

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

The Construction Industry Council (the “Council”) was established as a statutory body on 1 February 2007 in Hong Kong under the Construction Industry Council Ordinance. The Council acts as an industry coordinating body. Its principal functions are to forge consensus on long-term strategic issues, convey the industry’s needs and aspirations to Government, as well as provide a communication channel for Government to solicit advice on all construction-related matters. In order to propagate improvements across the entire industry, the Council is empowered to formulate codes of conduct, administer registration and rating schemes, steer forward research and manpower development, facilitate adoption of construction standards, promote good practices and compile performance indicators.

The address of the registered office of the Council is located at 38/F., COS Centre, 56 Tsun Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Group’s consolidated financial statements are presented in Hong Kong dollar, which is the same as the functional currency of the Council and its subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

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

| | |
|-----------------------|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018 – 2020 |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s consolidated financial positions and performance for the current and prior years and/or on the disclosures in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

New and amendments to HKFRSs in issue but not yet effective

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

| | |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ² |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ³ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³ |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ³ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

Except for the new and amendments to HKFRSs mentioned below, the Council members anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(a) Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. 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.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgments (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

(b) Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgments or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA under the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

The significant accounting policies are set out below:

Basis of consolidation

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

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

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

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

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

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.

Revenue from contracts with customers

The Group recognises revenue when a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to the customer.

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

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

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

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

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services delivered to the customer to date relative to the remaining services promised under the contract, that best depict the Group’s performance in transferring control of services.

Levy income

Levy income is accounted for on an accrual basis and is recognised when the assessment of the value of construction works by the Group are complete.

Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred are recognised in profit or loss in the period in which they become receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Property, plant and equipment and construction in progress

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

Construction in progress represented the expenditure made for construction of property, plant and equipment for provision of services or administrative purpose. Construction in progress is carried at cost less any recognised impairment loss. Such items are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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

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

Depreciation is calculated using the straight-line method over their estimated useful lives as follows:

| | |
|---|---------------|
| Leasehold land and building | 25 – 50 years |
| Motor vehicles | 5 years |
| Computer equipment | 3 – 5 years |
| Renovation and building facilities | 3 – 5 years |
| Furniture and fixtures | 10 years |
| Facilities, tools, machinery and workshop equipment | 5 years |
| Other equipment | 10 years |

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of underlying assets or the cost of the right-of-use asset reflect that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying assets.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of the tangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

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

If the recoverable amount (i.e., the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include: (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Employee benefits

Salaries, gratuities, paid annual leave, contributions to defined contribution retirement plans are accrued in the year in which the associated services are rendered by employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Leases

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

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost (which comprises the initial measurement of lease liabilities, initial direct costs, reinstatement costs, any payments made at or before the commencement date less any lease incentives received), and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group presents right-of-use assets in property, plant and equipment, the same line item within which the corresponding underlying assets would be presented if they were owned.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate at the lease commencement date is used. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Payments associated with short-term leases (i.e., leases with a lease term of 12 months or less) and low value leases are recognised on a straight-line basis as an expense in the profit or loss.

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

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

Financial instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Amortised cost and interest income

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

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gains or losses will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated fund.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the investment and interest income line item in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss (“ECL”) on financial assets which are subject to impairment under HKFRS 9 (including deposits, other receivables, bank balances and debt instruments at amortised cost). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group has elected to measure loss allowances for levy receivables using the HKFRS 9 simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets subject to ECL, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the nature of financial instruments and past-due status:

- Nature of financial instruments (i.e., the Group's account and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of deposits and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities (including accounts and other payables and Construction Innovation and Technology Fund ("CITF")) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gains or losses previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated fund.

The Group derecognises a financial liability when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Investment properties

Investment property is a property held either to earn rentals or for capital appreciation or for both, but not held for use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment loss. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful life using the straight-line method. The useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Foreign currencies

Transactions entered into by Group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

Related parties

- (a) A person, or a close member of that person’s family, is related to the Group if that person:
- (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group.
- (b) An entity is related to the Group if 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 an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. LEVY INCOME

| | 2022 HK\$ | 2021 HK\$ |
|-------------------------|----------------------|---------------|
| Private sector | 487,055,478 | 491,918,316 |
| Public sector | 458,555,934 | 438,444,812 |
| Others (Note) | 111,582,259 | 124,848,688 |
| Penalty on overdue levy | 766,659 | 821,173 |
| Surcharge | 1,921,961 | 82,647 |
| | 1,059,882,291 | 1,056,115,636 |

Note: Others include levy income on construction operations relating to the port and airport development, Mass Transit Railway (such as, Express Rail Link, South Island Line, and Kwun Tong Line Extension and Shatin/Central Link), etc.

In accordance with the provisions of section 32 of the Construction Industry Council Ordinance, a levy is imposed at the rate of 0.5% on the value of all construction operations undertaken or carried out in Hong Kong, for which the tender has been submitted on or after 30 July 2018, and with a total value exceeding HK\$3,000,000* (see below).

In addition, in accordance with the provisions of section 23 of the Construction Workers Registration Ordinance, a levy is imposed at the rate of 0.03% on the value of all construction operations undertaken or carried out in Hong Kong, for which the tender has been submitted or a construction contract has been entered or the construction operations have begun on or after 30 July 2018 and with a total value exceeding HK\$3,000,000# (see below).

* Any construction operations which have commenced or been tendered before 30 July 2018, the levy threshold is HK\$1,000,000. The levy rate for these operations was 0.5%, effective on 20 August 2012 while it was 0.4% before 20 August 2012 and 0.25% before 10 January 2000.

Any construction operations which have commenced or been tendered between 24 February 2005 and 29 July 2018, the levy threshold is HK\$1,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. WORKERS REGISTRATION FEE INCOME

Workers registration fees are collected from construction workers who are applying for registration which normally has a validity period of 60 months in accordance with the Construction Workers Registration (Fees) Regulation (Cap 583 (B)). Workers registration fee income is recognised over time and the advances received relating to future periods are treated as contract liabilities (Note 22). Revenue is recognised on a time proportion basis based on the output method.

6. COURSE FEES AND RELATED INCOME AND TRADE TESTING INCOME

Course fees and related income is recognised over time. Trade testing income is recognised at a point in time. All these incomes represent contracts with customers and were derived from Hong Kong.

(i) Course fees and related income

The Group provides construction training courses to trainees. Such courses are recognised as a performance obligation satisfied over time as the trainee simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised over the period of training based on the output method.

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

(ii) Trade testing income

The Group provides trade testing services to construction industry practitioners. Such services are recognised at a point of time upon the completion of the testing.

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

7. INVESTMENT AND INTEREST INCOME

| | 2022 HK\$ | 2021 HK\$ |
|--|-------------------|--------------|
| Interest on bank deposits | 26,923,669 | 12,473,127 |
| Interest on debt instruments at amortised cost | 5,643,694 | 1,994,772 |
| Other interest income | – | 7 |
| Dividend from equity instruments at FVTOCI | 373,314 | 318,873 |
| | 32,940,677 | 14,786,779 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

8. OTHER INCOME

| | 2022 HK\$ | 2021 HK\$ |
|---|-------------------|--------------|
| Reimbursement of trainees' allowance (Note 1) | 39,308,450 | 41,729,738 |
| Registration fee income from sub-contractors (Note 2) | 3,131,517 | 3,207,940 |
| Income from conferences and workshops | 5,010,342 | 2,238 |
| Income from short-term rental of devices | 994,046 | 1,237,226 |
| Reimbursement of promotion expenses (Note 1) | 6,550,425 | – |
| Other miscellaneous income | 5,651,305 | 6,797,865 |
| Foreign exchange gain, net | 36,483 | 760,949 |
| | 60,682,568 | 53,735,956 |

Note 1:

Reimbursement of trainees' allowance and reimbursement of promotion expenses represented the receivable from the Government in respect of the allowances paid by the Group to the trainees for several approved training schemes and promotion expenses paid by the Group which are regarded as government grants.

Note 2:

Registration fees are collected from sub-contractors who are applying for registration which normally has a validity period of 36 or 60 months on and after 1 July 2017. Registration fee income is recognised over time and the advances received relating to future periods are treated as contract liabilities (Note 22). Revenue is recognised on a time proportion basis based on the output method.

9. STAFF COSTS

| | 2022 HK\$ | 2021 HK\$ |
|---|--------------------|--------------|
| Salaries, wages and other benefits | 436,120,876 | 407,934,493 |
| Contributions to defined contribution retirement plan | 20,055,334 | 20,138,562 |
| | 456,176,210 | 428,073,055 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses included:

| | 2022 HK\$ | 2021 HK\$ |
|---|--------------|--------------|
| Auditor's remuneration | 621,700 | 558,200 |
| Losses on disposal of property, plant and equipment | 648,821 | 3,134,515 |

11. RELIEF MEASURES FOR COVID-19

| | 2022 HK\$ | 2021 HK\$ |
|--|--------------|--------------|
| One off relief measure for COVID-19 | 6,517,323 | 110,125,440 |
| Allowance paid and other expense incurred to support workers under the Construction Industry Caring Campaign – Fight against Novel Coronavirus | 56,963,693 | 11,124,786 |
| Other COVID-19 relief measures | 6,472,012 | 11,228,925 |
| | 69,953,028 | 132,479,151 |
| Less: Fundings from the Construction Industry Caring Campaign | (10,607,653) | (6,124,786) |
| | 59,345,375 | 126,354,365 |

12. DEPRECIATION

| | 2022 HK\$ | 2021 HK\$ |
|-----------------------|--------------|--------------|
| Depreciation charges: | | |
| – owned assets | 214,533,399 | 212,609,905 |
| – right-of-use assets | 8,427,012 | 11,230,377 |
| | 222,960,411 | 223,840,282 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

| | Leasehold land and building (note) HK\$ | Motor vehicles HK\$ | Computer equipment HK\$ | Renovation and building facilities HK\$ | Furniture and fixtures HK\$ | Facilities, tools, machinery and workshop equipment HK\$ | Other equipment HK\$ | Total property, plant and equipment HK\$ | Construction in progress HK\$ | Total HK\$ |
|---------------------------------|---|---------------------------|-------------------------------|--|-----------------------------------|--|----------------------------|--|-------------------------------------|---------------|
| Cost | | | | | | | | | | |
| At 1 January 2021 | 610,275,002 | 1,076,444 | 139,264,063 | 571,454,538 | 8,504,021 | 120,917,883 | 42,237,672 | 1,493,729,623 | 374,767,707 | 1,868,497,330 |
| Additions | 18,802,920 | - | - | - | - | - | - | 18,802,920 | 206,108,651 | 224,911,571 |
| Disposals | (26,041,742) | (384,900) | (741,340) | (4,604,467) | (576,870) | (1,856,524) | (3,762,159) | (37,968,002) | - | (37,968,002) |
| Transfer | - | 333,798 | 14,339,232 | 444,926,421 | 1,832,746 | 7,423,347 | 3,564,182 | 472,419,726 | (472,419,726) | - |
| At 31 December 2021 | 603,036,180 | 1,025,342 | 152,861,955 | 1,011,776,492 | 9,759,897 | 126,484,706 | 42,039,695 | 1,946,984,267 | 108,456,632 | 2,055,440,899 |
| Additions | 1,276,739 | - | - | - | - | - | - | 1,276,739 | 72,974,867 | 74,251,606 |
| Disposals | - | - | - | (3,714,646) | (30,450) | (1,015,589) | (409,273) | (5,169,958) | - | (5,169,958) |
| Transfer | - | 395,946 | 29,066,008 | 74,025,095 | - | 6,320,372 | 1,414,436 | 111,221,857 | (111,221,857) | - |
| At 31 December 2022 | 604,312,919 | 1,421,288 | 181,927,963 | 1,082,086,941 | 9,729,447 | 131,789,489 | 43,044,858 | 2,054,312,905 | 70,209,642 | 2,124,522,547 |
| Accumulated depreciation | | | | | | | | | | |
| At 1 January 2021 | 128,613,983 | 836,421 | 75,425,511 | 361,839,144 | 3,977,157 | 80,881,972 | 13,682,053 | 665,256,241 | - | 665,256,241 |
| Charge for the year | 26,080,091 | 160,452 | 21,701,734 | 155,841,679 | 913,078 | 14,091,063 | 5,052,185 | 223,840,282 | - | 223,840,282 |
| Written off on disposals | (26,041,742) | (384,900) | (718,840) | (4,306,353) | (341,314) | (1,767,331) | (1,035,519) | (34,595,999) | - | (34,595,999) |
| At 31 December 2021 | 128,652,332 | 611,973 | 96,408,405 | 513,374,470 | 4,548,921 | 93,205,704 | 17,698,719 | 854,500,524 | - | 854,500,524 |
| Charge for the year | 23,276,727 | 197,260 | 21,850,422 | 157,893,519 | 887,384 | 13,965,400 | 4,889,699 | 222,960,411 | - | 222,960,411 |
| Written off on disposals | - | - | - | (3,329,498) | (21,405) | (909,575) | (256,159) | (4,516,637) | - | (4,516,637) |
| At 31 December 2022 | 151,929,059 | 809,233 | 118,258,827 | 667,938,491 | 5,414,900 | 106,261,529 | 22,332,259 | 1,072,944,298 | - | 1,072,944,298 |
| Carrying amounts | | | | | | | | | | |
| At 31 December 2022 | 452,383,860 | 612,055 | 63,669,136 | 414,148,450 | 4,314,547 | 25,527,960 | 20,712,599 | 981,368,607 | 70,209,642 | 1,051,578,249 |
| At 31 December 2021 | 474,383,848 | 413,369 | 56,453,550 | 498,402,022 | 5,210,976 | 33,279,002 | 24,340,976 | 1,092,483,743 | 108,456,632 | 1,200,940,375 |

Note: Included in leasehold land and building are office premises carried at historical cost of HK\$1, which is leased out to earn rental income. The market value estimated by the Council as at 31 December 2022 is HK\$39,000,000 (31 December 2021: HK\$36,100,000), the determination of which was supported by market evidence. The gross rental income earned for the year was HK\$912,000 (2021: HK\$912,000) and was included in the other miscellaneous income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. DEBT INSTRUMENTS AT AMORTISED COST

| | 2022 HK\$ | 2021 HK\$ |
|--|--------------|--------------|
| Debt instruments, with fixed interest rate of 1.65% to 4.65% (2021: 1.65% to 4.65%) per annum and maturity date in 2025 to 2027 (2021: 2025 to 2027) | 260,420,621 | 262,514,998 |

15. EQUITY INSTRUMENTS AT FVTOCI

| | 2022 HK\$ | 2021 HK\$ |
|--|--------------|--------------|
| Equity securities listed on the Stock Exchange of Hong Kong, at fair value | 10,719,822 | 10,849,445 |

Note:

The above listed equity investments represent ordinary shares of entities listed in Stock Exchange of Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Council members have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

On disposal of these equity investments, any related balance within the investment revaluation reserve is reclassified to accumulated fund.

16. LEVY RECEIVABLES

| | 2022 HK\$ | 2021 HK\$ |
|----------------------|--------------|--------------|
| Levy receivables | 104,831,810 | 89,741,567 |
| Less: loss allowance | (8,733,841) | (7,679,597) |
| | 96,097,969 | 82,061,970 |

All levy receivables are expected to be recovered within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

The average credit period on levy receivables granted to the contractors is 28 days (2021: 28 days) after the date of the notice of assessment.

No penalty is imposed on the contractor for the specified period of 28 days. Thereafter, penalty is imposed at 5% of the unpaid amount. If the amount of the levy or surcharge, including any penalty imposed remains unpaid within three months after the expiry of the specified period, a further penalty of 5% of the unpaid amount will be imposed on the outstanding balance. The Group would provide fully for all long outstanding receivables, having considered, inter alia, the likelihood of recoverability based on historical experience.

As at 31 December 2022, included in the Group's levy receivables balance are receivables with a carrying amount of HK\$3,866,380 (2021: HK\$2,281,193) which were past due at the end of the reporting period for which the Group had not provided for any impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment of levy receivables

Impairment losses on levy receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against levy receivables directly.

The movement in the loss allowance for levy receivables is as follows:

| | HK\$ |
|-------------------------------|------------------|
| At 1 January 2021 | 6,513,868 |
| Reversal of impairment losses | (164,670) |
| Impairment losses recognised | 1,330,399 |
| At 31 December 2021 | 7,679,597 |
| Reversal of impairment losses | (1,330,399) |
| Impairment losses recognised | 2,384,643 |
| At 31 December 2022 | 8,733,841 |

At 31 December 2022, levy receivables of HK\$6,668,506 (2021: HK\$6,349,198) were individually determined to be impaired and full impairment loss were recognised in the allowance account. The individually impaired receivables related to contractors that were either under liquidation or in financial difficulties and the Group assessed that the full amount of the receivables to be irrecoverable.

In determining the recoverability of levy receivables, the Group collectively considered any change in the credit quality of the levy receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the contractor base being large and unrelated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2022 HK\$ | 2021 HK\$ |
|--|--------------------|--------------|
| Deposits and prepayments | 11,543,966 | 8,055,971 |
| Other receivables | | |
| – Interest receivables – The Group | 25,617,469 | 6,169,394 |
| – Interest receivables – CITF (Note 20) | 3,932,314 | 14,721 |
| – Receivable from the Government | 32,999,532 | 27,132,775 |
| – Receivables from Anti-epidemic Fund applicants (Note 19) | 25,727,526 | 40,199,646 |
| – Others | 5,988,405 | 4,887,560 |
| | 94,265,246 | 78,404,096 |
| | 105,809,212 | 86,460,067 |

18. CASH AND BANK BALANCES

Cash and deposits at banks comprise cash and time deposits held by the Group for the purpose of meeting the Group's cash commitments, which time deposits as at 31 December 2022 carry interest at market rate range from 0.15% to 5.90% (2021: 0.15% to 0.70%).

| | 2022 HK\$ | 2021 HK\$ |
|--|----------------------|---------------|
| Deposits with banks – with original maturity over three months | | |
| – The Group | 1,909,040,000 | 1,686,927,170 |
| – CITF (Note 20) | 1,837,000,000 | 762,000,000 |
| | 3,746,040,000 | 2,448,927,170 |
| Bank balances and cash | | |
| – The Group | 79,473,994 | 152,069,782 |
| – Construction Industry – Anti-epidemic fund | 17,947,375 | 81,448,172 |
| – CITF (Note 20) | 23,396,235 | 11,179,916 |
| | 120,817,604 | 244,697,870 |
| | 3,866,857,604 | 2,693,625,040 |

Deposits and bank balances totalling HK\$1,860,396,235 (2021: HK\$773,179,916) being CITF (Note 20) are kept at earmarked bank accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19. ACCOUNTS AND OTHER PAYABLES AND ACCRUALS

| | 2022 HK\$ | 2021 HK\$ |
|---|--------------------|--------------|
| Construction Industry – Anti-epidemic Fund (Note) | 43,674,901 | 121,647,818 |
| Other amount payables and accruals | 289,869,644 | 220,812,426 |
| | 333,544,545 | 342,460,244 |

Note:

On 11 June 2020, Development Bureau announced that the Anti-epidemic Fund would provide support to the construction industry.

The Council was commissioned by Development Bureau to be the implementation partner to handle application and disburse the subsidies of the Anti-epidemic Fund. The Council opened a designated bank account for the custody of the fund.

As at 31 December 2022, the fund balance accumulated to HK\$43,674,901 (2021: HK\$121,647,818) for which HK\$17,947,375 (2021: HK\$81,448,172) and HK\$25,727,526 (2021: HK\$40,199,646) are included in cash and bank balances (Note 18) and other receivables (Note 17) respectively.

20. CONSTRUCTION INNOVATION AND TECHNOLOGY FUND

The Finance Committee of the Legislative Council approved the establishment of the CITF on 16 July 2018, with an allocation of HK\$1,000,000,000 for use over a tentative period of 5 years. On 29 June 2022, the Finance Committee of the Legislative Council had approved the injection of HK\$1,200,000,000 to the fund to support its continued operation and implementation of the enhancement measure launched on 1 January 2022. Subsequent to the injection in 2022, the Fund is intended to be open for applications for a further 5 years from 2023 onwards subject to availability of the funding. CITF is to encourage wider adoption of innovative construction methods and technology in the construction industry with a view to promoting productivity, uplifting built quality, improving site safety and enhancing environmental performance of the construction industry. The Council was commissioned by the Development Bureau of the Government of Hong Kong Special Administrative Region to be the implementation partner. The Council keeps a designated bank account for the CITF.

As at 31 December 2022, the fund balance accumulated to HK\$1,864,328,549 (2021: HK\$773,194,637) of which HK\$1,860,396,235 (2021: HK\$773,179,916) and HK\$3,932,314 (2021: HK\$14,721) are included in cash and bank balances (Note 18) and interest receivables (Note 17) respectively. The unutilised amount has to be returned to the Development Bureau.

21. LEASE LIABILITIES

The Group leases a number of properties in Hong Kong and the People's Republic of China with fixed periodic payments over the lease terms.

The Group also leases certain items of equipment with fixed payments over the lease terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

| Right-of-use assets | Leasehold land and building HK\$ | Other equipment HK\$ | Total HK\$ |
|---------------------|---|----------------------------|-------------------|
| At 1 January 2021 | 8,151,976 | 6,240,165 | 14,392,141 |
| Additions | 18,802,920 | – | 18,802,920 |
| Depreciation | (9,488,936) | (1,741,441) | (11,230,377) |
| At 31 December 2021 | 17,465,960 | 4,498,724 | 21,964,684 |
| Additions | 1,276,739 | – | 1,276,739 |
| Depreciation | (6,685,571) | (1,741,441) | (8,427,012) |
| At 31 December 2022 | 12,057,128 | 2,757,283 | 14,814,411 |

Future lease payments are due as follows:

| | Minimum lease payments HK\$ | Interest HK\$ | Present value HK\$ |
|---|--------------------------------------|------------------|-----------------------|
| 2022 | | | |
| Not later than one year | 7,772,173 | 212,887 | 7,559,286 |
| Later than one year and not later than five years | 5,746,092 | 50,531 | 5,695,561 |
| | 13,518,265 | 263,418 | 13,254,847 |

| | Minimum lease payments HK\$ | Interest HK\$ | Present value HK\$ |
|---|-----------------------------------|------------------|-----------------------|
| 2021 | | | |
| Not later than one year | 7,380,994 | 347,459 | 7,033,535 |
| Later than one year and not later than five years | 12,397,778 | 234,848 | 12,162,930 |
| | 19,778,772 | 582,307 | 19,196,465 |

For both years, the Group leases various offices for its operations. Lease contracts are entered into fixed term of 12 months to 36 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Movement of lease liabilities

| | 2022 HK\$ | 2021 HK\$ |
|-----------------------------------|--------------------|--------------|
| At 1 January | 19,196,465 | 14,734,771 |
| Additions | 1,274,739 | 15,788,302 |
| Interest expenses | 357,395 | 280,722 |
| Interest element of lease payment | (357,395) | (280,722) |
| Capital element of lease payment | (7,216,357) | (11,326,608) |
| At 31 December | 13,254,847 | 19,196,465 |

The present value of future lease payments is analysed as:

| | 2022 HK\$ | 2021 HK\$ |
|-------------------------|-------------------|--------------|
| Current liabilities | 7,559,286 | 7,033,535 |
| Non-current liabilities | 5,695,561 | 12,162,930 |
| | 13,254,847 | 19,196,465 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Leases – other disclosures

| | 2022 HK\$ | 2021 HK\$ |
|--------------------------|------------------|--------------|
| Short term lease expense | – | 538,000 |
| Low value lease expense | 2,360,563 | 2,521,836 |
| Interest expenses | 357,395 | 280,722 |

22. CONTRACT LIABILITIES

| | 2022 HK\$ | 2021 HK\$ |
|--|-------------------|--------------|
| Course fees and related income | 3,961,619 | 3,992,933 |
| Workers registration fees | 1,959,360 | 5,456,278 |
| Registration fees from sub-contractors | 5,094,615 | 6,197,723 |
| | 11,015,594 | 15,646,934 |
| Current | 8,447,119 | 10,239,727 |
| Non-current | 2,568,475 | 5,407,207 |
| | 11,015,594 | 15,646,934 |

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as non-current based on the Group's earliest obligation to transfer services to the customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

The following table shows how much of the revenue recognised in the current year relates to brought-forward contract liabilities.

| | Course fees and related income HK\$ | Workers registration fees HK\$ | Registration fees from sub- contractors HK\$ | Total HK\$ |
|--|--|---|---|---------------------|
| At 1 January 2021 | 3,466,678 | 10,949,386 | 7,558,302 | 21,974,366 |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year | (3,466,678) | (5,493,108) | (2,822,965) | (11,782,751) |
| Increase in contract liabilities as a result of receipt in advance during the year | 3,992,933 | – | 1,462,386 | 5,455,319 |
| At 31 December 2021 | 3,992,933 | 5,456,278 | 6,197,723 | 15,646,934 |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year | (3,992,933) | (3,496,918) | (2,976,695) | (10,466,546) |
| Increase in contract liabilities as a result of receipt in advance during the year | 3,961,619 | – | 1,873,587 | 5,835,206 |
| At 31 December 2022 | 3,961,619 | 1,959,360 | 5,094,615 | 11,015,594 |

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

(a) Course fee and related income

When the Group receives course fees before the construction training course commences, it gives rise to contract liabilities at cash receipt, until the amount is recognised as course fees and related income. The Group typically receives the full amount of the construction training course fees before the course commences.

(b) Workers registration fees

The workers registration fees normally have a validity period of 60 months in accordance with the Construction Workers Registration (Fees) Regulation (Cap 583 (B)). When the Group receives the registration fees from the construction workers, it gives rise to contract liabilities at cash receipt, until the amount is recognised as registration fee income over the period.

(c) Registration fees from sub-contractors

The registration fees from sub-contractors normally have a validity period of 60 months under the Registered Specialist Trade Contractors Scheme. When the Group receives the registration fees from the sub-contractors, it gives rise to contract liabilities at cash receipt, until the amount is recognised as registration fee income over the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23. TAXATION

Pursuant to section 28 of the Construction Industry Council Ordinance, the Council is exempted from taxation under the Inland Revenue Ordinance.

Zero Carbon Building, a wholly owned subsidiary of the Council, is exempted from Hong Kong Profits Tax under section 88 of the Inland Revenue Ordinance.

Hong Kong Institute of Construction, a wholly owned subsidiary of the Council, is exempted from Hong Kong Profits Tax under section 88 of the Inland Revenue Ordinance.

24. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of capital fund. The Council members of the Group review the capital structure periodically. As part of this review, the Group will balance its overall capital structure through obtaining finances from available sources.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

| | 2022 HK\$ | 2021 HK\$ |
|--|---------------|---------------|
| Financial assets | | |
| Financial assets at amortised costs (including cash and bank balances) | 4,321,253,351 | 3,120,062,847 |
| Equity instrument at FVTOCI | 10,719,822 | 10,849,445 |
| Financial liabilities | | |
| Financial liabilities at amortised cost | 1,970,451,345 | 954,111,933 |

(b) Financial risk management objectives and policies

The Group's financial instruments include equity and debt instruments, deposits, levy and other receivables, cash and bank balances and accounts and other payables and accruals. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and equity price risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has policies in place for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on levy receivables to ensure that adequate impairment losses are made. Levy receivables are assessed generally by using a provision matrix and the Group also actively monitors the outstanding amounts owed by each contractor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In this regard, the Council members consider that the Group's credit risk is significantly reduced.

For deposits and other receivables, the Group performs impairment assessment under 12m ECL model. The credit risk on deposits and other receivables are limited because the counterparties are entities with good repayment history and credit ratings and/or exposure at default is low. In this regard, the Council members consider that the Group's credit risk is significantly reduced.

The Group only invests in debt securities with low credit risk. The Group's debt instruments at amortised cost are bonds issued by corporations that are graded by the top credit rating among rating agencies. Therefore, these investments are considered to be low credit risk investments and the loss allowance is assessed on 12m ECL basis.

The Group's bank balances are deposited with banks with high credit ratings and therefore the credit risk of these bank balances is low and the loss allowance is assessed on 12m ECL basis.

The Council members consider that no additional provision for the above items has to be made as it is immaterial.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit rating and the investments in the debt instruments at amortised cost, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group managed liquidity risk by continuously monitoring forecast and actual cash flows.

The following table details the remaining contractual maturities at the end of the reporting period of the non-derivative financial liabilities, which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

| | Weighted Average Interest rate | Carrying amounts HK\$ | Total contractual undiscounted cash flows HK\$ | Within 1 year or on demand HK\$ | More than 1 year but less than 5 years HK\$ |
|---|---|-----------------------------|--|--|---|
| 2022 | | | | | |
| Accounts and other payables | – | 106,122,795 | 106,122,795 | 106,122,795 | – |
| Construction Innovation and Technology Fund Lease liabilities | – | 1,864,328,549 | 1,864,328,549 | 1,864,328,549 | – |
| | 2.2% | 13,254,847 | 13,518,265 | 7,772,173 | 5,746,092 |
| | | 1,983,706,191 | 1,983,969,609 | 1,978,223,517 | 5,746,092 |
| 2021 | | | | | |
| Accounts and other payables | – | 161,695,350 | 161,695,350 | 161,695,350 | – |
| Construction Innovation and Technology Fund Lease liabilities | – | 773,194,637 | 773,194,637 | 773,194,637 | – |
| | 2.2% | 19,196,465 | 19,778,772 | 7,380,994 | 12,397,778 |
| | | 954,086,452 | 954,668,759 | 942,270,981 | 12,397,778 |

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to debt instruments at amortised cost. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Council members will consider hedging significant interest rate exposure should the need arise.

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets. Interest bearing financial assets are mainly cash and deposits at banks which are all short term in nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

Equity price risk

The Group is exposed to equity price changes arising from equity investments at FVTOCI. All of these investments are listed on the Stock Exchange of Hong Kong.

Listed investments held in equity investments at FVTOCI portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Equity price risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk on listed equity interests at the reporting date.

If the prices of the equity investments at FVTOCI had been 20% higher/lower, the Group's investment revaluation reserve would increase/decrease by HK\$2,143,964 (2021: HK\$2,169,889).

Currency risk

The Group exposed to currency risk primarily through holding debt instruments at amortised cost in USD.

As USD is pegged with HKD, no sensitivity analysis has been disclosed.

(c) Fair value measurements of financial instruments

(i) Financial instruments measured at fair value

The fair values of listed equity investments at FVTOCI which are traded on active markets are determined with reference to quoted market bid prices. The Group holds listed equity investments at FVTOCI amounting to HK\$10,719,822 (2021: HK\$10,849,445), which are grouped into Level 1 in the fair value hierarchy.

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised costs are not materially different from their fair values as at 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

26. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2022 and 2021 not provided for in the consolidated financial statements were as follows:

| | 2022 HK\$ | 2021 HK\$ |
|----------------|--------------|--------------|
| Contracted for | 107,845,794 | 84,350,605 |

Capital commitments relate to the acquisition of plant and equipment, renovation works and acquisition or development of computer equipment.

27. RELATED PARTY DISCLOSURES

(a) Related party transactions

As the members of the Council were being drawn from private or public construction industry sector organisations, it is inevitable that transactions will take place with organisation in which a member may have an interest. All transactions involving organisations in which members of the Group may have an interest, subsisted at the end of the year or at any time during the year, were conducted on normal commercial terms and in accordance with the Group's procurement procedures.

During the year, the Group entered into the following non-trade transactions with related parties:

| | 2022 HK\$ | 2021 HK\$ |
|---|--------------|--------------|
| Nature of transactions | | |
| Funding support to Hong Kong Green Building Council Limited | 3,944,732 | 3,988,734 |

(b) Related party balance

Balance with related parties at the end of the reporting period are as follows:

| | 2022 HK\$ | 2021 HK\$ |
|--|--------------|--------------|
| Net amount due from Hong Kong Green Building Council Limited | 148,014 | 770,245 |

Hong Kong Green Building Council Limited is a related company, in which several members of the Council are also directors of Hong Kong Green Building Council Limited.

28. SUBSIDIARIES

Details of the Council's subsidiaries at 31 December 2022 and 2021 are as follows:

| Name of subsidiaries | Place of incorporation | Effective interest held by the Council | | Principal activities |
|--|------------------------|--|-----------------------|---|
| | | 2022 Directly % | 2021 Directly % | |
| Zero Carbon Building (Note (a)) | Hong Kong | 100 | 100 | Operating and managing CIC Zero Carbon Park |
| Hong Kong Institute of Construction (Note (b)) | Hong Kong | 100 | 100 | Provision of training courses for the construction industry |

Notes:

- (a) As at 31 December 2022, the capital fund of this subsidiary amounting to HK\$207,052,065 (2021: HK\$94,456,035) representing the accumulated contributions from the Council.
- (b) As at 31 December 2022, the capital fund of this subsidiary amounting to HK\$1,951,006,154 (2021: Nil) representing the accumulated contributions from the Council.

29. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the current year's presentation.