1. CORPORATE AND GROUP INFORMATION

Tysan Holdings Limited is a limited liability company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

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 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.

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

- foundation piling and site investigation
- property development and investment

There were no significant changes in the nature of the Group's principal activities during the year.

The immediate holding company of the Company is Times Holdings II Limited, which is incorporated in the Cayman Islands and ultimately controlled by The Blackstone Group Inc., a company listed on The New York Stock Exchange and considered as the ultimate holding company of the Company.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2023	2022	
Tysan Foundation (Hong Kong) Limited	Hong Kong	Ordinary HK$100	**100**	100	Investment holding
Bright Team Management Limited (note 1)	Hong Kong	Ordinary HK$5	**100**	100	Investment holding
Tysan Construction (Macau) Limited (note 1)	Macau	Ordinary MOP25,000	**100**	100	Foundation piling
Tysan Foundation Limited (notes 1 and 2)	Hong Kong	Ordinary HK$141,000,000 Deferred HK$3,000,000	**100**	100	Foundation piling and site investigation
Tysan Foundation Geotechnical Limited (note 1)	Hong Kong	Ordinary HK$220,000,000	**100**	100	Foundation piling and site investigation
Tysan Foundation Building Limited (note 1)	Hong Kong	Ordinary HK$1	**100**	100	Foundation piling
Tysan Machinery Hire Limited (notes 1 and 2)	Hong Kong	Ordinary HK$10,000 Deferred HK$200,000	**100**	100	Machinery hiring
Foundation Testing Services Limited (note 1)	Hong Kong	Ordinary HK$1	**100**	100	Provision of testing services
Proficiency Equipment Limited (note 1)	Hong Kong	Ordinary HK$24,480,000	**100**	100	Machinery hiring and trading
Proficiency Engineering Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Provision of engineering services and machinery hiring

1. CORPORATE AND GROUP INFORMATION *(Cont'd)*

Information about subsidiaries *(Cont'd)*

Particulars of the Company's principal subsidiaries are as follows: *(Cont'd)*

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2023	2022	
Tysan Management Limited (note 2)	Hong Kong	Ordinary HK$16,720,850 Deferred HK$2	**100**	100	Corporate management
Tysan Property Development & Investment Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Top Class Properties Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Property holding
Sure Faith Investment Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Property holding
Shanghai Changning Duncan Property Consulting Company Limited (notes 1 and 3)	PRC/Chinese Mainland	RMB200,000	**100**	100	Property consulting

Notes:

1. Held through subsidiaries.

2. The deferred shares carry no rights to dividends (other than a fixed non-cumulative dividend at the rate of 5% per annum for any financial year during which the net profit of the relevant company available for dividends exceeds HK$1 billion), no rights to vote at general meetings, no rights to receive any surplus on a return of capital on a winding-up (other than the amount paid up on such shares, provided that the holders of the ordinary shares of that company have been distributed in such a winding-up of a sum of HK$1,000 billion in respect of each ordinary share).

3. This entity is registered as a wholly-foreign-owned enterprise under PRC law.

1. CORPORATE AND GROUP INFORMATION *(Cont'd)*

Information about a joint operation

Particulars of the Company's joint operation are as follows:

Name	Form of business structure	Place of registration/ operation	Percentage of attributable interest of the Group		Principal activities
			2023 (Note)	2022 (Note)	
Vibro-Tysan-Chun Wo JV	Unincorporated	Hong Kong	**30**	30	Foundation piling

Note:

The Group's attributable interest is less than 50% in this body unincorporate. However, under the joint venture agreement, the joint operators have contractually agreed on the sharing of control over the relevant activities of this body unincorporate, and hence this body unincorporate is jointly controlled by the Group and the other joint operators. Furthermore, the relevant joint venture agreement specifies that the Group and the other parties to the joint arrangement have rights to the assets and obligations to the liabilities relating to the joint arrangement in accordance with the attributable interest of the Group as disclosed above and the interests attributable to the other joint operators, respectively, and therefore this body unincorporate is classified as a joint operation.

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

2. ACCOUNTING POLICIES

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 and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION *(Cont'd)*

Basis of consolidation *(Cont'd)*

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Cont'd)*

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

(a) Amendments to HKAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial information statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 24 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

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

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 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 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 was removed by the HKICPA. However, the amendments are available for adoption now.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effect of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Interests in joint operations

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

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

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

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is calculated as the higher of the asset'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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired 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 the statement of profit or loss in the period in which it arises.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

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 assets 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 the statement of 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:

Building	5%
Equipment and machinery	10% to 33⅓%
Furniture and fixtures	20%
Motor vehicles	20%
Leasehold improvements	10% to 33⅓%

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 the statement of 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.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

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, less 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:

Leasehold land	35 to 40 years
Buildings	2 to 3 years

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.

(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.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Leases *(Cont'd)*

Group as a lessee *(Cont'd)*

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of office properties, warehouses and machinery (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).

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

Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of 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.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Investments and other financial assets *(Cont'd)*

Initial recognition and measurement *(Cont'd)*

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.

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

Subsequent measurement

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 the statement of profit or loss when the asset is derecognised, modified or impaired.

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.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Impairment of financial assets *(Cont'd)*

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 considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, 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

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Impairment of financial assets *(Cont'd)*

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.

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.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and retention payables, other payables and interest-bearing bank borrowings.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Financial liabilities *(Cont'd)*

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing 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 the statement of 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 the statement of 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.

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 the statement of profit or loss.

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and bank balances comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside statement of profit or loss is recognised, 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.

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

- when the deferred tax liability 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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, 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.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Income tax *(Cont'd)*

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 future 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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, 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.

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.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

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.

(a) Machinery trading and sale of steel platform

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

(b) Construction services

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

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

(c) Machinery engineering services

Revenue from the provision of machinery engineering services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition *(Cont'd)*

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

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, 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. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

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).

Employee benefits

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 26 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

Employee benefits *(Cont'd)*

Share-based payments *(Cont'd)*

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operated a defined contribution provident fund (the "Fund") for certain of its employees in Hong Kong, the assets of which were held separately from those of the Group and were managed by an independent professional fund manager. Contributions under the Fund were made based on a percentage of the eligible employees' basic salaries and were charged to the statement of profit or loss as they became payable in accordance with the rules of the scheme. The ongoing contributions to the Fund were terminated on 1 April 1999.

Following the introduction of the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme"), the Group has restructured its retirement scheme arrangements to comply with the Mandatory Provident Fund Schemes Ordinance. The Group has secured a Mandatory Provident Fund exemption status for the Fund and, in addition, has participated in an approved defined contribution MPF Scheme with effect from 1 December 2001, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 MATERIAL ACCOUNTING POLICIES *(Cont'd)*

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 note 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 the statement of 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 (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of 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.

3. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Cont'd)*

Judgement

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

Current and deferred tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made. Further details are disclosed in notes 10 and 24 to the financial statements.

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.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on historical loss records of trade receivables for groupings of days past due or for groupings of various customer segments that have similar loss patterns (i.e., by customer types of different credit risk) and actual default cases.

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, 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 customers' actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 16 and 17 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Cont'd)*

Estimation uncertainty *(Cont'd)*

Revenue recognition of construction works

During the year ended 31 December 2023, the Group has recognised revenue of HK$2,703,266,000 (2022: HK$2,446,718,000). Revenue from construction services is recognised according to the percentage of completion of the individual contract of construction works. The Group's management estimates the percentage of completion of construction works based on actual costs incurred over the total budgeted costs. Corresponding contract revenue was also estimated by management based on contract sum and work values from variation works. Because of the nature of the activities undertaken for the construction contracts, the date at which the contracts are entered into and the date when the contract are completed usually fall into different accounting periods. The Group reviewed and revised the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progressed.

When determining the total budgeted costs, management makes reference to information such as (i) current or recent offers from subcontractors and suppliers, (ii) variation orders received from customers, and (iii) estimation on material costs, labour costs and other costs for the completion of the projects provided by quantity survey department.

4. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with internal reporting to the Company's key management personnel as follows:

(a) the foundation piling segment (including site investigation operation);

(b) the property development and investment segment; and

(c) the "corporate and others" segment comprises, principally, the Group's corporate operation, and machinery leasing and trading businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax.

The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income and non-lease related finance costs are excluded from such measurement.

Segment assets exclude deferred tax assets and time deposits as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

For the years ended 31 December 2023 and 2022

	Foundation piling		Property development and investment		Corporate and others		Elimination		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue: (note 5)										
Sales to external customers	**2,703,266**	2,458,718	**–**	–	**–**	14,928	**–**	–	**2,703,266**	2,473,646
Intersegment sales	**–**	–	**–**	–	**–**	1,401	**–**	(1,401)	**–**	–
Other income and gains	**7,895**	22,528	**212**	–	**98**	899	**–**	–	**8,205**	23,427
Total segment revenue	**2,711,161**	2,481,246	**212**	–	**98**	17,228	**–**	(1,401)	**2,711,471**	2,497,073
Segment results	**25,490**	93,926	**(798)**	(2,489)	**(38,339)**	(70,848)			**(13,647)**	20,589
Interest income									**23,329**	6,722
Finance costs (other than interest on lease liabilities)									**(7,302)**	(1,422)
Profit before tax									**2,380**	25,889
Income tax expense									**(15,418)**	(21,364)
Profit/(loss) for the year									**(13,038)**	4,525

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

For the years ended 31 December 2023 and 2022

	Foundation piling		Property development and investment		Corporate and others		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities								
Segment assets	**1,190,168**	1,356,889	**819**	2,538	**169,489**	159,592	**1,360,476**	1,519,019
Unallocated							**554,358**	609,134
							1,914,834	2,128,153
Segment liabilities	**463,478**	598,831	**624**	734	**6,785**	14,090	**470,887**	613,655
Unallocated							**160,615**	171,309
							631,502	784,964
Other segment information:								
Depreciation of property, plant and equipment	**52,035**	44,336	**–**	–	**4,548**	5,390	**56,583**	49,726
Depreciation of right-of-use assets	**9,415**	7,088	**10**	10	**4,140**	6,280	**13,565**	13,378
Impairment of items of property, plant and equipment	**–**	–	**–**	–	**–**	798	**–**	798
Impairment/(write-back of impairment) of trade receivables	**(35)**	71	**–**	–	**692**	1,356	**657**	1,427
Impairment/(write-back of impairment) of contract assets	**106**	(693)	**–**	–	**–**	–	**106**	(693)
Write-down of inventories to net realisable value	**–**	–	**–**	–	**–**	2,989	**–**	2,989
Loss/(gain) on disposal and write-off of items of property, plant and equipment, net	**10,788**	3,695	**–**	–	**(2,606)**	(869)	**8,182**	2,826
Capital expenditure	**60,889**	51,853	**–**	–	**697**	735	**61,586**	52,588

Geographical information

(a) Revenue from external customers

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**2,703,266**	2,473,646

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

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

Geographical information *(Cont'd)*

(b) Non-current assets

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**268,918**	277,705

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

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:

	2023	2022
	HK$'000	*HK$'000*
Customer A[1]	**836,022**	290,048
Customer B[1]	**364,524**	N/A[2]
Customer C[1]	**280,631**	381,251
Customer D[1]	**N/A[2]**	562,574
Customer E[1]	**N/A[2]**	386,029

1 Revenue was derived from the foundation piling segment.
2 The corresponding revenue did not contribute over 10% of the Group's revenue.

5. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers	**2,703,266**	2,467,058
Revenue from other sources		
Gross rental income from machinery leasing	**–**	6,588
Total	**2,703,266**	2,473,646

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	**Foundation piling** *HK$'000*	**Property development and investment** *HK$'000*	**Corporate and others** *HK$'000*	**Total** *HK$'000*
Types of goods or services				
Construction services	**2,703,266**	**–**	**–**	**2,703,266**
Total	**2,703,266**	**–**	**–**	**2,703,266**
Geographical market				
Hong Kong	**2,703,266**	**–**	**–**	**2,703,266**
Timing of revenue recognition				
Services transferred over time	**2,703,266**	**–**	**–**	**2,703,266**

For the year ended 31 December 2022

Segments	Foundation piling *HK$'000*	Property development and investment *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Types of goods or services				
Machinery trading	–	–	12	12
Sale of steel platform	12,000	–	–	12,000
Construction services	2,446,718	–	–	2,446,718
Machinery engineering services	–	–	8,328	8,328
Total	2,458,718	–	8,340	2,467,058
Geographical market				
Hong Kong	2,458,718	–	8,340	2,467,058
Timing of revenue recognition				
Good transferred at a point in time	12,000	–	12	12,012
Services transferred over time	2,446,718	–	8,328	2,455,046
Total	2,458,718	–	8,340	2,467,058

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(i) Disaggregated revenue information *(Cont'd)*

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

For the year ended 31 December 2023

Segments	**Foundation piling** *HK$'000*	**Property development and investment** *HK$'000*	**Corporate and others** *HK$'000*	**Total** *HK$'000*
Revenue from contracts with customers				
External customers	**2,703,266**	**–**	**–**	**2,703,266**
Total	**2,703,266**	**–**	**–**	**2,703,266**

For the year ended 31 December 2022

Segments	Foundation piling *HK$'000*	Property development and investment *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Revenue from contracts with customers				
External customers	2,458,718	–	8,340	2,467,058
Intersegment sales	–	–	833	833
Subtotal	2,458,718	–	9,173	2,467,891
Intersegment adjustments and eliminations	–	–	(833)	(833)
Total	2,458,718	–	8,340	2,467,058

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(i) Disaggregated revenue information *(Cont'd)*

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2023 **HK$'000**	2022 HK$'000
Construction services	**30,774**	81,866

(ii) Performance obligations

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

Machinery trading and sale of steel platform

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 days from delivery.

Construction services

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.

Machinery engineering services

The performance obligation is satisfied over time as the customer simultaneously receives and consumes the support services as the Group continues to provide support services to the customer.

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

	2023 **HK$'000**	2022 HK$'000
Amounts expected to be recognised as revenue:		
Within one year	**1,774,326**	2,240,720
After one year	**577,339**	469,428
Total	**2,351,665**	2,710,148

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(ii) Performance obligations *(Cont'd)*

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 mainly 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.

An analysis of other income and gains is as follows:

	2023	2022
	HK$'000	*HK$'000*
Interest income	**23,329**	6,722
Insurance claims	**1,512**	803
Subsidy income*	**–**	18,826
Write-back of impairment of contract assets	**–**	693
Others	**6,693**	3,105
Total other income and gains	**31,534**	30,149

* Government subsidies from employment support scheme of HK$18,564,000 in Hong Kong were granted during the year ended 31 December 2022. There were no unfulfilled conditions or contingencies relating to this income.

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on bank borrowings	**7,302**	1,422
Interest on lease liabilities	**591**	951
Subtotal	**7,893**	2,373
Less: Interest included in cost of sales	**(149)**	(35)
Total	**7,744**	2,338

7. PROFIT BEFORE TAX

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

	Notes	**2023** **HK$'000**	2022 HK$'000
Cost of inventories sold		**–**	28
Cost of services rendered		**2,640,126**	2,391,572
Depreciation of property, plant and equipment	13	**56,583**	49,726
Depreciation of right-of-use assets	14(a)	**13,565**	13,378
Lease payments not included in the measurement of lease liabilities	14(c)	**35,492**	26,927
Auditor's remuneration		**2,168**	2,065
Employee benefit expense (including directors' remuneration – note 8):			
Salaries, wages and other benefits		**492,774**	460,066
Equity-settled share option expense		**4,298**	9,647
Pension scheme contributions**		**12,701**	12,233
Total		**509,773**	481,946
Foreign exchange differences, net*		**302**	50
Impairment of financial and contract assets:			
Impairment of trade receivables*	16	**657**	1,427
Impairment/(write-back of impairment) of contract assets*	17(a)	**106**	(693)
Impairment of items of property, plant and equipment*		**–**	798
Loss on disposal and write-off of items of property, plant and equipment*		**8,182**	2,826
Write-down of inventories to net realisable value*		**–**	2,989

* These amounts are included in "Other expenses, net" or "Other income and gains" in the consolidated statement of profit or loss.

** There are no forfeited contributions that may be used by the Group as employer to reduce the existing level of contributions.

8. DIRECTORS' REMUNERATION

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

	2023	2022
	HK\$'000	*HK\$'000*
Fees:		
Executive directors	**–**	–
Non-executive directors	**–**	–
Independent non-executive directors	**1,395**	1,440
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**34,329**	34,370
Equity-settled share option expense	**1,130**	2,561
Pension scheme contributions	**18**	18
Total	**36,872**	38,389

During the year ended 31 December 2021, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 26 to the financial statements and the report of the directors. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION *(Cont'd)*

The remuneration paid or payable to each of the directors is as follows:

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Equity-settled share option expense *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
2023					
Executive directors:					
Mr. Fung Chiu Chak, Victor ("Mr. Fung")	–	23,121	578	–	23,699
Mr. Chiu Chin Hung	–	5,746	289	–	6,035
Mr. Lau Kin Fai	–	5,462	263	18	5,743
Subtotal	–	34,329	1,130	18	35,477
Non-executive directors:					
Mr. Justin Wai	–	–	–	–	–
Mr. Vikram Garg	–	–	–	–	–
Mr. Yuen Pak Man	–	–	–	–	–
Ms. Gu Ye	–	–	–	–	–
Ms. Hou Xiangjia	–	–	–	–	–
Subtotal	–	–	–	–	–
Independent non-executive directors:					
Mr. Lung Chee Ming, George	360	–	–	–	360
Mr. Li Kit Chee	360	–	–	–	360
Ms. Chow Wai Lee*	214	–	–	–	214
Ms. Jennifer Kwok	360	–	–	–	360
Ms. Yang Jing*	101	–	–	–	101
Subtotal	1,395	–	–	–	1,395
Total	1,395	34,329	1,130	18	36,872

8. DIRECTORS' REMUNERATION *(Cont'd)*

The remuneration paid or payable to each of the directors is as follows: *(Cont'd)*

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Equity-settled share option expense *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
2022					
Executive directors:					
Mr. Fung	–	23,119	1,310	–	24,429
Mr. Chiu Chin Hung	–	6,000	655	–	6,655
Mr. Lau Kin Fai	–	5,251	596	18	5,865
Subtotal	–	34,370	2,561	18	36,949
Non-executive directors:					
Mr. Justin Wai	–	–	–	–	–
Mr. Vikram Garg#	–	–	–	–	–
Mr. David Robert McClure#	–	–	–	–	–
Mr. Yuen Pak Man	–	–	–	–	–
Ms. Gu Ye	–	–	–	–	–
Ms. Hou Xiangjia	–	–	–	–	–
Subtotal	–	–	–	–	–
Independent non-executive directors:					
Mr. Lung Chee Ming, George	360	–	–	–	360
Mr. Li Kit Chee	360	–	–	–	360
Ms. Chow Wai Lee	360	–	–	–	360
Ms. Jennifer Kwok	360	–	–	–	360
Subtotal	1,440	–	–	–	1,440
Total	1,440	34,370	2,561	18	38,389

* During the year ended 31 December 2023, Ms. Chow Wai Lee resigned as an independent non-executive director, and Ms. Yang Jing was appointed as an independent non-executive director.

\# During the year ended 31 December 2022, Mr. David Robert McClure resigned as a non-executive director, and Mr. Vikram Garg was appointed as a non-executive director.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2022: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2022: two) non-director highest paid employees are as follows:

	2023	2022
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	6,711	6,859
Equity-settled share option expense	458	1,026
Pension scheme contributions	27	36
Total	7,196	7,921

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

	Numbers of employees	
	2023	2022
HK$3,000,001 to HK$3,500,000	1	1
HK$4,000,001 to HK$4,500,000	1	–
HK$4,500,001 to HK$5,000,000	–	1
Total	2	2

During the year ended 31 December 2021, share options were granted to the above non-director and non-chief executive highest paid employees in respect of their services to the Group. Further details of which are included in the disclosures in note 26 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits of this subsidiary are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere in the People's Republic of China (the "PRC") have been calculated at the applicable tax rates prevailing in the areas in which the Group operates.

	2023	2022
	HK$'000	*HK$'000*
Current:		
Provision for tax in respect of profit for the year:		
PRC:		
Hong Kong	**15,922**	9,705
Elsewhere	**25**	6
	15,947	9,711
Overprovision in the prior years:		
PRC:		
Hong Kong	**(6)**	(10)
Deferred tax (note 24)	**(523)**	11,663
Total tax charge for the year	**15,418**	21,364

A reconciliation of the tax charge applicable to profit before tax at the statutory rates for the countries or regions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2023	2022
	HK$'000	*HK$'000*
Profit before tax	**2,380**	25,889
Tax at the statutory rates	**341**	4,070
Adjustments in respect of current tax of prior years	**(6)**	(10)
Income not subject to tax	**(4,576)**	(5,223)
Expenses not deductible for tax	**6,495**	12,842
Effect of withholding tax on the distributable profits of the Group's subsidiary in Mainland China	**51**	18
Tax losses utilised from prior years	**(241)**	(287)
Tax losses not recognised	**13,354**	9,954
Tax charge at the Group's effective rate	**15,418**	21,364

11. DIVIDENDS

	2023 HK$'000	2022 HK$'000
Dividends declared and paid during the year:		
Final in respect of the financial year ended 31 December 2022 – HK$0.015 (year ended 31 December 2021: HK$0.015) per ordinary share	**50,491**	50,491
Interim – Nil (2022: HK$0.01 per ordinary share)	**–**	33,660
Proposed final dividend:		
Final – HK$0.015 (2022: HK$0.015) per ordinary share	**50,491**	50,491

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

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

The calculation of the basic loss (2022: earnings) per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$13,038,000 (2022: profit of HK$4,525,000), and the number of ordinary shares of 3,366,035,709 (2022: 3,366,035,709) in issue during the year.

No adjustment has been made to the basic earnings/loss per share amount presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the share options did not have a dilutive effect on the basic earnings/loss per share amount presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Equipment and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
2023						
Cost:						
At 1 January 2023	81,309	896,199	5,748	10,830	12,113	1,006,199
Additions	–	60,890	696	–	–	61,586
Disposals/write-off	–	(72,045)	(105)	(1,278)	–	(73,428)
At 31 December 2023	81,309	885,044	6,339	9,552	12,113	994,357
Accumulated depreciation and impairment:						
At 1 January 2023	47,089	761,005	5,366	6,853	11,991	832,304
Depreciation provided during the year	4,067	51,001	208	1,237	70	56,583
Disposals/write-off	–	(61,064)	(105)	(1,278)	–	(62,447)
At 31 December 2023	51,156	750,942	5,469	6,812	12,061	826,440
Net carrying amount:						
At 31 December 2023	30,153	134,102	870	2,740	52	167,917
At 31 December 2022	34,220	135,194	382	3,977	122	173,895

13. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	Building *HK$'000*	Equipment and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
2022						
Cost:						
At 1 January 2022	81,309	892,466	5,633	10,855	12,132	1,002,395
Additions	–	50,948	155	1,485	–	52,588
Disposals/write-off	–	(47,215)	(40)	(1,510)	(19)	(48,784)
At 31 December 2022	81,309	896,199	5,748	10,830	12,113	1,006,199
Accumulated depreciation and impairment:						
At 1 January 2022	43,024	759,415	5,152	7,241	11,940	826,772
Depreciation provided during the year	4,065	44,247	251	1,093	70	49,726
Impairment charged for the year	–	795	3	–	–	798
Disposals/write-off	–	(43,452)	(40)	(1,481)	(19)	(44,992)
At 31 December 2022	47,089	761,005	5,366	6,853	11,991	832,304
Net carrying amount:						
At 31 December 2022	34,220	135,194	382	3,977	122	173,895
At 31 December 2021	38,285	133,051	481	3,614	192	175,623

The Group's building was pledged to a bank as security for a banking facility granted to the Group (note 22).

During the year ended 31 December 2022, certain of the Group's equipment and machinery were leased to third parties under operating leases, further summary details of which were included in note 14 to the financial statements.

14. LEASES

The Group as a lessee

The Group has leasehold land and lease contracts for various office properties, staff quarters, warehouses and machinery used in its operation. Lump sum payments were made upfront to acquire the leasehold land from the owner with lease periods of 35 to 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of office properties, staff quarters and warehouses generally have lease terms between 1 and 3 years while leases of machinery generally have lease terms of less than 12 months.

(a) Right-of-use assets

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

	Leasehold land *HK$000*	**Buildings** *HK$'000*	**Total** *HK$'000*
At 1 January 2022	92,141	22,192	114,333
Additions	–	732	732
Depreciation charge	(3,722)	(9,656)	(13,378)
At 31 December 2022 and 1 January 2023	**88,419**	**13,268**	**101,687**
Additions	**–**	**9,539**	**9,539**
Depreciation charge	**(3,723)**	**(9,842)**	**(13,565)**
At 31 December 2023	**84,696**	**12,965**	**97,661**

Certain of the Group's leasehold land is pledged to a bank as security for a banking facility granted to the Group (note 22).

Certain of the Group's leased warehouse (2022: leased warehouse and machinery) is subleased to a third party under an operating lease, further summary details of which are disclosed below under the heading "The Group as a lessor".

14. LEASES *(Cont'd)*

The Group as a lessee *(Cont'd)*

(b) Lease liabilities

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

	2023	2022
	HK$'000	*HK$'000*
Carrying amount at 1 January	**13,682**	22,299
New leases	**9,539**	732
Accretion of interest recognised during the year	**591**	951
Payments	**(10,512)**	(10,300)
Carrying amount at 31 December	**13,300**	13,682
Analysed into:		
Current portion	**9,708**	8,684
Non-current portion	**3,592**	4,998

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

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

	2023	2022
	HK$'000	*HK$'000*
Interest on lease liabilities	**591**	951
Depreciation charge of right-of-use assets	**13,565**	13,378
Expenses relating to short-term leases (included in cost of sales)	**35,492**	26,927
Total amount recognised in profit or loss	**49,648**	41,256

(d) The total cash outflows for leases are disclosed in note 28(c) to the financial statements.

14. LEASES *(Cont'd)*

The Group as a lessor

The Group subleases certain of its leased warehouse (note 14(a)) (2022: equipment and machinery and leased warehouse and leased machinery) under an operating lease arrangement. Rental income recognised by the Group during the year was HK$384,000 (2022: HK$6,972,000).

As at 31 December 2023, undiscounted lease payments receivable by the Group in future periods under a non-cancellable operating lease with its tenant are as follows:

	2023	2022
	HK$'000	*HK$'000*
Within one year	**352**	384
After one year but within two years	**–**	352
Total	**352**	736

15. INVENTORIES

	2023	2022
	HK$'000	*HK$'000*
Raw materials	**79,381**	82,237
Spare parts and others	**12,330**	10,874
Total	**91,711**	93,111

16. TRADE RECEIVABLES

The Group has established credit policies that follow local industry standards. The average normal credit periods offered to trade customers are within 30 days, and are subject to periodic review by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**129,621**	127,916
Impairment	**(4,510)**	(3,853)
Net carrying amount	**125,111**	124,063

As at 31 December 2022, included in the Group's trade receivables was an amount due from a related company, Tysan Building Construction Company Limited ("TBC"), of HK$104,000, which was repayable on credit terms similar to those offered to the major customers of the Group. TBC is controlled by Mr. Fung, who is an executive director of the Company.

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

	2023	2022
	HK$'000	*HK$'000*
Within 90 days	**124,456**	122,816
91 to 180 days	**–**	376
181 to 365 days	**–**	214
Over 365 days	**655**	657
Total	**125,111**	124,063

16. TRADE RECEIVABLES *(Cont'd)*

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

	2023 HK$'000	2022 HK$'000
At beginning of the year	3,853	2,426
Impairment loss recognised (note 7)	657	1,427
At end of year	4,510	3,853

The increase in the loss allowance was mainly due to increase in trade receivables which were past due for over 90 days. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on remaining trade receivables. The provision rates are based on historical loss records for groupings of days past due or for groupings of various customer segments with similar loss patterns (i.e., by customer types of different credit risks). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

		Past due				
	Current	Less than 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Expected credit losses rate	0.03%	0.02%	–	100%	87.08%	3.48%
Gross carrying amount (HK$'000)	95,981	28,510	–	60	5,070	129,621
Expected credit losses (HK$'000)	29	6	–	60	4,415	4,510

As at 31 December 2022

		Past due				
	Current	Less than 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Expected credit losses rate	0.04%	1.01%	42.12%	69.76%	81.63%	3.01%
Gross carrying amount (HK$'000)	105,823	17,277	539	701	3,576	127,916
Expected credit losses (HK$'000)	43	175	227	489	2,919	3,853

17. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000*	1 January 2022 *HK$'000*
Contract assets arising from:			
Construction services	**640,859**	829,258	639,461
Others	**1,460**	1,777	1,724
	642,319	831,035	641,185
Impairment	**(2,426)**	(2,320)	(3,013)
Net carrying amount	**639,893**	828,715	638,172

Contract assets are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2023 was the result of the subsequent certification of construction services and subsequent settlement of retention receivables while the increase in contract assets in 2022 was the result of the increase in the provision of construction services near end of 2022. The Group's trading terms and credit policy with customers are disclosed in note 16 to the financial statements.

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

	2023 *HK$'000*	2022 *HK$'000*
Within one year	**575,159**	615,972
After one year	**64,734**	212,743
Total contract assets	**639,893**	828,715

17. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Cont'd)*

(a) Contract assets *(Cont'd)*

The movements in the loss allowance for impairment of contract assets are as follows:

	2023	2022
	HK$'000	*HK$'000*
At the beginning of the year	**2,320**	3,013
Impairment loss recognised/(written back) (note 7)	**106**	(693)
At the end of the year	**2,426**	2,320

Included in the above impairment allowance for contract assets is an allowance for an individually impaired contract asset of HK$2,048,000 (2022: HK$2,048,000) which was considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full. Except for the specific impairment allowance mentioned above, an impairment analysis is performed at each reporting date on the remaining contract assets 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 historical loss records of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer types of different credit risks). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets not individually impaired using a provision matrix:

	2023	2022
Expected credit loss rate	**0.06%**	0.03%
Gross carrying amount (HK$'000)	**640,271**	828,987
Expected credit losses (HK$'000)	**378**	272

17. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Cont'd)*

(b) Contract liabilities

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000*	1 January 2022 *HK$'000*
Contract liabilities arising from:			
Construction services	**17,326**	31,125	82,494

Contract liabilities include short-term advances received to deliver construction services. The decrease in contact liabilities in 2023 and 2022 was the result of increase in provision of construction services near end of both years.

Included in contract liabilities was an amount due to a related company, TBC, of HK$1,017,000 (2022: HK$448,000).

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 *HK$'000*	2022 *HK$'000*
Deposits paid for acquisition of items of property, plant and equipment	**3,340**	716
Prepayments and deposits	**15,387**	15,201
Other receivables	**17,833**	11,545
Less: Impairment allowance	**(293)**	(293)
Total	**36,267**	27,169
Less: Prepayments, deposits and other receivables classified as non-current assets	**(3,340)**	(2,123)
Current portion	**32,927**	25,046

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

	2023 *HK$'000*	2022 *HK$'000*
At beginning and end of year	**293**	293

In the opinion of the directors, the impairment of HK$293,000 (2022: HK$293,000) was specific in nature which was considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full. Expected credit losses on the remaining other receivables balances are estimated by applying a loss rate approach with reference to historical loss record of the Group. Based on the historical loss records and economic conditions, the directors are of the opinion that the expected credit losses of the remaining other receivables are minimal.

19. PLEDGED TIME DEPOSIT, TIME DEPOSITS WITH ORIGINAL MATURITY OF OVER THREE MONTHS AND CASH AND CASH EQUIVALENTS

	Note	**2023** **HK$'000**	2022 HK$'000
Time deposits		**550,596**	605,380
Cash and bank balances		**201,916**	170,379
Total		**752,512**	775,759
Less: Pledged time deposit			
– Pledged for a bank borrowing	22	**(5,460)**	(5,460)
Less: Non-pledged time deposits with original maturity of over three months		**(178,749)**	(91,420)
Cash and cash equivalents		**568,303**	678,879

	2023 **HK$'000**	2022 HK$'000
Denominated in:		
Renminbi ("RMB")	**22,987**	23,106
HK$	**670,496**	726,888
United States dollars ("USD")	**58,828**	19,992
Other currencies	**201**	5,773
Total	**752,512**	775,759

RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for various periods ranging from 3 weeks to 12 months (2022: 1 week to 6 months) depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

20. TRADE AND RETENTION PAYABLES, ACCRUALS AND PROVISION

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

	2023	2022
	HK$'000	*HK$'000*
Trade payables:		
Within 90 days	**220,233**	328,417
91 to 180 days	**241**	644
Over 180 days	**24**	25
Total trade payables	**220,498**	329,086
Retention payables	**56,050**	56,373
Accruals	**140,579**	141,515
Provision	**17,938**	34,808
Total	**435,065**	561,782

The trade and retention payables are non-interest-bearing. Trade payables are normally settled on 90-day terms. For retention payables in respect of construction contracts, the due dates are normally within one year after the completion of the construction work.

As at 31 December 2023, retention payables amounting to HK$53,287,000 (2022: HK$43,582,000) were expected to be repayable within twelve months after the end of the reporting period.

Provision mainly represented provision for foreseeable losses on construction contracts. During the year ended 31 December 2023, provision of HK$26,341,000 (2022: HK$13,085,000) was made and the balance of HK$38,692,000 (2022: HK$12,204,000) was utilised. In addition, provision of HK$4,519,000 (2022: HK$748,000) was reversed during the year ended 31 December 2023.

21. OTHER PAYABLES, DEPOSITS RECEIVED AND RECEIPTS IN ADVANCE

Other payables are non-interest-bearing and have an average term of one month.

22. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Secured:						
Instalment loans	**3.4–7.2**	**2024–2031**	**128,564**	3.1–6.3	2023–2031	152,501

	2023 ***HK$'000***	2022 *HK$'000*
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	**24,036**	23,992
In the second year	**24,218**	24,153
In the third to fifth years, inclusive	**53,772**	73,531
Beyond five years	**26,538**	30,825
Total	**128,564**	152,501
Portion due within one year, classified as current liabilities	**(24,036)**	(23,992)
Non-current portion	**104,528**	128,509

As at 31 December 2023, the Group's secured instalment loans were secured by the pledge of a time deposit of HK$5,460,000 (2022: HK$5,460,000) (note 19), and mortgages over certain leasehold land of HK$84,462,000 (2022: HK$88,175,000) (note 14(a)) and a building of HK$30,153,000 (2022: HK$34,220,000) (note 13) of the Group.

In addition, the Company has executed guarantees in respect of borrowing facilities granted to certain of its subsidiaries (note 30).

The bank borrowings of the Group bear interest at floating interest rates. The carrying amounts of the bank borrowings approximate to their fair values.

The Group's bank borrowings are denominated in Hong Kong dollars.

23. LEASE LIABILITIES

	2023			2022		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current:						
Lease liabilities (note 14(b))	**5.375**	**2024**	**9,708**	5.375	2023	8,684
Non-current:						
Lease liabilities (note 14(b))	**5.375**	**2025**	**3,592**	5.375	2024	4,998

	2023 ***HK$'000***	2022 *HK$'000*
Analysed into:		
Lease liabilities repayable:		
Within one year	**9,708**	8,684
In the second year	**3,592**	4,998
Total	**13,300**	13,682

24. DEFERRED TAX

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

Deferred tax liabilities

	Right-of-use assets ***HK$'000***	**Withholding taxes** ***HK$'000***	**Allowance in excess of related depreciation** ***HK$'000***	**Total** ***HK$'000***
At 31 December 2021	–	(223)	(17,057)	(17,280)
Effect of adoption of amendments to HKAS 12 (note 2.2 (c))	(4,010)	–	(71)	(4,081)
At 1 January 2022 (restated)	(4,010)	(223)	(17,128)	(21,361)
Deferred tax credited/(charged) to the statement of profit or loss during the year (restated)	1,500	(18)	(1,143)	339
Exchange realignment	–	19	–	19
At 31 December 2022 (restated)	(2,510)	(222)	(18,271)	(21,003)

24. DEFERRED TAX *(Cont'd)*

The components and movements in deferred tax liabilities and assets during the year are as follows: *(Cont'd)*

Deferred tax liabilities *(Cont'd)*

	Right-of-use assets *HK$'000*	Withholding taxes *HK$'000*	Allowance in excess of related depreciation *HK$'000*	Total *HK$'000*
At 31 December 2022	**–**	**(222)**	**(18,186)**	**(18,408)**
Effect of adoption of amendments to HKAS 12 (note 2.2 (c))	**(2,510)**	**–**	**(85)**	**(2,595)**
At 1 January 2023 (restated)	**(2,510)**	**(222)**	**(18,271)**	**(21,003)**
Deferred tax credited/(charged) to the statement of profit or loss during the year	**(53)**	**(51)**	**636**	**532**
Exchange realignment	**–**	**6**	**–**	**6**
At 31 December 2023	**(2,563)**	**(267)**	**(17,635)**	**(20,465)**

Deferred tax assets

	Lease liabilities *HK$'000*	Depreciation in excess of related allowance *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 31 December 2021	–	1,715	17,491	19,206
Effect of adoption of amendments to HKAS 12 (note 2.2 (c))	4,040	41	–	4,081
At 1 January 2022 (restated)	4,040	1,756	17,491	23,287
Deferred tax charged to the statement of profit or loss during the year (restated)	(1,445)	(1,756)	(8,801)	(12,002)
At 31 December 2022 (restated)	2,595	–	8,690	11,285
At 31 December 2022	**–**	**–**	**8,690**	**8,690**
Effect of adoption of amendments to HKAS 12 (note 2.2 (c))	**2,595**	**–**	**–**	**2,595**
At 1 January 2023 (restated)	**2,595**	**–**	**8,690**	**11,285**
Deferred tax credited/(charged) to the statement of profit or loss during the year	**53**	**–**	**(62)**	**(9)**
At 31 December 2023	**2,648**	**–**	**8,628**	**11,276**

24. DEFERRED TAX *(Cont'd)*

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 of the Group for financial reporting purposes:

	2023 HK$'000	2022 HK$'000
Deferred tax assets	3,762	3,754
Deferred tax liabilities	(12,951)	(13,472)
	(9,189)	(9,718)

The Group has tax losses arising in Hong Kong of HK$383,418,000 (2022: HK$304,319,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of tax losses of HK$331,126,000 (2022: HK$251,656,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by its subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

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

25. SHARE CAPITAL

Shares

	2023 HK$'000	2022 HK$'000
Authorised:		
6,000,000,000 ordinary shares of HK$0.10 each	600,000	600,000
Issued and fully paid:		
3,366,035,709 ordinary shares of HK$0.10 each	336,603	336,603

Share options

Details of the Company's share option scheme are included in note 26 to the financial statements.

26. SHARE OPTION SCHEME

On 3 December 2020, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue at any time.

A summary of the Share Option Scheme of the Company is as follows:

Purpose	To reward participants who have contributed or may contribute to the Group and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and the shareholders as a whole.
Participants	A person who is entitled to participate in the Share Option Scheme, being any full-time or part-time employees, executives, officers or directors (including executive, non-executive and independent non-executive directors) of the Group or any of the interested entities and any advisors, consultants, distributors, contractors, suppliers, agents, providers, customers, business ally or joint venture partners, promoters, service providers of any member of the Group who, in the sole and absolute opinion of the board of directors of the Company (the "Board"), will contribute to or benefit or have contributed to or benefited the business, development and growth (and/or any other aspect whatsoever) of the Group and/or any of the interested entities.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	336,603,570 ordinary shares and 10% of the issued share capital, on the basis of 3,366,035,709 shares in issue as at the date of the Company's special general meeting on 3 December 2020.
Maximum entitlement of each participant	Shall not exceed 1% of the issued share capital of the Company in any 12-month period.
Period within which the securities must be taken up under an option	To be determined by the Board on a case-by-case basis at its absolute discretion and notified to the grantee thereof, provided that the expiry date of the said period shall not be later than ten (10) years from the date of grant of the option concerned.
Minimum period for which an option must be held before it can be exercised	To be determined at the discretion of the Board.
Amount payable on acceptance	HK$10

26. SHARE OPTION SCHEME *(Cont'd)*

A summary of the Share Option Scheme of the Company is as follows: *(Cont'd)*

Basis for determining the exercise price	In respect of any particular option: the price per share payable to the Company on the exercise of the option as may be decided upon and prescribed by the Board on a case-by-case basis, bearing in mind the purpose of the Share Option Scheme, in its absolute discretion upon the grant of the option, provided that such exercise price shall not be less than the highest of the following: (a) the nominal value of a share; (b) the closing price of a share as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day; and (c) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant of the option, or where applicable, the exercise price for the option concerned (referred to (a) to (c) above) as may be adjusted by the Board from time to time pursuant to the rules of the Share Option Scheme concerning adjustments of, inter alia, the exercise price upon the occurrence of any relevant event as defined in the Share Option Scheme.
The remaining life of the scheme	The Share Option Scheme remains in force for a period of ten (10) years commencing from 3 December 2020 and expiring at the close of business hours of the Company on 2 December 2030.

Further details of the Share Option Scheme were set out in the Company's circular dated 12 November 2020.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Share Option Scheme as an equity-settled plan.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

26. SHARE OPTION SCHEME *(Cont'd)*

The following share options were outstanding under the Share Option Scheme during the year:

	2023		2022	
	Weighted average exercise price ***HK$ per share***	**Number of options** ***'000***	Weighted average exercise price *HK$ per share*	Number of options *'000*
At beginning of year	**0.49**	**163,100**	0.49	167,600
Lapsed during the year	**0.49**	**(1,000)**	0.49	(4,500)
At end of year	**0.49**	**162,100**	0.49	163,100

The exercise prices and exercise periods of the share options outstanding as at that end of the reporting period are as follows:

2023 Number of options ***'000***	Exercise price* *HK$ per share*	Exercise periods
48,630	0.49	1-1-2022 to 24-5-2025
48,630	0.49	1-1-2023 to 24-5-2025
64,840	0.49	1-1-2024 to 24-5-2025
162,100		

2022 Number of options *'000*	Exercise price* *HK$ per share*	Exercise periods
48,930	0.49	1-1-2022 to 24-5-2025
48,930	0.49	1-1-2023 to 24-5-2025
65,240	0.49	1-1-2024 to 24-5-2025
163,100		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year ended 31 December 2021 was HK$29,674,000 (HK$0.1712 to HK$0.1818 each), of which the Group recognised a share option expense of HK$4,298,000 (2022: HK$9,647,000) during the year ended 31 December 2023.

26. SHARE OPTION SCHEME *(Cont'd)*

During the year, a total of 1,000,000 share options lapsed upon resignation of the relevant employee and the respective share option reserve of HK$107,000 was released.

At the end of the reporting period, the Company had 162,100,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 162,100,000 additional ordinary shares of the Company and additional share capital of HK$16,210,000 and share premium of HK$63,219,000 before issue expenses.

At the date of approval of these financial statements, the Company had 162,100,000 share options outstanding under the Share Option Scheme, which represented approximately 5% of the Company's shares in issue as at that date.

27. RESERVES

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

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiary registered in the PRC has been transferred to statutory reserves which are restricted as to use.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$9,539,000 (2022: HK$732,000) and HK$9,539,000 (2022: HK$732,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

2023

	Trade and retention payables, accruals and provision *HK$'000*	**Dividend payable** *HK$'000*	**Lease liabilities** *HK$'000*	**Interest-bearing bank borrowings** *HK$'000*
At 1 January 2023	**561,782**	**–**	**13,682**	**152,501**
Changes from financing activities	**(7,126)**	**(50,491)**	**(10,512)**	**(24,116)**
New leases	**–**	**–**	**9,539**	**–**
Interest expenses	**7,123**	**–**	**591**	**179**
Dividends declared	**–**	**50,491**	**–**	**–**
Changes classified as operating cash flows	**(124,415)**	**–**	**–**	**–**
Changes classified as investing cash flows	**(2,299)**	**–**	**–**	**–**
At 31 December 2023	**435,065**	**–**	**13,300**	**128,564**

2022

	Trade and retention payables, accruals and provision *HK$'000*	Dividend payable *HK$'000*	Lease liabilities *HK$'000*	Interest-bearing bank borrowings *HK$'000*
At 1 January 2022	489,229	–	22,299	57,575
Changes from financing activities	(1,365)	(84,151)	(10,300)	94,925
New leases	–	–	732	–
Interest expenses	1,421	–	951	1
Dividends declared	–	84,151	–	–
Changes classified as operating cash flows	72,497	–	–	–
At 31 December 2022	561,782	–	13,682	152,501

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*

(c) Total cash outflow for leases

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

	2023	2022
	HK$'000	*HK$'000*
Within operating activities	**35,492**	26,927
Within financing activities	**10,512**	10,300
Total	**46,004**	37,227

29. COMMITMENTS

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

	2023	2022
	HK$'000	*HK$'000*
Property, plant and equipment	**15,791**	16,463

30. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2023	2022
	HK$'000	*HK$'000*
Guarantees in respect of performance bonds in relation to construction projects	**332,469**	461,254

31. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank borrowings are included in note 22 to the financial statements.

32. RELATED PARTY TRANSACTIONS AND BALANCES

The Group had the following transactions and balances with related parties during the year:

(a) Outstanding balances with a related party

Details of the Group's balances with its related company as at the end of the reporting period are included in notes 16 and 17, respectively, to the financial statements.

Particulars of an amount due from a related company, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

Name	**31 December 2023** *HK$'000*	**Maximum amount outstanding during the year** *HK$'000*	31 December 2022 *HK$'000*
TBC	**–**	**2,680**	104

(b) Compensation of key management personnel of the Group

	2023 *HK$'000*	2022 *HK$'000*
Short term employee benefits	**44,923**	45,075
Equity-settled share option expense	**1,750**	3,949
Post-employment benefits	**63**	72
Total compensation paid to key management personnel	**46,736**	49,096

Further details of directors' remuneration are included in note 8 to the financial statements.

(c) Other transactions with related companies of the Group

(i) During the year ended 31 December 2022, the Group recorded rental and miscellaneous expenses of HK$255,000 to More Good Events Limited in respect of a lease of a training venue. More Good Events Limited is indirectly wholly-owned by a close family member of Mr. Fung, an executive director of the Company.

(ii) During the year ended 31 December 2022, the Group disposed of a motor vehicle to TBC at a cash consideration of HK$82,000.

These transactions were entered into by the Group and its related companies in accordance with the terms of the respective agreements.

These related party transactions above also constituted connected transactions as defined in Chapter 14A of the Listing Rules.

33. 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

	2023 Financial assets at amortised cost *HK$'000*	2022 Financial assets at amortised cost *HK$'000*
Trade receivables	**125,111**	124,063
Other receivables	**17,540**	11,252
Pledged time deposit	**5,460**	5,460
Time deposits with original maturity of over three months	**178,749**	91,420
Cash and cash equivalents	**568,303**	678,879
Total	**895,163**	911,074

Financial liabilities

	2023 Financial liabilities at amortised cost *HK$'000*	2022 Financial liabilities at amortised cost *HK$'000*
Trade and retention payables	**276,548**	385,459
Other payables	**1,947**	6,780
Interest-bearing bank borrowings	**128,564**	152,501
Lease liabilities	**13,300**	13,682
Total	**420,359**	558,422

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include time deposits with original maturity of over three months, cash and cash equivalents, pledged time deposit, other receivables, trade receivables, trade and retention payables, other payables, interest-bearing bank borrowings and lease liabilities. Details of these financial instruments are disclosed in the respective notes to these financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Credit risk

The Group's principal financial assets are time deposits with original maturity of over three months, cash and cash equivalents, pledged time deposit and trade and other receivables.

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.

As at 31 December 2023

	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*	–	–	–	642,319	642,319
Trade receivables*	–	–	–	129,621	129,621
Financial assets included in prepayments, deposits and other receivables					
– Normal**	17,540	–	–	–	17,540
– Doubtful**	–	–	293	–	293
Pledged time deposit					
– Not yet past due	5,460	–	–	–	5,460
Time deposits with original maturity of over three months					
– Not yet past due	178,749	–	–	–	178,749
Cash and cash equivalents					
– Not yet past due	568,303	–	–	–	568,303
Total	770,052	–	293	771,940	1,542,285

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Credit risk *(Cont'd)*

Maximum exposure and year-end staging *(Cont'd)*

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Contract assets*	–	–	–	831,035	831,035
Trade receivables*	–	–	–	127,916	127,916
Financial assets included in prepayments, deposits and other receivables					
– Normal**	11,252	–	–	–	11,252
– Doubtful**	–	–	293	–	293
Pledged time deposit					
– Not yet past due	5,460	–	–	–	5,460
Time deposits with original maturity of over three months					
– Not yet past due	91,420	–	–	–	91,420
Cash and cash equivalents					
– Not yet past due	678,879	–	–	–	678,879
Total	787,011	–	293	958,951	1,746,255

* 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 16 and 17 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 as "doubtful".

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Interest rate risk

The Group's exposure to changes in interest rates (e.g. HIBOR) is mainly attributable to its interest-bearing bank borrowings. Borrowings at variable rates expose the Group to interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors the Group's interest rate exposure and considers entering into interest rate swaps to reduce its exposure to interest rate fluctuations should the need arise.

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

	Increase in interest rate	Decrease in profit before tax *HK$'000*	Decrease in equity* *HK$'000*
2023			
Bank borrowings	**100 basis points**	**1,289**	**–**
2022			
Bank borrowings	100 basis points	1,530	–

* Excluding retained profits

Foreign exchange risk

The Group operates mainly in Hong Kong and Chinese Mainland with most of its transactions settled in HK$ and Renminbi. Certain of the Group's monetary assets and liabilities are denominated in US$. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi and US$ against HK$. The Group considered the impact on equity from the change in US$ exchange rate was minimal at the end of the reporting period since HK$ is pegged to US$. During the years ended 31 December 2022 and 2023, the Group's borrowings were denominated in HK$.

Management monitors the Group's currency exposure on an ongoing basis and considers entering into forward currency contracts when the need arises.

The Group did not expose to any significant foreign currency risk as at 31 December 2023 and 2022.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

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 regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

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:

	2023				
	On demand *HK$'000*	**Less than 12 months** *HK$'000*	**1 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
Trade and retention payables	**–**	**273,785**	**2,763**	**–**	**276,548**
Other payables	**–**	**1,947**	**–**	**–**	**1,947**
Interest-bearing bank borrowings	**–**	**30,732**	**89,530**	**28,267**	**148,529**
Lease liabilities	**–**	**10,677**	**3,920**	**–**	**14,597**
Guarantees in respect of performance bonds in relation to construction projects	**332,469**	**–**	**–**	**–**	**332,469**
Total	**332,469**	**317,141**	**96,213**	**28,267**	**774,090**

	2022				
	On demand *HK$'000*	Less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Trade and retention payables	–	372,668	12,791	–	385,459
Other payables	–	6,780	–	–	6,780
Interest-bearing bank borrowings	–	31,323	113,053	33,271	177,647
Lease liabilities	–	9,547	5,334	–	14,881
Guarantees in respect of performance bonds in relation to construction projects	461,254	–	–	–	461,254
Total	461,254	420,318	131,178	33,271	1,046,021

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

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. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2023.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. The Group's policy is to maintain the gearing ratio not exceeding 50%. Net debt includes trade and retention payables, other payables, interest-bearing bank borrowings and lease liabilities, less pledged time deposit, time deposits with original maturity of over three months and cash and cash equivalents. Capital includes total equity of the Group. The gearing ratios as at the end of the reporting periods were as follows:

	2023	2022
	HK$'000	*HK$'000*
Trade and retention payables	**276,548**	385,459
Other payables	**1,947**	6,780
Interest-bearing bank borrowings	**128,564**	152,501
Lease liabilities (note 23)	**13,300**	13,682
Less: Pledged time deposit	**(5,460)**	(5,460)
Time deposits with original maturity of over three months	**(178,749)**	(91,420)
Cash and cash equivalents	**(568,303)**	(678,879)
Net cash	**(332,153)**	(217,337)
Total equity	**1,283,332**	1,343,189
Gearing ratio	**N/A**	N/A

35. 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:

	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**737,174**	1,220,415
CURRENT ASSETS		
Amounts due from subsidiaries	**175,491**	175,491
Prepayments and other receivables	**5,617**	2,212
Time deposits with original maturity of over three months	**148,749**	69,990
Cash and cash equivalents	**139,513**	225,065
Total current assets	**469,370**	472,758
CURRENT LIABILITIES		
Trade payables and accruals	**863**	765
Other payables	**1,500**	1,496
Total current liabilities	**2,363**	2,261
NET CURRENT ASSETS	**467,007**	470,497
Net assets	**1,204,181**	1,690,912
EQUITY		
Issued capital	**336,603**	336,603
Reserves (note)	**867,578**	1,354,309
Total equity	**1,204,181**	1,690,912

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

Note:

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

	Share premium account *HK$'000*	**Contributed surplus** *HK$'000*	**Share option reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 January 2022	2,481	668,294	15,100	800,497	1,486,372
Loss for the year	–	–	–	(57,559)	(57,559)
Total comprehensive expenses for the year	–	–	–	(57,559)	(57,559)
Equity-settled share option arrangements (note 26)	–	–	9,647	–	9,647
Transfer of share option reserve upon the expiry of share options	–	–	(240)	240	–
2021 final dividend declared and paid (note 11)	–	–	–	(50,491)	(50,491)
2022 interim dividend declared and paid (note 11)	–	–	–	(33,660)	(33,660)
At 31 December 2022 and 1 January 2023	**2,481**	**668,294**	**24,507**	**659,027**	**1,354,309**
Loss for the year	**–**	**–**	**–**	**(440,538)**	**(440,538)**
Total comprehensive expenses for the year	**–**	**–**	**–**	**(440,538)**	**(440,538)**
Equity-settled share option arrangements (note 26)	**–**	**–**	**4,298**	**–**	**4,298**
Transfer of share option reserve upon the expiry of share options	**–**	**–**	**(107)**	**107**	**–**
2022 final dividend declared and paid (note 11)	**–**	**–**	**–**	**(50,491)**	**(50,491)**
At 31 December 2023	**2,481**	**668,294**	**28,698**	**168,105**	**867,578**

The contributed surplus of the Company included the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1991 prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor amounting to HK$29,950,000. In addition, pursuant to special resolutions passed at the annual general meeting of the Company held on 7 August 2015 and 12 June 2019, the entire amounts of HK$563,861,000 and HK$10,004,289,000 standing to the credit of share premium account of the Company as at 7 August 2015 and 31 December 2018, respectively, were cancelled, and the corresponding balance arising therefrom was credited to the contributed surplus account of the Company. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

36. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to adoption of the revised HKFRSs during the current year, the presentation of certain items and balance in the notes to the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 20 March 2024.