.

In order for the Company to inform all shareholders of that proposal, the written notice must state (i) his/her intention to propose such person for election as a Director, and (ii) the biographical details of such nominated candidate as required under Rule 13.51(2) of the Listing Rules for publication by the Company and be signed by the shareholder concerned and the person who has been proposed indicating his/her willingness to be elected.

The period for lodgement of the above notice shall be a 7-day period commencing on the day after the despatch of the notice of the general meeting appointed for such election of Director(s) and ending on the date falling 7 days after the despatch of the said notice of the general meeting.

Upon receipt of the above notice from a shareholder which is received after publication of the notice of general meeting, the Company shall, prior to the general meeting, publish an announcement or issue a supplementary circular disclosing the particulars of the proposed Director pursuant to Rule 13.51(2) of the Listing Rules.

Full text of the procedures for shareholders to propose a person for election as a director of the Company is available at the following link of the Company's website:
http://chinneykinwing.etnet.com.hk/cg_doc/E-proceduresforshareholders.pdf.

SHAREHOLDERS' RIGHTS *(continued)*

3. The procedures for sending enquiries to the Board

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

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

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

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

(b) for all other general meetings, they must be called by notice of not less than fourteen clear days and not less than ten clear business days.

The directors of the Company (the "Directors") herein present their report of the Company and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in foundation construction, and drilling and site investigation projects for both public and private sectors in Hong Kong and overseas. Details of the main subsidiaries and their activities are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement on page 9 and 10 of this Annual Report and the Management Discussion and Analysis set out on pages 28 to 30 of this Report of the Directors.

In the opinion of the Directors, Chinney Alliance Group Limited ("CAGL"), a company incorporated in Bermuda with limited liability and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), is the ultimate holding company of the Company.

CAGL and its subsidiaries, but excluding the Group, are hereafter collectively referred to as the "Remaining Group".

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2021 and the Group's financial position as at that date are set out in the financial statements on pages 44 to 112.

The board of Directors (the "Board") recommends the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2021 to the shareholders of the Company whose names appear on the Company's register of members on 15 June 2022. Subject to approval by the shareholders at the forthcoming annual general meeting, the dividend cheques are expected to be despatched to the shareholders on or before 6 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

As at 31 December 2021, the Group had 16 and 48 projects in progress with contract sum of approximately HK$3,380 million and HK$762 million in the Foundation Division and Drilling Division respectively.

Revenue

Set out below is the breakdown of revenue of the Group during the current and previous years:

	2021	2020
	HK$'000	*HK$'000*
Foundation Division	**1,718,935**	1,349,994
Drilling Division	**323,443**	203,337
	2,042,378	1,553,331

The Group's revenue for the year under review was HK$2,042.4 million (2020: HK$1,553.3 million), representing an increase of 31.5% from the previous year. The increase of revenue of HK$489.1 million in the reporting year was attributable to continuing progress on sizeable foundation contracts as well as contributions from drilling and site investigation contracts.

Gross profit and gross profit margin

The Group's total gross profit for the reporting year was HK$257.1 million (2020: HK$205.9 million), representing an increase of 24.9% from the previous year. The group's gross profit margin, however, decreased from previous year of 13.3% to current reporting year of 12.6%. The increase of total gross profit was attributed to the increased revenue in the reporting year while the decreased gross profit margin was mainly due to the significant price increase of direct material cost and the upkeeping of high index level of labour wages in the construction industry. In addition, extra resources had been allocated in complying with the stringent contract requirements as well as meeting of the tightened construction period. The slimmed gross profit was because of intensive competition amongst market players in the foundation market, with a certain degree of further deterioration expected in the near term.

Administrative expenses

The Group's administrative expenses in the reporting year was HK$172.4 million, representing an increase of HK$18.0 million or 11.7% as compared with the previous corresponding year of HK$154.4 million. The increase of administrative expenses was generally in line with the increase of the group's revenue in the reporting year, with increased payment of HK$6.4 million of employee benefit expense for rewarding the talented staff as well as increased expenditure of HK$5.1 million in upkeeping the efficiencies of the machinery fleets in the year under review. Nevertheless, the Group will continue to adopt a stringent and persistent control of administrative overheads in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS AND OPERATION REVIEW *(continued)*

Net profit

The Group's net profit in the reporting year was HK$66.7 million, representing a decrease of 13.6% or HK$10.5 million, compared to the previous year's amount of HK$77.2 million. The decrease of net profit was mainly due to the absence of Government subsidies of HK$33.7 million as granted in previous year and the increase of administrative expenses as well as income tax expense in the year under review. The loss of subsidies was partly set-off by the increase of the Group's gross profit from projects in the reporting year.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2021, the Group had unpledged cash and bank balances of HK$186.0 million as compared with that of HK$80.6 million at 31 December 2020. The increase of cash and bank balances of HK$105.4 million, after the payment of 2020 final dividend of HK$22.5 million, capital payment of HK$72.8 million in acquisition of new fleet machineries as well as partial consideration of HK$42.0 million for investment in an associate and the corresponding right-of-use assets, was mainly due to the net cash inflow of certain sizeable foundation contracts in the reporting year. The Group maintained a sound financial position and remained debt free during the year under review.

Funding and treasury policy

The Group has a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the board of directors closely monitors the Group's position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Contingent liabilities

As at 31 December 2021, the Group provided corporate guarantees and counter indemnities to certain banks and an insurance company for an aggregate amount of HK$253.7 million (2020: HK$288.9 million) for the issue of performance bonds in its ordinary course of business.

Employees and remuneration policies

As at 31 December 2021, the Group employed 581 staff in Hong Kong. The Group is proud of the professional foundation and drilling contracting team formed by these colleagues. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

OUTLOOK AND FUTURE PLANS

Amid gradual economic recovery from the Covid-19 pandemic in Hong Kong in the second half of 2021, our Group is dedicated to enhancing our competitive strength and maintaining a strong position in the foundation industry. However, the recent Omicron outbreak and the implementation of the Covid-19 quarantine policies have affected a portion of our working manpower and such impact will in a certain extent be reflected in our 2022 overall performance. Nevertheless, our management will take all necessary precautionary measures by reviewing the day-to-day progress of the Covid-19 and adjusting our operating procedures in minimising the hazardous conditions to our staff as well as their financial impact to the Group.

While property developers remained active in launching new projects from 2021 onwards, there are also a number of upcoming infrastructure projects in the public sector. We believe this highly favourable combination of factors will contribute to a substantial growth drive for us. In addition, the set-up of our self-owned depot has enhanced the Group's plant maintenance and engineering works as well as the optimisation of the overall project management and production efficiencies. The Group will invest continuously in creating greater value and foster strong relationship with our diverse clientele.

In spite of this, challenges remain ahead for the foundation industry. Keen competition amongst the market players still persist by bidding for tenders at competitive prices, together with the increasing direct material cost and labour wages are likely leading to extra construction costs and slimmer profit margins. Against this challenging and dynamic backdrop, the Group will remain prudent and vigilant by exercising great flexibility in adjusting our operations strategy and shifting our focus to bidding for more large-scale and complex projects. Our professional expertise at different levels strives to manage complex foundation projects and offer technical and cost-effective solutions to our clients. The Group has also been implementing various strategic improvements: from increasing cost control measures on projects to strengthening project management teams, and from optimising design capabilities and flexibility to increasing production efficiency.

The Group's drilling and site investigation division, DrilTech, which will be celebrating its 25th anniversary in 2022, is an excellent drilling engineering service provider in Hong Kong and Singapore. An expert in ground investigation, geotechnical and drilling engineering projects was admitted by the Development Bureau as a specialist contractor for public works in the Rock-socketed Steel H-pile in Pre-bored Hole (Group II) category. It has been contributing to a steady increase in tender requests for our foundation piling works from the private and public sectors. DrilTech will speed up its laboratory testing business under The Hong Kong Laboratory Accreditation Scheme, which generates added advantage for our business. In addition, DrilTech will continue to diversify its business by allocating more resources to expanding the service scope in marine ground investigation, instrumentation and field testing.

With the Group's strong reputation in the foundation market alongside our continuous investment in new fleet of machineries and facilities, we will continue to sharpen our competitive edge and prudently optimistic about achieving steady and sustainable development in the future. As one of the major players in the foundation industry, the Group remains committed to fostering business development and will look for appropriate opportunities to further diversify our operations and explore income streams towards long-term sustainable growth.

SUMMARY OF FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**2,042,378**	1,553,331	1,303,643	1,242,956	1,190,441
PROFIT FOR THE YEAR	**66,693**	77,180	57,573	57,636	81,606

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,214,049**	1,147,166	897,114	941,912	1,014,202
TOTAL LIABILITIES	**(641,219)**	(639,823)	(444,451)	(516,822)	(589,882)
	572,830	507,343	452,663	425,090	424,320

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

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

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group throughout the year.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's reserves available for distribution to shareholders amounted to HK$56,032,000 as at 31 December 2021, of which HK$22,500,000 has been proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$63,628,000 may be distributed to shareholders of the Company in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 52% of the total sales for the year and sales to the largest customer included therein amount to 15%. Purchases from the Group's five largest suppliers accounted for 35% of the total purchase for the year and purchase from the largest supplier included therein amounted to 15%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers nor suppliers.

DIRECTORS

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

Executive Directors:

Yuen-Keung Chan *(Chairman)*
James Sing-Wai Wong
Wing-Sang Yu *(Managing Director)*
Philip Bing-Lun Lam
Hin-Kwong So

Independent Non-Executive Directors:

Siu-Chee Kong
Ivan Ti-Fan Pong
Robert Che-Kwong Tsui

The Company has received written annual confirmations of independence from Mr. Siu-Chee Kong, Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "Listing Rules") and the Company is of the view that all independent non-executive Directors are independent.

RE-ELECTION OF RETIRING DIRECTOR

In accordance with bye-law 84 of the Bye-laws, Mr. Yuen-Keung Chan, Mr. Hin-Kwong So and Mr. Siu-Chee Kong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The nomination committee of the Company (the "Nomination Committee") has reviewed the structure, size and composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and contribution of the retiring Directors with reference to the nomination principles and criteria set out in the board diversity policy of the Company and the independence of all independent non-executive Directors. The Nomination Committee has recommended to the Board on re-election of all the retiring Directors including the aforesaid independent non-executive Director who is due to retire at the annual general meeting. The Company considers that the retiring independent non-executive Director is independent in accordance with the independence criteria as set out in Rule 3.13 of the Listing Rules and will continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 16 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in the section "Connected transaction" below and note 29 to the financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

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

As at 31 December 2021, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Percentage of the Company's issued share capital**
Wing-Sang Yu	5,000,000	–	–	5,000,000	0.33%
Hin-Kwong So	2,000,000	–	–	2,000,000	0.13%

Save as disclosed above, as at 31 December 2021, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2021, the interests and short positions of those persons in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	*Notes*	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
James Sai-Wing Wong	*1*	Interest through controlled corporations	1,117,500,000	74.50%
Chinney Alliance Group Limited		Beneficial owner	1,117,500,000	74.50%
Enhancement Investments Limited	*1, 2*	Interest through a controlled corporation	1,117,500,000	74.50%

Notes:

1. Dr. James Sai-Wing Wong and Enhancement Investments Limited are deemed to be interested in the same parcel of 1,117,500,000 shares by virtue of Section 316 of the SFO; and

2. Enhancement Investments Limited is beneficially wholly-owned by Dr. James Sai-Wing Wong.

Save as disclosed above, as at 31 December 2021, no person had registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTION

Kin Chuen Street

On 20 September 2016, Gold Famous Development Limited ("Gold Famous"), an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") and an indirect non wholly-owned subsidiary of Chinney Investments, Limited ("Chinney Investments"), entered into a framework agreement (the "Framework Agreement") with Kin Wing Foundations Limited ("KWF"), an indirect wholly-owned subsidiary of the Company and an indirect non wholly-owned subsidiary of CAGL, as a contractor for the construction of piling foundation, pipe piling, bored pile wall works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong (the "Land") at a contract sum of HK$210 million (the "Foundation Construction Works"). The contract sum was arrived at after arm's length negotiations between Gold Famous and KWF by reference to prevailing market rate. KWF offered a quotation to Gold Famous after considering the geological condition of the Land, the complexity and difficulty of the Foundation Construction Works and estimated project costs. The entering into the Framework Agreement constituted a connected transaction of each of Chinney Investments, Hon Kwok, CAGL and the Company under the Listing Rules. As the applicable percentage ratio of the connected transaction is more than 5% and the contract sum is more than HK$10 million, it constituted non-exempt connected transaction under Chapter 14A of the Listing Rules and was subject to the reporting, announcement, and independent shareholders' approval under Chapter 14A of the Listing Rules. On 7 November 2016, at the extraordinary general meetings held by each of Chinney Investments and Hon Kwok and at the special general meetings held by each of CAGL and the Company, the transaction was approved by the independent shareholders of each of Chinney Investments, Hon Kwok, CAGL and the Company.

Details of the transaction was set out in the Company's announcement dated 20 September 2016 and circular dated 21 October 2016. During the year ended 31 December 2021, no revenue was recognised by KWF as the Foundation Construction Works were substantially completed and pending for agreement of variation orders and final account of the project.

The Foundation Construction Works is a one-off transaction entered into by KWF. Such transaction does not constitute a continuing connected transaction of the Group under Chapter 14A of the Listing Rules, and is not subject to further requirements under the Listing Rules.

Save as disclosed above, during the year under review, there was no transaction or arrangement needed to be disclosed as a connected transaction in accordance with the Listing Rules. The other related party transactions as set out in note 29 to the financial statements are connected transactions/continuing connected transactions exempted from disclosure and independent shareholders' approval requirements under the Listing Rules.

NON-COMPETITION UNDERTAKING

To ensure that there is a clear delineation between the business of the Remaining Group and that of the Group, CAGL, Dr. James Sai-Wing Wong and the Company entered into a Deed of Non-competition (the "Deed") on 20 October 2015. Pursuant to the Deed, CAGL and Dr. James Sai-Wing Wong undertakes that the Remaining Group would not, inter alia, engage in any foundation business that is or is likely to be in competition with that of the Group. For details about the above-mentioned Deed, please refer to section headed "Relationship with Controlling Shareholders" in the Prospectus dated 30 October 2015.

CAGL and Dr. James Sai-Wing Wong had confirmed to the Company of its compliance with the Deed. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed have been complied with by CAGL and Dr. James Sai-Wing Wong and duly enforced for the year ended 31 December 2021.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

During the year ended 31 December 2021, there were no material breach of or non-compliance with applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's relationships with its employees are set out in the Management Discussion and Analysis section above.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
Wing-Sang Yu
Managing Director

Hong Kong, 29 March 2022

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話：+852 2846 9888
Fax 傳真：+852 2868 4432
ey.com

To the shareholders of Chinney Kin Wing Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Chinney Kin Wing Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 112, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for construction services	
For the year ended 31 December 2021, the Group recognised revenue from construction contracting businesses amounting to HK$2,042,378,000. The Group has recognised revenue from the provision of construction services over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred, forecasting the costs to complete a contract, valuing contract variations, claims and potential liquidated damages and estimating the provision for onerous contracts. Relevant disclosures are included in notes 4 and 6 to the financial statements.	We performed the following procedures in relation to revenue recognition for construction services: • evaluating the significant judgements made by management, through an examination of project documentation, key contracts and variation orders; • discussing the status of projects under construction, including estimated costs to completion, assessment of potential liquidated damages for major contracts and provision for onerous contract, with management, finance, and technical personnel of the Group; • testing the controls of the Group over its processes to record/estimate contract revenue, actual cost incurred and the estimated total cost; • checking, on a sampling basis, the payment certificates issued by the architects employed by contract customers, payment applications from subcontractors and invoices from suppliers; and • checking the estimated total costs for satisfaction of the construction contract to the subcontractors and suppliers' quotation, and comparing actual costs incurred with the estimated total costs for satisfaction of the construction services to assess the status of the projects on a sampling basis.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets	
As at 31 December 2021, the Group recorded trade receivables of HK$191,808,000 and contract assets of HK$332,293,000. The measurement on the Group's trade receivables and contract assets under the expected credit loss ("ECL") approach was estimated by management through the application of management judgements and estimations. The credit period granted by the Group to the customers is generally one month. Management performs periodic assessment on the recoverability of the trade receivables and contract assets based on information including credit profiles of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement or the billing status, expected timing and the amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considers forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. Relevant disclosures are included in notes 4, 17 and 18 to the financial statements.	We performed the following procedures in relation to impairment assessment of trade receivables and contract assets: • assessing and testing the Group's processes and controls relating to the monitoring of trade receivables and contract assets; and • evaluating the expected credit loss provisioning methodology, key data inputs and assumptions, including both historical and forward-looking information, used to determine the expected credit losses by taking into account factors such as ageing of trade receivables, subsequent settlements of trade receivables and subsequent transfers of contract assets to trade receivables, actual data of the gross domestic product and consumer price index used in forward-looking information, and other relevant information on a sampling basis.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Sau Pik.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
REVENUE	6	**2,042,378**	1,553,331
Cost of construction		**(1,785,252)**	(1,347,469)
Gross profit		**257,126**	205,862
Other income and gains	6	**246**	33,754
Administrative expenses		**(172,399)**	(154,375)
Finance costs	8	**(3,212)**	(236)
PROFIT BEFORE TAX	7	**81,761**	85,005
Income tax expense	11	**(15,068)**	(7,825)
PROFIT FOR THE YEAR		**66,693**	77,180
Profit attributable to:			
Equity holders of the Company		**66,693**	77,180
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted		**HK4.45 cents**	HK5.15 cents

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	**2021** ***HK$'000***	2020 *HK$'000*
PROFIT FOR THE YEAR		**66,693**	77,180
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of leasehold land	*15*	**21,294**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**21,294**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**87,987**	77,180
Attributable to:			
Equity holders of the Company		**87,987**	77,180

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**261,589**	253,683
Right-of-use assets	15	**197,804**	185,068
Investment in an associate	16	**121**	121
Deposits	19	**5,527**	–
Total non-current assets		**465,041**	438,872
CURRENT ASSETS			
Trade receivables	17	**191,808**	265,436
Contract assets	18	**332,293**	333,001
Prepayments, deposits and other receivables	19	**35,325**	23,210
Due from a fellow subsidiary	23	**1,790**	1,790
Tax recoverable		**1,764**	4,270
Cash and cash equivalents	20	**186,028**	80,587
Total current assets		**749,008**	708,294
CURRENT LIABILITIES			
Trade and retention monies payables	21	**214,544**	213,509
Other payables and accruals	22	**344,497**	301,249
Tax payable		**1,296**	4,986
Lease liabilities	15	**–**	866
Total current liabilities		**560,337**	520,610
NET CURRENT ASSETS		**188,671**	187,684
TOTAL ASSETS LESS CURRENT LIABILITIES		**653,712**	626,556
NON-CURRENT LIABILITIES			
Other payable	22	**41,325**	81,431
Deferred tax liabilities	24	**39,557**	37,782
Total non-current liabilities		**80,882**	119,213
Net assets		**572,830**	507,343

	Note	**2021** **HK$'000**	2020 HK$'000
EQUITY			
Equity attributable to holders of the Company			
Issued capital	*25*	**150,000**	150,000
Reserves		**422,830**	357,343
Total equity		**572,830**	507,343

On behalf of the Board
Yuen-Keung Chan
Director

On behalf of the Board
Wing-Sang Yu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Issued capital	Share premium*	Capital reserve*	Merger reserve*	Asset revaluation reserve*	Retained profits*	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	150,000	63,628	(1)	20,002	–	219,034	452,663
Profit and total comprehensive income for the year	–	–	–	–	–	77,180	77,180
2019 final dividend declared	–	–	–	–	–	(22,500)	(22,500)
At 31 December 2020 and 1 January 2021	**150,000**	**63,628**	**(1)**	**20,002**	**–**	**273,714**	**507,343**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**66,693**	**66,693**
Other comprehensive income for the year:							
Surplus on revaluation of leasehold land *(note 15)*	**–**	**–**	**–**	**–**	**21,294**	**–**	**21,294**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**21,294**	**66,693**	**87,987**
2020 final dividend declared *(note 12)*	**–**	**–**	**–**	**–**	**–**	**(22,500)**	**(22,500)**
At 31 December 2021	**150,000**	**63,628**	**(1)**	**20,002**	**21,294**	**317,907**	**572,830**

The merger reserve of the Group represents the capital contribution from the equity holders of a subsidiary now comprising the Group before the completion of the Reorganisation.

* These reserve accounts comprise the consolidated reserves of HK$422,830,000 (2020: HK$357,343,000) in the consolidated statement of financial position.

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**81,761**	85,005
Adjustments for:			
Bank interest income	6	**(35)**	(46)
Finance costs	8	**3,212**	236
Depreciation of property, plant and equipment	7	**60,119**	59,489
Depreciation of right-of-use assets	7	**8,558**	8,916
Transfer of items of property, plant and equipment to cost of construction		**2,490**	745
Loss on disposal of items of property, plant and equipment		**2,090**	–
		158,195	154,345
Decrease/(increase) in contract assets		**708**	(53,778)
Decrease/(increase) in trade receivables		**73,628**	(8,109)
Decrease/(increase) in prepayments, deposits and other receivables		**(12,115)**	1,929
Increase in trade and retention monies payables		**1,035**	39,221
Decrease in other payables and accruals		**45,142**	58,529
Decrease in an amount due from a related company		**–**	5,250
Cash generated from operations		**266,593**	197,387
Hong Kong profits tax paid		**(14,477)**	(17,742)
Net cash flows from operating activities		**252,116**	179,645
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**35**	46
Purchases of items of property, plant and equipment	14	**(72,761)**	(57,915)
Acquisition of right-of-use assets	15	**(42,000)**	(63,879)
Acquisition of an associate	16	**–**	(121)
Proceeds from disposal of items of property, plant and equipment		**156**	–
Deposits paid for acquisition of property, plant and equipment		**(5,527)**	–
Net cash flows used in investing activities		**(120,097)**	(121,869)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(22,500)**	(22,500)
Interest paid		**(3,208)**	(28)
Principal portion of lease payments	*26(b)*	**(870)**	(9,268)
Net cash flows used in financing activities		**(26,578)**	(31,796)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**105,441**	25,980
Cash and cash equivalents at beginning of year		**80,587**	54,607
CASH AND CASH EQUIVALENTS AT END OF YEAR		**186,028**	80,587
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*20*	**186,028**	70,587
Non-pledged time deposits with original maturity of less than three months when acquired	*20*	**–**	10,000
Cash and cash equivalents as stated in the consolidated statement of cash flows		**186,028**	80,587

1. CORPORATE INFORMATION

Chinney Kin Wing Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda on 29 May 2015. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Room 2308, 23/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 November 2015.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally involved in foundation construction and drilling and site investigation works for both public and private sectors in Hong Kong and overseas.

In the opinion of the Directors, as at 31 December 2021, Chinney Alliance Group Limited ("CAGL"), a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange, is the ultimate holding company of the Company.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kin Wing Chinney (BVI) Limited	British Virgin Islands	US$208	100	–	Investment holding
Chinney Kin Wing Property Limited	Hong Kong	HK$10,000	–	100	Investment holding
DrilTech Geotechnical Engineering Limited	Hong Kong	HK$20,000,000	–	100	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering Limited	Hong Kong	HK$20,000,000	–	100	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering (Macau) Limited	Macau	MOP1,000,000	–	100	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering (Singapore) Pte. Ltd.	Singapore	S$25,000	–	100	Drilling, site investigation and related ground engineering construction

1. CORPORATE INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Everest Engineering Company Limited	Hong Kong	HK$10,000	–	100	Basement construction work
Kin Wing Engineering Company Limited	Hong Kong	HK$20,000,000	–	100	Foundation piling
Kin Wing Foundations Limited	Hong Kong	HK$10,000	–	100	Foundation piling
Kin Wing Machinery & Transportation Limited	Hong Kong	HK$100	–	100	Equipment and machinery leasing
Kinwing Engineering (Macau) Company Limited	Macau	MOP1,000,000	–	100	Foundation piling
LabTech Testing Limited	Hong Kong	HK$10,000	–	100	Construction material testing

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land which has been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received Covid-19-related concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contract*[2,5]
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

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

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements

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

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

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

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

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its leasehold land at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	Over the lease terms or 10% - $33^1/_3$%
Plant and machinery	6% – 25%
Motor vehicles	25%
Furniture, fixtures and equipment	20%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement (continued)

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

Subsequent measurement of financial assets at amortised cost (debt instruments)

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

Derecognition of financial assets

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

General approach

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, retention monies payable, lease liabilities and financial liabilities included in other payables and accruals.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Income tax

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

Construction services

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from other sources

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

Other income

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

Contract assets

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The 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.

The employees of the Group's subsidiaries which operate in Macau are required to participate in a central pension scheme operated by the Macau Government. The subsidiaries are required to contribute a fixed amount of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Revenue recognition for construction services

For the year ended 31 December 2021, the Group recognised revenue from construction contracting businesses amounting to HK$2,042,378,000 (2020: HK$1,553,331,000). The Group has recognised revenue from the provision of construction services over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and forecasts in relation to costs to complete.

Estimation uncertainty

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

Impairment of property, plant and equipment

The Group assesses at the end of the reporting period whether there is an indication that property, plant and equipment and right-of-use assets may be impaired. If any indication exists, the Group estimates the recoverable amount of the property, plant and equipment and right-of-use assets. The Group measures the recoverable amount of the property, plant and equipment and right-of-use assets with reference to their value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from property, plant and equipment and right-of-use assets and a suitable discount rate in order to calculate the present value. The net carrying amounts of property, plant and equipment and right-of-use assets at 31 December 2021 were approximately HK$261,589,000 (2020: HK$253,683,000) and HK$197,804,000 (2020: HK$185,068,000), respectively.

Provision for expected credit losses on trade receivables and contract assets

Management performs periodic assessment on the recoverability of trade receivables and contract assets based on information including credit profile of different customers, ageing of trade receivables, historical settlement records, subsequent settlement or billing status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for expected credit losses on trade receivables and contract assets (continued)

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 17 and note 18 to the financial statements, respectively.

5. OPERATING SEGMENT INFORMATION

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

- Foundation construction and ancillary services; and
- Drilling and site investigation

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

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021

	Foundation construction and ancillary services HK$'000	Drilling and site investigation HK$'000	Total HK$'000
Segment revenue *(note 6)*:			
Sales to external customers	1,718,935	323,443	2,042,378
Intersegment sales	–	179,605	179,605
Other revenue	35	211	246
	1,718,970	503,259	2,222,229
Reconciliation:			
Elimination of intersegment sales			(179,605)
Other revenue			(246)
Revenue			2,042,378
Segment results	59,259	39,156	98,415
Reconciliation:			
Corporate and other unallocated expenses			(13,477)
Interest income			35
Finance costs			(3,212)
Profit before tax			81,761
Segment assets	995,713	216,882	1,212,595
Reconciliation:			
Corporate and other unallocated assets			1,454
Total assets			1,214,049
Segment liabilities	479,647	153,539	633,186
Reconciliation:			
Corporate and other unallocated liabilities			8,033
Total liabilities			641,219
Other segment information:			
Investment in an associate	121	–	121
Depreciation of property, plant and equipment	49,712	10,407	60,119
Depreciation of right-of-use assets	8,558	–	8,558
Capital expenditure*	60,301	12,460	72,761

* Capital expenditure represents additions to property, plant and equipment.

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2020

	Foundation construction and ancillary services HK$'000	Drilling and site investigation HK$'000	Total HK$'000
Segment revenue *(note 6)*:			
Sales to external customers	1,349,994	203,337	1,553,331
Intersegment sales	–	97,843	97,843
Other revenue	26,395	7,359	33,754
	1,376,389	308,539	1,684,928
Reconciliation:			
Elimination of intersegment sales			(97,843)
Other revenue			(33,754)
Revenue			1,553,331
Segment results	51,517	47,819	99,336
Reconciliation:			
Corporate and other unallocated expenses			(14,141)
Interest income			46
Finance costs			(236)
Profit before tax			85,005
Segment assets	938,773	196,678	1,135,451
Reconciliation:			
Corporate and other unallocated assets			11,715
Total assets			1,147,166
Segment liabilities	481,451	151,594	633,045
Reconciliation:			
Corporate and other unallocated liabilities			6,778
Total liabilities			639,823
Other segment information:			
Investment in an associate	121	–	121
Depreciation of property, plant and equipment	49,018	10,471	59,489
Depreciation of right-of-use assets	8,916	–	8,916
Capital expenditure*	234,562	7,585	242,147

* Capital expenditure represents additions to property, plant and equipment and right-of-use assets of leasehold land pursuant to the acquisition of an associate.

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

	2021 HK$'000	2020 HK$'000
Hong Kong	**2,042,378**	1,551,887
Singapore	**–**	1,444
	2,042,378	1,553,331

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

(b) *Non-current assets*

	2021 HK$'000	2020 HK$'000
Hong Kong	**464,920**	438,751

The non-current asset information above is based on the locations of the assets and excludes investment in an associate.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the Group's revenue, is set out below:

	2021 HK$'000	2020 HK$'000
Customer A	**298,094**	266,530
Customer B	**224,856**	*
Customer C	**224,359**	*
Customer D	*****	253,228
Customer E	*****	217,000

* Less than 10%

6. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Construction services	**2,042,378**	1,553,331

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2021

Segments

	Foundation construction and ancillary services	**Drilling and site investigation**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Type of services			
Construction services	**1,718,935**	**323,443**	**2,042,378**
Geographical market			
Hong Kong	**1,718,935**	**323,443**	**2,042,378**
Total revenue from contracts with customers	**1,718,935**	**323,443**	**2,042,378**
Timing of revenue recognition			
Services transferred over time	**1,718,935**	**323,443**	**2,042,378**

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

External customers	**1,718,935**	**323,443**	**2,042,378**
Intersegment sales	**–**	**179,605**	**179,605**
Other revenue	**35**	**211**	**246**
Segment revenue	**1,718,970**	**503,259**	**2,222,229**
Elimination of intersegment sales	**–**	**(179,605)**	**(179,605)**
Other revenue	**(35)**	**(211)**	**(246)**
Revenue from contracts with customers	**1,718,935**	**323,443**	**2,042,378**

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2020

Segments

	Foundation construction and ancillary services *HK$'000*	Drilling and site investigation *HK$'000*	Total *HK$'000*
Type of services			
Construction services	1,349,994	203,337	1,553,331
Geographical markets			
Hong Kong	1,349,994	201,893	1,551,887
Singapore	–	1,444	1,444
Total revenue from contracts with customers	1,349,994	203,337	1,553,331
Timing of revenue recognition			
Services transferred over time	1,349,994	203,337	1,553,331

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

External customers	1,349,994	203,337	1,553,331
Intersegment sales	–	97,843	97,843
Other revenue	26,395	7,359	33,754
Segment revenue	1,376,389	308,539	1,684,928
Elimination of intersegment sales	–	(97,843)	(97,843)
Other revenue	(26,395)	(7,359)	(33,754)
Revenue from contracts with customers	1,349,994	203,337	1,553,331

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information (continued)

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

	2021	2020
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction services	**171,351**	99,483
Revenue recognised from performance obligations satisfied in previous periods:		
Construction services not previously recognised due to constraints on variable consideration	**10,636**	6,533

(ii) Performance obligations

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations (continued)

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

	2021	2020
	HK$'000	*HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	**1,765,040**	2,289,155
After one year	**225,895**	132,633
	1,990,935	2,421,788

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

Other income and gains

	2021	2020
	HK$'000	*HK$'000*
Bank interest income	**35**	46
Government subsidies*	**–**	33,708
Others	**211**	–
	246	33,754

* The government subsidies represented mainly grants from the Employment Support Scheme of the Hong Kong Government. There were no unfulfilled conditions or contingencies relating to these subsidies.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2021 HK$'000	2020 HK$'000
Cost of construction	**1,785,252**	1,347,469
Depreciation of property, plant and equipment	**60,119**	59,489
Depreciation of right-of-use assets	**8,558**	8,916
Staff costs (including directors' remuneration *(note 9)*):		
Salaries, wages and allowances	**345,055**	340,786
Pension scheme contributions	**15,179**	15,336
	360,234	356,122
Auditor's remuneration	**1,425**	1,325
Lease payments not included in the measurement of lease liabilities	**3,727**	2,327
Loss on disposal of items of property, plant and equipment, net	**2,090**	–
Foreign exchange differences, net	**787**	859

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**4**	208
Interest on bank borrowings	**130**	28
Implicit interest on other payable	**3,078**	–
	3,212	236

9. DIRECTORS' REMUNERATION

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

	2021	2020
	HK$'000	HK$'000
Fees	1,750	1,600
Other emoluments:		
Salaries, allowances and benefits in kind	7,529	7,064
Performance related bonuses*	17,800	15,700
Pension scheme contributions	681	638
	27,760	25,002

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

(a) Independent Non-Executive Directors

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

	2021	2020
	HK$'000	HK$'000
Siu-Chee Kong	250	200
Ivan Ti-Fan Pong	250	200
Robert Che-Kwong Tsui	250	200
	750	600

There were no other emoluments payable to the independent non-executive Directors during the year (2020: Nil).

9. DIRECTORS' REMUNERATION *(continued)*

(b) Executive Directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2021					
Yuen-Keung Chan	**200**	**–**	**7,000**	**–**	**7,200**
James Sing-Wai Wong	**200**	**–**	**1,000**	**–**	**1,200**
Wing-Sang Yu	**200**	**4,620**	**7,000**	**426**	**12,246**
Philip Bing-Lun Lam	**200**	**–**	**1,000**	**–**	**1,200**
Hin-Kwong So	**200**	**2,909**	**1,800**	**255**	**5,164**
	1,000	**7,529**	**17,800**	**681**	**27,010**
2020					
Yuen-Keung Chan	200	–	6,000	–	6,200
James Sing-Wai Wong	200	–	800	–	1,000
Wing-Sang Yu	200	4,330	6,300	399	11,229
Philip Bing-Lun Lam	200	–	800	–	1,000
Hin-Kwong So	200	2,734	1,800	239	4,973
	1,000	7,064	15,700	638	24,402

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2020: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2020: two) non-director highest paid employees for the year are as follows:

	2021	2020
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other benefits in kind	**3,500**	3,406
Bonuses paid	**800**	670
Pension scheme contributions	**231**	225
	4,531	4,301

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

	Number of employees	
	2021	2020
HK$2,000,001 to HK$2,500,000	**2**	2

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021	2020
	HK$'000	*HK$'000*
Current - Hong Kong		
Charge for the year	**13,364**	11,843
Under/(over) provision in prior years	**(71)**	232
Current - Elsewhere		
Overprovision in prior years	**–**	(266)
Deferred *(note 24)*	**1,775**	(3,984)
Total tax charge for the year	**15,068**	7,825

11. INCOME TAX *(continued)*

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

	2021	2020
	HK$'000	*HK$'000*
Profit before tax	**81,761**	85,005
Tax at the statutory tax rate	**13,491**	14,026
Effect of different rates for companies operating in other jurisdictions	**–**	15
Adjustment in respect of current tax of previous periods	**(71)**	(34)
Expenses not deductible for tax	**1,919**	538
Income not subject to tax	**(6)**	(5,569)
Tax losses utilised from previous periods	**(568)**	(1,388)
Tax losses not recognised	**189**	237
Others	**114**	–
Tax charge for the year at the effective rate of 18.4% (2020: 9.2%)	**15,068**	7,825

12. DIVIDEND

	2021	2020
	HK$'000	*HK$'000*
Proposed final dividend of HK1.5 cents (2020: HK1.5 cents) per ordinary share	**22,500**	22,500

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

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

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$66,693,000 (2020: HK$77,180,000) and the number of ordinary shares of 1,500,000,000 (2020: 1,500,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 December 2021					
At 31 December 2020 and 1 January 2021:					
Cost	7,796	848,745	9,100	9,301	874,942
Accumulated depreciation	(3,841)	(599,871)	(8,246)	(9,301)	(621,259)
Net carrying amount	3,955	248,874	854	–	253,683
At 1 January 2021, net of accumulated depreciation	3,955	248,874	854	–	253,683
Additions	7,620	61,459	3,682	–	72,761
Disposals	–	(2,246)	–	–	(2,246)
Transfers to costs of construction	–	(2,490)	–	–	(2,490)
Depreciation provided during the year	(2,854)	(56,297)	(968)	–	(60,119)
At 31 December 2021, net of accumulated depreciation	8,721	249,300	3,568	–	261,589
At 31 December 2021:					
Cost	15,416	889,389	12,782	9,301	926,888
Accumulated depreciation	(6,695)	(640,089)	(9,214)	(9,301)	(665,299)
Net carrying amount	8,721	249,300	3,568	–	261,589

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

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 December 2020					
At 31 December 2019 and 1 January 2020:					
Cost	7,796	792,468	9,075	9,301	818,640
Accumulated depreciation	(2,795)	(542,679)	(7,975)	(9,189)	(562,638)
Net carrying amount	5,001	249,789	1,100	112	256,002
At 1 January 2020, net of accumulated depreciation	5,001	249,789	1,100	112	256,002
Additions	–	57,586	329	–	57,915
Transfers to costs of construction	–	(745)	–	–	(745)
Depreciation provided during the year	(1,046)	(57,756)	(575)	(112)	(59,489)
At 31 December 2020, net of accumulated depreciation	3,955	248,874	854	–	253,683
At 31 December 2020:					
Cost	7,796	848,745	9,100	9,301	874,942
Accumulated depreciation	(3,841)	(599,871)	(8,246)	(9,301)	(621,259)
Net carrying amount	3,955	248,874	854	–	253,683

15. LEASES

The Group as a lessee

The Group has lease contracts for properties and land used in its operations. Leases of properties and land generally have lease terms of three years and 13 years, respectively. The leasehold land is held on a medium-term lease expiring on 30 June 2047. Other properties generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leased land and buildings *HK$'000*	Leasehold land *HK$'000*	Total *HK$'000*
1 January 2020	9,752	–	9,752
Additions *(note 16)*	22,537	161,695	184,232
Depreciation charge	(8,916)	–	(8,916)
As at 31 December 2020 and 1 January 2021	**23,373**	**161,695**	**185,068**
Depreciation charge	**(2,569)**	**(5,989)**	**(8,558)**
Revaluation surplus	**–**	**21,294**	**21,294**
As at 31 December 2021	**20,804**	**177,000**	**197,804**

At 31 December 2021, the Group's leasehold land was revalued at HK$177,000,000 by the directors with reference to a valuation performed by A.G. Wilkinson & Associates (Surveyors) Limited, independent professionally qualified valuer, at an aggregate open market value of HK$177,000,000 based on its existing use basis on 31 December 2021. A revaluation surplus of HK$21,294,000 resulting from the above valuation has been credited to other comprehensive income.

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(a) Right-of-use assets *(continued)*

Fair value hierarchy

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

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Leasehold land	**–**	**–**	**177,000**	**177,000**

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Leasehold land	–	–	161,695	161,695

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

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

	Leasehold land *HK$'000*
Carrying amount as at 1 January 2020	–
Additions	161,695
Carrying amount as at 31 December 2020 and 1 January 2021	**161,695**
Depreciation charge	**(5,989)**
Revaluation surplus on revaluation at 31 December 2021	**21,294**
Carrying amount and fair value at 31 December 2021	**177,000**

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(a) Right-of-use assets *(continued)*

Fair value hierarchy *(continued)*

Set out below is a summary of the valuation technique used and the key inputs to the valuation of the Group's leasehold land:

	Valuation technique	**Significant unobservable input**	**Range 2021**
Leasehold land	Direct comparison approach	Prevailing market price (per sq. ft.)	**HK$914 to HK$1,523**

	Valuation technique	Significant unobservable input	Range 2020
Leasehold land	Direct comparison approach	Prevailing market price (per sq. ft.)	HK$1,083 to HK$1,700

The fair value of leasehold land is determined using the direct comparison approach for valuing leasehold land in their respective existing condition and use on the market basis with reference to comparable market transactions as reported in the market at similar locations. The valuation takes into account the characteristics of the leasehold land which include the location, size, transaction time, zoning, shape, size and accessibility and other factors collectively. A higher prevailing market price for leasehold land with positive characteristics will result in a higher fair value measurement.

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

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

	2021	2020
	HK$'000	*HK$'000*
Carrying amount at 1 January	**866**	9,926
Accretion of interest recognised during the year	**4**	208
Payments	**(870)**	(9,268)
Carrying amount at 31 December	**–**	866
Analysed into:		
Current portion	**–**	866
Non-current portion	**–**	–

The maturity analysis of lease liabilities is disclosed in note 32 to the financial statements.

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

	2021	2020
	HK$'000	*HK$'000*
Interest on lease liabilities	**4**	208
Depreciation charge of right-of-use assets	**8,558**	8,916
Expense relating to short-term leases (included in administrative expenses)	**3,727**	2,327
Total amount recognised in profit or loss	**12,289**	11,451

(d) The total cash outflow for leases is disclosed in note 26(c) to the financial statements.

16. INVESTMENT IN AN ASSOCIATE

On 30 September 2020, Chinney Kin Wing Property Limited, an indirect wholly-owned subsidiary of the Company entered into an agreement with an independent third party, Profit Gainer Holdings Limited ("Profit Gainer"), for the acquisition of a 50% equity interest of Senior Rich Development Limited (the "Acquisition") and two long term lease agreements for leasehold land pursuant to the Acquisition at a consideration of HK$190,000,000 to be satisfied by (i) an initial deposit of HK$2,000,000; (ii) cash payment of HK$62,000,000 upon completion of the Acquisition; and (iii) payment of the remaining balance of HK$126,000,000 by thirty-six (36) monthly instalments with 36 post-dated cheques at HK$3,500,000 each to Profit Gainer upon completion of the Acquisition. Upon completion of the Acquisition, on 28 December 2020, Senior Rich Development Limited became an associate of the Group, with two right-of-use assets of HK$184,232,000 recognised by the Group for these two long term lease agreements for leasehold land. Details of the transaction was set out in the Company's circular dated 9 December 2020. At 31 December 2021, HK$81,431,000 (2020: HK$120,353,000), being the present value of the unsettled balance of HK$84,000,000 (2020: HK$126,000,000), was included in other payables.

	2021	2020
	HK$'000	*HK$'000*
Share of net assets	**121**	121

Particulars of the associate as at 31 December 2021 are as follows:

Name	Place of incorporation/ registration and business	Particulars of registered/issued capital held	Percentage of ownership interest attributable to the Group 2021	2020	Principal activities
Senior Rich Development Limited^	Hong Kong	Class "A" voting shares Class "B" non-voting shares	**50%** **50%**	50% 50%	Property investment

^ This associate was acquired in 2020.

The above investment is indirectly held by the Company.

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

	2021	2020
	HK$'000	*HK$'000*
Share of an associate's profit for the year	**–**	–
Share of an associate's other comprehensive income	**–**	–
Share of an associate's total comprehensive income	**–**	–
Aggregate carrying amount of the Group's investment in an associate	**121**	121
	121	121

17. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**191,808**	265,436

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivables balance. Trade receivables are non-interest bearing. At 31 December 2021, the Group had a certain concentration of risk that may arise from the exposure to the largest customer and the five largest customers, which accounted for 34% and 74% (2020: 24% and 66%) of the Group's total trade receivables balance, respectively.

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

	2021 HK$'000	2020 HK$'000
Current to 30 days	**131,567**	212,363
31 to 60 days	**51,089**	41,066
61 to 90 days	**7,553**	2,353
Over 90 days	**1,599**	9,654
	191,808	265,436

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

At 31 December 2021 and 2020, the expected credit loss rate and loss allowance for the Group's trade receivables at each ageing category were assessed to be minimal.

18. CONTRACT ASSETS

	Notes	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Unbilled revenue	(a)	**133,613**	142,832	113,874
Retention monies receivable	(b)	**200,560**	192,049	167,229
Impairment of retention monies receivable		**(1,880)**	(1,880)	(1,880)
		332,293	333,001	279,223

Notes:

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

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

The decrease in contract assets in 2021 was the result of a faster issuance of progress billings to the customers for the construction services at the year end. The increase in contract assets in 2020 was the result of the increase in the ongoing provision of construction services at the end of that year.

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

	2021 HK$'000	2020 HK$'000
Within one year	**282,248**	275,059
More than one year	**50,045**	57,942
Total contract assets	**332,293**	333,001

The Group's trading terms and credit policy with customers are disclosed in note 17 to the financial statements.

The movements in the loss allowance for impairment of retention monies receivable are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of the year	**1,880**	1,880
Impairment losses for the year	**–**	–
At end of year	**1,880**	1,880

18. CONTRACT ASSETS *(continued)*

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

At 31 December 2021 and 2020, loss allowance for contract assets was assessed to be minimal.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Prepayments	**40**	879
Deposits and other receivables	**40,812**	22,331
	40,852	23,210
Portion classified as non-current:		
Deposits paid for acquisition of property, plant and equipment	**(5,527)**	–
Current portion	**35,325**	23,210

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

20. CASH AND CASH EQUIVALENTS

	2021	2020
	HK$'000	*HK$'000*
Cash and bank balances	**186,028**	70,587
Time deposits	**–**	10,000
Cash and cash equivalents	**186,028**	80,587

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

21. TRADE AND RETENTION MONIES PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**170,917**	167,375
Retention monies payable	**43,627**	46,134
	214,544	213,509

An ageing analysis of the trade and retention monies payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
Trade payables		
Current to 30 days	**125,755**	163,626
31 to 60 days	**29,236**	1,485
61 to 90 days	**12,188**	82
Over 90 days	**3,738**	2,182
	170,917	167,375
Retention monies payable	**43,627**	46,134
	214,544	213,509

The trade and retention monies payables are non-interest bearing. Trade payables are normally settled on 30-day terms. Retention monies payable had repayment terms ranging from one to two years.

22. OTHER PAYABLES AND ACCRUALS

	Notes	2021 HK$'000	2020 HK$'000
Contract liabilities	*(a)*	**163,607**	171,351
Other payables	*(b)*	**82,109**	120,555
Accruals		**140,106**	90,774
		385,822	382,680
Less: Other payable classified as non-current liabilities		**(41,325)**	(81,431)
Current portion		**344,497**	301,249

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Short-term advances received from customers			
Construction services	**163,607**	171,351	99,483

Contract liabilities include short-term advances received to deliver construction services. The decrease in contract liabilities in 2021 was mainly due to the decrease in short-term advances received from customers in relation to the provision of construction services at the end of the year. The increase in contract liabilities in 2020 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of that year.

(b) Except for other payable of HK$81,431,000 which has repayment terms ranging from one to two years (note 16), other payables are non-interest bearing and payable on demand.

23. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The amount due from a fellow subsidiary was unsecured, interest-free and repayable on demand.

24. DEFERRED TAX

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

Deferred tax liabilities

	Accelerated tax depreciation *HK$'000*
At 1 January 2020	42,674
Deferred tax credited to profit or loss during the year *(note 11)*	(4,892)
At 31 December 2020 and 1 January 2021	**37,782**
Deferred tax charged to profit or loss during the year *(note 11)*	**1,775**
Gross deferred tax liabilities as at 31 December 2021	**39,557**

Deferred tax assets

	Tax losses *HK$'000*
At 1 January 2020	908
Deferred tax credited to profit or loss during the year *(note 11)*	(908)
At 31 December 2020, 1 January 2021 and 31 December 2021	**–**

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

	2021 ***HK$'000***	2020 *HK$'000*
Net deferred tax liabilities recognised in the consolidated statement of financial position	**39,557**	37,782

The Group has estimated tax losses arising in Hong Kong of approximately HK$1,218,000 (2020: HK$4,661,000), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in Macau of approximately HK$415,000 (2020: HK$334,000) that can be used to offset against future taxable profits of the companies in which the losses arose for a maximum of three years. As at 31 December 2021, deferred tax assets of approximately HK$189,000 (2020: HK$237,000) have not been recognised in respect of these losses as in the opinion of the Company's directors, it is uncertain whether taxable profits will be available against which the tax losses can be utilised.

25. SHARE CAPITAL

	2021	2020
	HK$'000	*HK$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.1 each	**300,000**	300,000
Issued and fully paid:		
1,500,000,000 ordinary shares of HK$0.1 each	**150,000**	150,000

There were no movement in the share capital of the Company during the year (2020: Nil).

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year ended 31 December 2020, additions to right-of-use assets of HK$120,353,000 in respect of leasehold land (note 15) had not been paid and were included in other payables.

(b) Changes in liabilities arising from financing activities

2021

	Lease liabilities
	HK$'000
At 1 January 2021	**866**
Changes from financing cash flows	**(870)**
Interest expense	**4**
At 31 December 2021	**–**

2020

	Lease liabilities
	HK$'000
At 1 January 2020	9,926
Changes from financing cash flows	(9,268)
Interest expense	208
At 31 December 2020	866

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

(c) Total cash outflow for leases

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

	2021	2020
	HK$'000	*HK$'000*
Within operating activities	**3,731**	2,535
Within financing activities	**870**	9,268
	4,601	11,803

27. CONTINGENT LIABILITIES

The Group provided corporate guarantees and counter indemnities to certain banks and an insurance company for an aggregate amount of approximately HK$253,732,000 (2020: HK$288,878,000) for the issue of performance bonds in its ordinary course of business.

28. COMMITMENTS

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

	2021	2020
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Plant and machinery	**17,000**	–

29. RELATED PARTY TRANSACTIONS

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

	Notes	2021 HK$'000	2020 HK$'000
Rent paid to fellow subsidiaries	(i)	**2,094**	2,099
Rent paid to a related company	(i)	**104**	194
License fee paid to a related company	(i)	**82**	–
Purchases from fellow subsidiaries	(ii)	**1,179**	287

Notes:

(i) Rents paid to fellow subsidiaries and a related company as well as license fee paid to a related company are based on the market prices.

(ii) In the opinion of the directors, the above transactions were made according to the published prices and conditions similar to those offered to other major customers and suppliers.

The related party transactions in respect of items (i) and (ii) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. Since the amounts in respect of items (i) and (ii) are below the de minimis threshold for the purposes of Rule 14A.76 of the Listing Rules, items (i) and (ii) are fully exempt from shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

(b) Outstanding balances with related parties:
Details of the Group's balances with a fellow subsidiary as at the end of the reporting period are included in note 23 to the financial statements.

(c) Compensation of key management personnel of the Group:
The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 9 to the financial statements.

30. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Financial assets at amortised cost	
	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**191,808**	265,436
Financial assets included in prepayments, deposits and other receivables	**40,812**	22,331
Due from a fellow subsidiary	**1,790**	1,790
Cash and cash equivalents	**186,028**	80,587
	420,438	370,144

Financial liabilities

	Financial liabilities at amortised cost	
	2021	2020
	HK$'000	*HK$'000*
Lease liabilities	**–**	866
Trade and retention monies payables	**214,544**	213,509
Financial liabilities included in other payables and accruals	**127,294**	167,699
	341,838	382,074

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and retention monies payables, financial assets included in prepayments, deposits and other receivables, an amount due from a fellow subsidiary, lease liabilities and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the non-current portion of other payable has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

As at 31 December 2021, the Group did not have any financial assets and liabilities measured at fair value (2020: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has other financial assets and liabilities such as trade receivables, financial assets included in prepayments, deposits and other receivables, an amount due from a fellow subsidiary, trade and retention monies payables, lease liabilities and financial liabilities included in other payables and accruals which arise directly from its operations.

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

Credit risk

The Group trades only with recognised and creditworthy third parties and group companies. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

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

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

Credit risk *(continued)*

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Contract assets*	–	–	–	332,293	332,293
Trade receivables*	–	–	–	191,808	191,808
Financial assets included in prepayments, deposits and other receivables					
– Normal**	40,812	–	–	–	40,812
Due from a fellow subsidiary	1,790	–	–	–	1,790
Cash and cash equivalents					
– Not yet past due	186,028	–	–	–	186,028
	228,630	–	–	524,101	752,731

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

Credit risk *(continued)*

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Contract assets*	–	–	–	333,001	333,001
Trade receivables*	–	–	–	265,436	265,436
Financial assets included in prepayments, deposits and other receivables					
– Normal**	22,331	–	–	–	22,331
Due from a fellow subsidiary	1,790	–	–	–	1,790
Cash and cash equivalents					
– Not yet past due	80,587	–	–	–	80,587
	104,708	–	–	598,437	703,145

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 17 and 18 to the financial statements, respectively.

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

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

Liquidity risk

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

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

	On demand	Less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2021				
Trade and retention monies payables	**–**	**206,487**	**8,057**	**214,544**
Financial liabilities included in other payables and accruals	**45,863**	**42,000**	**42,000**	**129,863**
	45,863	**248,487**	**50,057**	**344,407**

	On demand	Less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2020				
Lease liabilities	–	870	–	870
Trade and retention monies payables	–	202,066	11,443	213,509
Financial liabilities included in other payables and accruals	47,346	42,000	84,000	173,346
	47,346	244,936	95,443	387,725

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

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group monitors the currency exposure on an ongoing basis and considers entering into forward currency contracts when the need arises.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro dollar ("EUR") and Singapore dollar ("SGD") exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	*HK$'000*	*HK$'000*
2021			
If Hong Kong dollar weakens against EUR	**5**	**962**	**–**
If Hong Kong dollar strengthens against EUR	**(5)**	**(962)**	**–**
If Hong Kong dollar weakens against SGD	**1**	**87**	**–**
If Hong Kong dollar strengthens against SGD	**(1)**	**(87)**	**–**
2020			
If Hong Kong dollar weakens against EUR	5	34	–
If Hong Kong dollar strengthens against EUR	(5)	(34)	–
If Hong Kong dollar weakens against SGD	1	80	–
If Hong Kong dollar strengthens against SGD	(1)	(80)	–

* Excluding retained profits

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is lease liabilities divided by the total capital. The capital structure of the Group consists of equity attributable to holders of the Company, comprising issued capital and reserves as disclosed in the consolidated financial statements.

The gearing ratios as at the end of the reporting periods were as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Lease liabilities	**–**	866
Equity attributable to holders of the Company	**572,830**	507,343
Gearing ratio	**–**	0.2%

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and risk associated with each class of capital. Based on recommendations of the directors, the Group will balance the overall capital structure of the Group through the payment of dividends, issue of new shares as well as the raising of new bank loans.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2021	2020
	HK$'000	*HK$'000*
NON-CURRENT ASSET		
Investment in a subsidiary	**2**	2
CURRENT ASSETS		
Amounts due from subsidiaries	**477,729**	423,141
Tax recoverable	**331**	–
Cash and cash equivalents	**1,042**	11,625
Total current assets	**479,102**	434,766
CURRENT LIABILITIES		
Other payables and accruals	**7,908**	6,384
Amounts due to subsidiaries	**201,535**	160,735
Tax payable	**–**	332
Total current liabilities	**209,443**	167,451
NET CURRENT ASSETS	**269,659**	267,315
Net assets	**269,661**	267,317
EQUITY		
Issued capital	**150,000**	150,000
Reserves *(note)*	**119,661**	117,317
Total equity	**269,661**	267,317

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

Note:

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

	Share premium *HK$'000*	Capital reserve* *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2020	63,628	1	49,607	113,236
Total comprehensive income for the year	–	–	26,581	26,581
2019 final dividend declared	–	–	(22,500)	(22,500)
At 31 December 2020 and 1 January 2021	**63,628**	**1**	**53,688**	**117,317**
Total comprehensive income for the year	**–**	**–**	**24,844**	**24,844**
2020 final dividend declared *(note 12)*	**–**	**–**	**(22,500)**	**(22,500)**
At 31 December 2021	**63,628**	**1**	**56,032**	**119,661**

* Capital reserve represented the contributed surplus with respect to the Company's share allotment of 9,999 new shares at par value of HK$0.1 each in the acquisition of the entire issued share capital of Kin Wing Chinney (BVI) Limited amounting to HK$1,622 from Chinney Construction Group Limited on 15 October 2015.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2022.