WW恆誠建築

Win Win Way Construction Holdings Ltd.
恆誠建築控股有限公司

(Incorporated in Cayman Islands with limited liability)

Stock Code : 994

Annual Report 2018

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CORPORATE INFORMATION

Board Of Directors

Executive Directors

Lee Kai Lun *(Chairman)*
Kan Hou Sek, Jim
Lee Sai Man
Wong Siu Kwai
Kwong Po Lam
Guo Jianfeng *(appointed on 6 July 2018)*

Independent Non-Executive Directors

Fan Siu Kay
Leung William Wai Kai
Lo Chi Leung

Audit Committee

Lo Chi Leung *(Chairman)*
Fan Siu Kay
Leung William Wai Kai

Remuneration Committee

Fan Siu Kay *(Chairman)*
Lee Kai Lun
Leung William Wai Kai

Nomination Committee

Lee Kai Lun *(Chairman)*
Kan Hou Sek, Jim
Fan Siu Kay
Leung William Wai Kai
Lo Chi Leung

Authorised Representatives

Kan Hou Sek, Jim
Cheng Wai Hei

Company Secretary

Cheng Wai Hei

Auditor

KPMG

Compliance Adviser

KGI Capital Asia Limited

Principal Bankers

The Hong Kong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

Registered Office

Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

Headquarters and Principal Place of Business In Hong Kong

Room 902-3, 9/F.
Nan Fung Commercial Centre
19 Lam Lok Street, Kowloon Bay
Kowloon, Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited

Cayman Islands Principal Share Registrar Transfer Office

Estera Trust (Cayman) Limited

WEBSITE

www.winwinway.com.hk

Stock Code

994

CHAIRMAN'S STATEMENT

To Our Shareholders,

On behalf of the Board of Directors of Win Win Way Construction Holdings Ltd. (the "Company"), I am pleased to present you with the annual report for the year ended 31 December 2018.

Established in 1999, we are a construction company principally providing foundation works and ancillary services, as well as general building works in Hong Kong. The long established relationship with customers, subcontractors and suppliers and the commitment of our management team to provide quality work and service has played a vital role in building up our reputation and the Group's competitiveness in the market.

As mentioned in last year's Chairman Statement, we faced with cut-throat competition among contractors in tendering for new projects which have been widely commented in the media and among peers, we are mindful not to reduce our profit margin without considering the negative impact to our shareholders' interest. In the coming year, we believe the construction market in Hong Kong will remain competitive and challenging.

In this financial year, we awarded 5 new contracts with an aggregate contract sum of HK$68.0 million. As at 31 December 2018, we had a total of 8 contracts on hand (including contracts in progress and contracts yet to be commenced) and the amount of contract sum yet to be recognised as at 31 December 2018 amounted to approximately HK$386.0 million.

In July 2018, we have completed the acquisition of 100% equity interest of TIEN New Energy Development Limited ("TIEN New Energy") and its subsidiaries (hereafter collectively referred to as the "TIEN New Energy Group"). TIEN New Energy Group is principally engaged in engineering development and qualified for main engineering, procurement and construction ("EPC") in electric power projects in the People's Republic of China (the "PRC") with a focus in application of renewable energy in the construction sector of the PRC.

Looking ahead, we believe the acquisition of TIEN New Energy Group will enrich the earning base of the Group by introducing an additional income stream in long run. Just like our name "Win Win", we are convinced that we will continue to build a win-win situation with our shareholders.

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our shareholders, customers, subcontractors and suppliers for their continuous support, as well as the management team and the staff of the Group for their hard work and dedication.

Lee Kai Lun
Chairman

Hong Kong, 29 March 2019

Business Review

The principal activities of the Group are the provision of construction services which mainly include (a) foundation works and ancillary services and general building works; (b) and sales of piles, and (c) construction of solar power plants and sales of electricity.

In October 2014, the Group entered into a construction contract in Saipan as main contractor, providing foundation works and ancillary services and general building works ("Saipan Project"), which is a construction project of a resort hotel located at San Antonio, Saipan, Commonwealth of the Northern Mariana Islands ("CNMI"). The foundation works lasted from May 2015 to October 2015. The general building works commenced in May 2016 and was preliminary expected to complete in or around February 2018. However, due to (i) the inclement weather; (ii) change of policy on worker visa application, such that a substantial amount of workers could not obtain the necessary work permit carry out the work in Saipan; and (iii) change in design as instructed by the customer, and permit for this work not having been obtained, the progress of the Saipan Project was hindered. On 19 March 2018, the customer has issued a letter to us indicating its agreement to our application for extension of time and the completion date of the Saipan Project was extended to February 2019. During the year ended 31 December 2018 and up to this annual report, the aforementioned factors are still affecting the progress of the Saipan Project. The Saipan Project is now expected to complete in December 2019 and the Board will continue to closely monitor the progress of the project. Since the delay was not due to factors attributable to the fault of our Group, we have delivered the notification of delay to the customer.

Construction services

As at 31 December 2018, the Group had a total of 8 contracts (2017: 18 contracts) on hand (including contracts in progress and contracts yet to be commenced). The amount of contact sum yet to be recognised as at 31 December 2018 amounted to approximately HK$386.0 million (2017: HK$708.8 million).

Foundation Works and Ancillary Services

Foundation works mainly include mini-piling, percussive piling, rock socketed in steel H-pile and bored pile, together with construction of pile caps. Ancillary services mainly include site formation and demolition works, for example, clearance of the site, excavation, demolition of a building or any substantial part of a building.

During the year ended 31 December 2018, there were 16 (2017: 44) foundation works and ancillary services projects contributing revenue of approximately HK$102.7 million (2017: HK$131.3 million) to this business stream.

General Buildings Works

General building works mainly include structural alteration and additional works, development of superstructures such as entire dwelling, office buildings, stores, public utility buildings, farm buildings, etc.

During the year ended 31 December 2018, there were 11 (2017: 11) general building works projects contributing revenue of approximately HK$441.4 million (2017: HK$622.9 million) to this business stream.

Sales of Piles

The piles are manufactured and supplied by 廣州羊城管樁有限公司 ("GZYC"), the related party of the Company. Win Win Way Materials Supply Limited ("WWW Materials"), the indirect wholly owned subsidiary of the Company, has been granted the exclusive distribution right by GZYC for its pile products in Hong Kong from August 2010 to July 2020. The piles sourced from GZYC are "YANGCHENG" precast prestressed concrete piles (the "PHC Piles").

2017 PHC Piles Purchase Agreement

On 1 March 2017 and 24 June 2017, WWW Materials entered into a purchase agreement and a supplemental purchase agreement, respectively (collectively, the "2017 PHC Pile Purchase Agreement"), with GZYC pursuant to which the WWW Materials agreed to make a one-off purchase of a total of 164,000 meters of PHC Piles of four different specifications and 4,500 units of steel cross shoes from GZYC to satisfy our Hong Kong customers' demand.

In light of the delays in certain projects of the Group's customers, WWW Materials and GZYC have agreed to extend the expiry date of the 2017 PHC Piles Purchase Agreement from 31 December 2017 to 30 June 2018 by entering into the supplemental 2017 PHC Piles Purchase Agreement dated 15 November 2017.

2018 PHC Piles Purchase Agreement

On 15 November 2017 and 8 December 2017, WWW Materials entered into a purchase agreement and a supplemental purchase agreement, respectively (collectively, the "2018 PHC Pile Purchase Agreement"), with GZYC pursuant to which the WWW Materials agreed to make a one-off purchase of a total of 106,000 meters of PHC Piles of four different specifications and 3,600 units of steel cross shoes from GZYC.

During the year ended 31 December 2018, sales of piles contributed approximately HK$65.8 million (2017: HK$67.7 million) revenue to the Group.

Sales of Electricity

The acquisition of 100% equity interest of TIEN New Energy Development Limited ("TIEN New Energy") was completed on 6 July 2018. TIEN New Energy is an investment holding company and its subsidiaries are principally engaged in engineering development and qualified form main engineering, procurement and construction ("EPC") in electric power projects in the PRC with a focus in application of renewable in the construction sector of the PRC.

During the year ended 31 December 2018, sales of electricity contributed approximately HK$0.8 million revenue of the Group. As at the date of this annual report, the Group had a total 5 contracts on hand (including contracts in progress and contracts yet to be commenced) and the relevant awarded contract sum of these contracts on hand amounted to approximately RMB201.0 million.

Financial Review

During the year ended 31 December 2018, we completed 9 projects involving foundation works and ancillary services, and 6 projects involving general building works.

For the year ended 31 December 2018, the Group's revenue amounted to approximately HK$610.8 million (2017: HK$821.9 million). The decrease was mainly attributable to (i) the number of projects on hand decreased to 8 as at 31 December 2018 (2017: 18); and (ii) only 5 foundation work and ancillary services projects awarded during the year.

Due to the decrease in number of new projects awarded in 2018, the Group's gross profit decreased from approximately HK$113.9 million during the year ended 31 December 2017 to approximately HK$86.4 million during the year ended 31 December 2018. But the Group's gross profit margin slightly increased from approximately 13.9% during the year ended 31 December 2017 to approximately 14.2% during the year ended 31 December 2018. The Directors consider that the overall gross profit margin has been maintained at a healthy position throughout the year.

General and administrative expenses (the "G&A Expenses") primarily comprise staff costs, business development expenses, transportation expenses, depreciation, bank charges, office expenses and professional charges. The G&A Expenses for the year decreased by HK$18.4 million to approximately HK$63.0 million, compared with approximately HK$81.4 million in last year, which was mainly due to the non-recurring listing expenses of approximately HK$17.3 million incurred in last year.

As a result, profit for the year has decreased to approximately HK$17.4 million, representing a decrease of approximately 24.0% over the corresponding period of approximately HK$22.9 million in 2017.

Principal Risks and Uncertainties

Failure to obtain new projects

Almost all of our revenue is mostly derived from contracts awarded through competitive tendering which are not recurring in nature. Whether we will succeed in our tender process depends on a number of factors, including the pricing and other terms and conditions offered by our competitors. There is no guarantee that we will succeed in the tender process or maintain comparable tender success rates in the future.

There is no assurance that we will be invited to or are made aware of the tendering process or that our tenders will be selected by our customers. We may have to lower our service fees or offer more favourable terms to our customers to increase the competitiveness of our tenders. The failure to reduce our costs accordingly may materially or adversely affect our profitability and results of operations. In addition, there is no guarantee that we will secure new projects or business opportunities from our customers after completion of the existing projects, If we cannot maintain similar amount of contracts or obtain new projects of similar or larger contract sum on a continuous basis, our results of operations, financial condition as well as business prospects may be materially and adversely affected.

Failure to estimate the costs involved in the implementation of the project and delay in completion of the project

Whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We generally adopt a cost-plus pricing model and determine the tender price by taking into account factors comprising the scope and complexity of the project, the site conditions, project time frame, estimated construction materials costs, the labour and machinery requirement, extent of subcontracted works required, our relationship with the potential customer, and the prevailing market conditions. A majority of our contracts with customers were fixed price contracts. Once we and the customer agree on the tender price, we generally will have to bear any additional costs incurred. If we fail to properly estimate the project costs or if there is any unforeseen factor leading to any increase in costs, we may be subject to cost overruns, which will turn result in lower profit margin or even a loss for a project.

Furthermore, our contracts entered in normally contained specified completion schedule requirements and liquidated damages provision (i.e. we may have to pay customers liquidated damages if we do not meet the schedules). Liquidated damages are typically levied at an agreed rate for each day of delay that is owing to our default. We may need to pay liquidated damages resulting from any failure to meet the completion schedule requirements of our contracts, to the extent that our customers do not grant us time extension. This may reduce or diminish our expected profit and cash inflow from the relevant contracts.

There is no assurance that we will not encounter cost overruns or delays on our current and future projects and our customers may not agree to extend the completion date or grant us time extension. If such cost overruns or delays occur, we may experience increase in costs exceeding our budget or be required to pay liquidated damages, hence reducing our expected profits and cash inflow that may be generated from our contracts, and may result in material adverse impact on our results of operations and financial performance.

Changes in labour costs or construction material costs

Labour costs and construction material costs represent a significant portion of our cost of sales. For projects without pre-bod agreements with our subcontractors or suppliers of material, we prepare tenders based on estimated project costs (which mainly include subcontracting charges and construction material costs) plus a mark-up margin. However, the related actual subcontracting costs and material costs will not be determined, either until after we enter into agreements without customers or when those costs are fixed and pre-agreed between the subcontractors or suppliers and us during the tender preparation stage. Any material fluctuations in such charges or costs during this period may affect our profitability.

Competitive environment

The construction industry in Hong Kong has many participants and is competitive. We consider that generally construction companies operating in Hong Kong play the role of competitors as well as business partners in our construction business. Occasionally, new participants may which to enter the industry. They may do so if they have the appropriate skills, local experience, necessary machinery and equipment, capital and are granted the requisite licences by relevant regulatory bodies. Increased competition may result lower operating margins and loss of market share, which may adversely affect our profitability and results of operations.

Relationships with Customers, Working Partners and Employees

The Group maintains long-term relationships with its customers and working partners (including subcontractors, suppliers and consultants), some of which have established more than 10 years of working relationship with the Group. The close working relationship can also be demonstrated by the increasing number of customer portfolios and continuous cooperation with working partners which may be engaged by the Group in one or more of its projects at the same time. Building successful long-term relationships with them is a key element of the Group's business model, which is closely interlinked with all the other elements of its model. Successful long-term relationships are built on trust – a trust that the Group is able to provide quality service and excellent customer experience. To achieve this, the Group needs experienced people with the right skills and capabilities as well as continuous supports from its working partners.

The Group also maintains a very stable and experienced management team and an amicable long-term relationship with its employees. The Group's key management team comprises executive Directors and senior management, details of our executive Directors are set out in the section headed "Biographies of Directors and Senior Management" in this report. The Group's experienced management team, coupled with a stable pool of skill labour, is one of its key drives in delivering high quality work to customers in order to attain high customers' satisfaction.

Compliance with Relevant Laws and Regulation

The Group mainly undertakes foundation works and ancillary services, as well as general building works in the private sector in Hong Kong and is thus subject to the rules and regulations implemented by the Buildings Department which regulates contractors in the private sectors. The Directors confirmed that during the year ended 31 December 2018 and up to the date of this report, the Group had obtained all the registrations and certifications required for its business and operations in Hong Kong, and had complied with the applicable laws and regulations in Hong Kong in all material respects.

Environment Policies and Performance

The Group is committed to environmental protection and sustainable development through promoting and adopting green practices in its business activities. Initiatives within the Group include, but are not limited to, encouraging employees to reduce paper consumption by reuse of single-sided printed paper, to assess the necessity of printing where appropriate and to use duplex printing. The Environment, Social and Governance Report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report on the websites of the Company and the Stock Exchange.

Liquidity, Financial Resources and Capital Structure

	As at 31 December 2018	As at 31 December 2017
Current ratio[1]	**2.6**	2.1
Gearing ratio (%)[2]	**31.9**	25.1
Net debt to equity ratio (%)[3]	**16.6**	1.7
Interest coverage ratio[4]	**6.7**	20.0

Notes:

1. *Current ratio based on the total current assets divided by the total current liabilities.*

2. *Gearing ratio based on the total debt (which includes bank loans and overdrafts, and obligations under finance leases and loans from related parties) divided by total equity and multiplied by 100%.*

3. *Net debt to equity ratios based on net debts (which include bank loans and overdrafts, and obligations under finance leases and loans from related parties less cash and bank balances) divided by total equity and multiplied by 100%.*

4. *Interest coverage based on the profit before taxation and interest divided by the total interest expenses incurred.*

Current ratio increased from 2.1 as at 31 December 2017 to 2.6 as at 31 December 2018, as a result of increase in contract assets. Gearing ratio increased from 25.1% as at 31 December 2017 to 31.9% as at 31 December 2018, mainly due to the effect of increased in bank loans and overdrafts and loans from related parties larger than the effect of increased in equity. Net debt to equity ratio increased from 1.7% as at 31 December 2017 to 16.6% as at 31 December 2018, mainly due to the increase in bank loans and loans from related parties. Interest coverage ratio decreased from 20.0% as at 31 December 2017 to 6.7% as at 31 December 2018, mainly due to increase in bank loans and decrease in profit from operations.

As at 31 December 2018, the Group had cash and bank balances of approximately HK$52.5 million (31 December 2017: HK$56.1 million). The Group expected to fund the future cash flow needs through internally generated cash flows from operations, bank facilities and equity financing.

The capital structure of the Group consisted of equity of approximately HK$342.9 million and debts (bank loans, obligations under finance leases and loans from related parties) of approximately HK$109.3 million as at 31 December 2018.

The Group adopts a prudent approach in cash management. Apart from certain debts including bank loans, obligations under finance leases and the loans from related parties, the Group did not have any material outstanding debts as at 31 December 2018. In any case, the Group may utilise its banking facilities of HK$110.0 million, of which approximately HK$10.3 million remain unused as at 31 December 2018. As at 31 December 2018, the finance lease of a solar power plant granted to the Group was secured by the trade receivables in relation to sales of electricity amounted to HK$141,000 and registered capital of a wholly-owned subsidiary amounted to RMB10.0 million.

Use of Net Proceeds

Net proceeds from the Listing

The table below sets out the proposed applications of the net proceeds and actual usage up to 31 December 2018.

	Proposed application HK$'million	**Actual usage up to 31 December 2018** HK$'million
Strengthen our Hong Kong market position to capture profitable projects	39.8	39.8
General working capital	7.3	7.3
	47.1	47.1

Net proceeds from the placing under general mandate

On 23 May 2018, the Company and the placing agent entered into the placing agreement, pursuant to which the Company has appointed the placing agent to procure, on a best effort basis, the placees to subscribe for the placing shares at a price of HK$0.84 per share.

On 13 June 2018, all the conditions set out in the placing agreement have been fulfilled and the placing has become unconditional. On 15 June 2018, 100,000,000 shares were issued at subscription price of HK$0.84 each and the Company received net proceeds of approximately HK$81.3 million (after deducting issuing expenses). The table below sets out the proposed applications of the net proceeds and actual usage up to 31 December 2018:

	Proposed application HK$'million	**Actual usage up to 31 December 2018** HK$'million	**Remaining balance** HK$'million
Settlement of consideration of the potential acquisition	20.0	20.0	–
General working capital	61.3	27.5	33.8
	81.3	47.5	33.8

Employees

The Group had 160 employees as at 31 December 2018. The Group offers competitive remuneration package that is based on overall market rates and employee performance, as well as performance of the Group. Remuneration package is comprised of salary, performance-based bonus, and other benefits including training and provident funds.

Capital Commitments

The Group had no capital commitments as at 31 December 2018.

Charges on Group Assets

As at 31 December 2018, the Group had obligations under finance leases of approximately HK$7.6 million (31 December 2017: HK$9.1 million). The Group's obligations under finance leases are secured by the lessors' charge over the leased assets with net back values of HK$6.1 million as at 31 December 2018 (31 December 2017: HK$0.1 million). In addition, as at 31 December 2018, bank deposits of HK$50.0 million (31 December 2017: HK$36.3 million) were pledged to secure the banking facilities granted to the Group. As at 31 December 2018, the finance lease of a solar power plant granted to the Group was secured by the trade receivables in relation to sales of electricity amounted to HK$141,000 and registered capital of a wholly-owned subsidiary amounted to RMB10 million.

Contingent Liabilities

Save as disclosed in note 24 to the Financial Statements, the Group had no other contingent liabilities as at 31 December 2018.

Foreign Exchange Exposure

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Hong Kong dollars, United States dollars ("USD") and Renminbi ("RMB"). In this respect, the only risk it is faced arose from exposures mainly to RMB and USD. These risks were mitigated as the Group held Hong Kong dollars, USD and RMB bank accounts to finance transactions denominated in these currencies respectively.

As at 31 December 2018, the Group does not have a foreign currency hedging policy in respect of its foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

Lease Commitments

The Group leases office premises and warehouses under non-cancellable operating lease agreements. The lease terms are 1 to 20 years and the lease arrangements are renewable at the end of the lease period at market rate. For details of the lease commitments, please refer to note 23 to the Financial Statements.

Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Acquisition of TIEN New Energy and its subsidiaries (collectively, "TIEN New Energy Group")

Reference is made to the announcements of the Company dated 23 May 2018 (the "Announcement"), 6 June 2018, 12 June 2018 and 6 July 2018. Unless otherwise defined, terms used herein still have the same meanings as those defined in the Announcement.

On 23 May 2018, the Vendor and the Company entered into a non-legal binding MOU in relation to the Potential Acquisition. The MOU is subject to, among others, the execution of the Formal Agreement.

The Vendor and the Purchaser entered into the Formal Agreement on 20 June 2018. All conditions precedent under the Formal Agreement have been fulfilled and completed and the acquisition was completed on 6 July 2018. After the completion, TIEN New Energy became an indirect wholly-owned subsidiary of the Company. The TIEN New Energy Group is principally engaged in engineering development and qualified for main EPC in electric power projects in the PRC with a focus in application of renewable energy in the construction sector of the PRC.

Save for the aforementioned, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2018.

Share Options

Written resolutions of the sole shareholder were passed on 23 June 2017 to adopt the share option scheme (the "Scheme"). No share options have been granted, exercised or cancelled under the Scheme since its adoption date and up to the date of this annual report. The Scheme will remain in force for a period of 10 years after the date of adoption.

Prospects

Due to severe price competition for tenders in Hong Kong construction market, the Group expects its profit margin to remain substantially suppressed. The Group will use its best endeavor to bid for new projects, but before landing major profitable projects, it expects to operate in an even tougher environment in the coming financial year, during which the results could possibly be worsen.

On the other hand, the Group believe that acquisition of TIEN New Energy providing a stepping stone for the Group to develop construction business in the PRC and tapping into China's energy efficiency market through energy performance contracting construction for buildings and infrastructures. In the long run, the Directors are of the view that the acquisition of TIEN New Energy will enrich the earning base of the Group by introducing an additional income stream.

Board of Directors

The composition of the Board of Directors during the year end up to the date of this annual report is set out below:–

Executive Director

Mr. Lee Kai Lun ("Mr. KL Lee"), aged 70, is the Chairman and executive Director of our Group and is responsible for strategic planning and overall development. Mr. KL Lee appointed as our executive director on 6 May 2016. He obtained degrees of Bachelor Arts in Architectural Studies and Bachelor of Architecture from the University of Hong Kong in November 1970 and 1972 respectively. He has been a corporate member of Royal Institute of British Architects since February 1974, a member of the Hong Kong Institute of Architects since February 1974 and a fellow of the Hong Kong Institute of Architects since July 2006. He is also a registered architect under Architects Registration Board of Hong Kong and authorised person (List of Architects) with the Buildings Department of Hong Kong. Pursuant to section 45 of the Buildings Ordinance, he has been appointed as a member of the Appeal Tribunal Panel of the Development Bureau of Hong Kong since 2009. He has been the sole proprietor of Kailun Lee Chartered Architect which has been providing architect and interior design services since 1974. Since September 2012, he served as a partner of KLDL Consultants which provides development and design consultancy services.

Dr. Kan Hou Sek, Jim ("Dr. Kan"), aged 61, is an executive Director of our Group and is responsible for business development, quality and technical assurance. Dr. Kan joined our Group in January 2003 and appointed as the executive Director on 5 October 2015. He has over 25 years of experience in the constitution industry in Hong Kong. Dr. Kan obtained a degree of Bachelor of Science from the Heriot-Watt University in July 1981, majoring in civil engineering. He also obtained a degree of Master of Science in Engineering Geology from Imperial College of Science and Technology in August 1983. In December 1987, Dr. Kan was awarded the degree of Doctor of Philosophy by the Victoria University of Manchester. Before joining our Group, Dr. Kan was employed as an engineer in Sir William Halcrow & Partners Limited in the United Kingdom from April 1986 to September 1988. Dr. Kan then joined Tralfagar House Technology Limited in the United Kingdom as a senior geotechnical engineer from October 1998 to January 1989. After that, Dr. Kan worked in New World Development Company Limited in Hong Kong from February 1989 to April 1992 and his last position was the chief geotechnical engineer who was responsible for providing geotechnical consultancy services. Dr. Kan then joined Sunlink Limited, which was a foundation construction firm, as a director from May 1992 to March 2003. At the same period, Dr. Kan also served as the director of Precast Piling & Engineering Company Limited. From 1994 to 1997, Dr. Kan served as the director and general manager of Shanghai Metro-Sunlink Real Estate Limited, which was a property developer. During 1998 to 1999, Dr. Kan also served as commercial representative of People's Government of Wuqing District in Tianjin of the PRC. Then, Dr. Kan worked as a Technical Director in Join Ocean Construction Machinery Engineering Company Limited which was a construction contractor from 2003 to February 2004. From November 1993 to 1997, Dr. Kan worked as director at Waysome International (Tianjin) Hotel Limited which was conducting hotel operation. From January 1994 to 1997, Dr. Kan also worked as director at Hotel (Tianjin) Property Development Limited which was conducting property development. Since July 1993, Dr. Kan has been acting as the general manager of Waysome Taxi (Tianjin) Company Limited which is conducting taxi rental business. From June 2009 to October 2014, Dr. Kan worked as director at Parsons Brinckerhoff (Tianjin) Limited which was conducting construction engineering design and consultancy services.

Mr. Lee Sai Man ("Mr. SM Lee"), aged 59, is an executive Director of our Group and is responsible for business development, tendering process and daily operation. Mr. SM Lee joined our Group in 2000 and appointed as the executive Director on 5 October 2015. Mr. SM Lee was awarded a Diploma in Civil Engineering Studies from the Technical Institute of Education Department of Hong Kong in July 1981. Mr. SM Lee has over 20 years of experience in the construction industry in Hong Kong. Before joining our Group, Mr. SM Lee was a technician engineer of Franki Contractors Limited from July 1981 to June 1982. Mr. SM Lee then worked in Shine Construction Company Limited as a site engineer from July 1982 to May 1985. Mr. SM Lee joined Leighton Bruckner Foundation Engineering Limited as a site agent from May 1985 to March 1994. After that, Mr. SM Lee worked in Intrusion Prepakt (Far East) Limited as a project manager. Mr. SM Lee served as a production manager of Sum Tat Piling & Engineering Company Limited from October 1995 to February 1997. During October 1997 to December 2005, he was a director of Polystar Engineering Limited. The above mentioned companies were all foundation contractors.

Mr. Wong Siu Kwai ("Mr. Wong"), aged 55, is an executive Director of our Group. Mr. Wong is responsible for production, site management and supervision. Mr. Wong is a founder of our Group and appointed as the executive Director on 5 October 2015. Mr. Wong has over 30 years of experience in the construction industry in Hong Kong. Mr. Wong attended secondary school education in Hong Kong and graduated in July 1982. He has been awarded a Technically Competent Person T1 Certificate by the Construction Industry Training Authority of Hong Kong in May 2005. Before founding our Group, Mr. Wong worked as a site engineer of Shine Construction Company Limited which was a foundation contractor from August 1982 to March 1985. Mr. Wong was employed as a leveler by Leighton Bruckner Foundation Engineering Limited which was a foundation contractor from April 1987 to April 1990. Mr. Wong was a partner of Lung Tang Construction Company which was a civil engineering contractor from April 1990 to February 1999.

Mr. Kwong Po Lam ("Mr. Kwong"), aged 62, is an executive Director of our Group. Mr. Kwong is responsible for quality and technical assurance. Mr. Kwong appointed as the executive Director on 6 May 2016. Mr. Kwong has over 30 years of experience in the construction industry. Before joining our Group, he worked as assistant engineer of Stresstek (H.K.) Limited, in which he was responsible for construction site management and supervision, from January 1980 to March 1981. He then worked as structural designer of Gordon Wu & Associates, in which he was responsible for engineering design and construction site inspections, from April 1981 to September 1982. He then joined Ove Arup & Partners Hong Kong Limited as an engineer, in which he was responsible for civil/structural engineering design and on-site supervision, from September 1982 to January 1986. From February 1986 to November 1989, he was the assistant head of the structural section and structural engineer of KNW Architects & engineers Limited, in which he was responsible for site inspections and supervision, processing engineering plans submission and providing structural engineering advices. He was employed by the Hong Kong Government as structural engineer from December 1989 to August 1990. He then joined Dywiday-Systems International Canada Limited as engineer from February 1992 to December 1993 and was mainly responsible for project planning, civil/structural engineering design and site supervision. He has been working at Wong & Cheng Consulting Engineers Limited which is specialised in engineering design, preparation of drawings and technical specifications, contract administration, site supervision and other related works since January 1994 and is currently its managing director. He was awarded with an associateship in Civil and Structural Engineering from Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1981. He also obtained a degree of Master of Science in Engineering (Civil Engineering) from the University of Hong Kong in November 2000. He has been holding the following memberships, namely (i) member of the Institution of Civil Engineers; (ii) member of the Institution of Structural Engineers; and (iii) member of the Association of Professional Engineers and Geoscientists of British Columbia, Canada. He was admitted as fellow of the Hong Kong Institution of Engineers in July 2003. He was qualified as Chartered Engineer of the Engineering Council of the United Kingdom in May 1986, and a Registered Professional Engineer with Engineers Registration Board of Hong Kong in November 1995. He was also authorised as Civil Engineer by the Land, Public Works and Transport Bureau of the Macao Special Administrative Region in January 2016. He was qualified as registered structural engineer since 1987 and is currently authorised person (list of engineers), registered inspector (list of engineers) and registered geotechnical engineer with Building Authority. He obtained the Certificate of Class I Registered Structural Engineer of the PRC in July 2001. Mr. Kwong is the Executive director of WAC Holdings Limited (Stock code: 8619), a company listed on GEM of Stock Exchange on 17 September 2018.

Mr. Guo Jianfeng ("Mr. Guo"), aged 46, is currently the executive Director of our Group and director of TIEN New Energy Development Limited and the chief operation officer of 江蘇忠天暉新能源科技有限公司 (Jiangsu Zhong Tian Hui New Energy Technology Co. Ltd. *). Mr. Guo was appointed as executive Director of our Group on 6 July 2018. He holds a degree in Engineering Management from 江蘇廣播電視大學 (Jiangsu Radio and Television University*) in the PRC. He also holds the professional qualification as certified senior engineer issued by 江蘇省人力資源和社會保障廳 (Human Resources and Social Security Development of Jiangsu Province) of the PRC. He has over 25 years of experience in the construction industry and have participated in various large-scale construction projects and new energy investment projects. From August 1991 to June 2006, he worked in 江蘇省鹽城交通局 (Yancheng Transaction Bureau, Jiangsu Province), holding his last position as project manager. From July 2006 to March 2010, he worked in 中城建第二工程局有限公司 (China City Construction 2nd Engineering Bureau Co., Ltd.*), holding his last position as branch company general manager. From April 2010 to August 2014, he was the chief executive officer of 江蘇中盟能源集團有限公司 (Jiangsu Zhongmeng Energy Group Co. Ltd.*). From September 2014 to October 2015, he was the general manager of the Jiangsu branch company of 天宏陽光新能源投資有限公司 (Tian Hong Yang Guang New Energy Investment Co. Ltd.*). He has join 江蘇忠天暉新能源科技有限公司 (Jiangsu Zhong Tian Hui New Energy Technology Co. Ltd.*) since November 2015 as chief operation officer.

Independent Non-Executive Directors

Mr. Fan Siu Kay ("Mr. Fan"), aged 68, was appointed as our independent non-executive Director on 6 May 2016. Mr. Fan was conferred honorary fellowship of the Hong Kong Polytechnic University in 2010 and has been the adjunct professor of the department of building and real estate in the Hong Kong Polytechnic University since 2011. Mr. Fan has over 40 years of experience in structural design and construction management, inter alia, Mr. Fan has worked for the Buildings Department for approximately 9 years and gained wide experience in dealing with the regulations and procedures of Hong Kong Government. During March 1980 to May 1988, he was employed by the Hong Kong Government as structural engineer. From July 1990 to March 1998, he worked at Kam Wo Construction Company Limited, a company principally conducting general construction and his last position was the chairman. He worked at Daido Concrete (HK) Limited (Stock Code: 544) from May 1988 and his last position was executive director. From March 1998 to June 2000, he was a director of Siu Yin Wai & Associates Limited, a company mainly provided structural consultancy services. He served as managing director of Joint Management Technologies Limited which was a general construction contractor from June 2000 to March 2001 and was responsible for construction supervision. He worked as director of Paul Y. Construction Company Limited which was a general construction contractor from March 2001 to November 2003 and was responsible for project supervision and daily management. He worked at Hyder consulting Limited, a global design and consultancy firm listed on London Stock Exchange, from November 2003 to May 2009 and his last position was the head of façade engineering department. He has been acting as a director of Head Benefit Limited and Johnny Fan & Associates Limited which are both structural consultancy company since May 2009 and June 2012 respectively. Mr. Fan was awarded higher diploma structural engineering from the Hong Kong Technical College on 31 July 1972. Mr. Fan obtained a degree of Bachelor of Science with honors in July 1976 and a degree of Master of Science from the City University of London in January 1979. Mr. Fan has been a member of the Institution of Structural Engineer since 1979. Mr. Fan has been a registered structural engineer and authorised person (list of engineers) with Building Authority since 1987. Mr. Fan was admitted as fellow of the Institution of Structural Engineers and the Hong Kong Institution of Engineers in January 1994 and February 1996 respectively. Mr. Fan obtained the Certificate of Class I Registered Structural Engineer of the PRC in June 2003.

Mr. Leung William Wai Kai, aged 64, was appointed as our independent non-executive Director on 6 May 2016. Mr. Leung graduated from the Illinois Institute of Technology with a Master Degree in Architecture in May 1981. Mr. Leung is a Registered Architect in the United States and has worked for architectural firms in both the United States and Hong Kong for 9 years before joining New World Development Company Limited (Stock Code: 017), a company specialised in property development projects in Hong Kong and the PRC. He also worked at New World Project Management Limited from May 1990 to May 2009 and was responsible for the management and development of numerous property projects in Hong Kong, the PRC and Southeast Asia and his last position was director and general manager. He has been working at New Metro Consultants Limited as a managing director since May 2009 and is responsible for construction consultancy. From September 2013 to December 2014, he was chief operating officer of Bonds Group of Companies Limited, a company mainly focused on real estate development and investment, property management, hotel operations and financial investments. Since January 2015, he has served as director of planning and operations of Imperial Pacific International Holdings Limited (Stock Code: 1076).

Mr. Lo Chi Leung, aged 35, was appointed as the independent non-executive Director on 6 May 2016. Mr. Lo has over 8 years of experience in finance industry since July 2007. He was a graduate engineer of China State Construction International Holdings Limited (Stock Code: 3311) from June 2006 to July 2007. After that, Mr. Lo started his career in finance industry and worked for Dealogic Limited as a research assistant and he was responsible for the maintenance of a global mergers and acquisition transactions database from July 2007 to February 2008. He then joined BMI Appraisals Limited as business analyst and was responsible for business and financial instruments valuation from February 2008 to November 2008. Mr. Lo was employed by Asian Capital (Corporate Finance) Limited, in which he was responsible for mergers and acquisitions and resumption of trading matters, for the period of November 2008 to May 2011 and March 2012 to February 2013 and his last position was manager. During May 2011 to March 2012 and March 2013 to December 2015, Mr. Lo worked for TC Capital Asia Limited, in which he was responsible for mergers and acquisitions, initial public offering matters and his last position was associate director. From January 2016 to February 2016, he served as managing director of Southwest Securities (HK) Capital Limited, in which he was responsible for investment banking matters. Since March 2016, he was director of Frontpage Capital Limited, in which he was responsible for mergers and acquisitions, initial public offering matters. Mr. Lo received degrees of Bachelor of Engineering in civil engineering and Master of Finance from the University of Hong Kong in December 2006 and November 2010 respectively. Mr. Lo is also a certified public accountant certified by the Hong Kong Institute of Certified Public Accountants since January 2015.

Senior Management

Mr. Yeung Nai Cheong, aged 57, joined our Group in October 2004. He serves as a project manager and Technical Director of our Group and is responsible for project management and technical assurance. He has over 25 years working experience in the construction industry. From August 1986 to February 1987, he started his career as a technician engineer at Enpack (H.K.) Limited which was a ground investigation contractor. He joined Vianini Lavori S.P.A. which was a construction contractor as a site engineer from August 1987 to September 1988. From October 1989 to March 1991, he served as assistant resident engineer at Binnie Consultants Limited which was a construction consultancy company and was responsible for supervision of three projects. He worked as an assistant engineer of H.K. Cheng & Partners Limited which was a structural consultancy company from April 1991 to March 1993. During April 1993 to March 2003, he was employed by Sunlink Limited which was a foundation contractor as a project manager and was responsible for all project management of construction works. During March 2003 to October 2004, he was served as project manager in Precast Piling and Engineering Company Limited which was a piling contractor. He was awarded the Higher Diploma in Civil Engineering (Geotechnology) in November 1985 from Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic). He was also awarded the Hong Kong Polytechnic's Associateship award in Civil and Structural Engineering in November 1986 from Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) which is deemed to be equivalent of an academic degree. He has completed a 28-hour part-time construction safety supervisor course in October 1999 and a 30-hour part-time demolition of building course for supervision/foremen in May 2000 which were both arranged by the Construction Industry Training Authority.

Company Secretary

Mr. Cheng Wai Hei, aged 38, joined our Group in November 2015 as chief financial officer and was later appointed as the company secretary of our Group on 6 May 2016. Mr. Cheng is responsible for the accounting and financial functions, internal control as well as the company secretarial affairs of the Group. Mr. Cheng holds a Master of Business Administration from The Hong Kong Polytechnic University. He is a fellow member of the Association of Charter Certified Accountants and an associate of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Cheng has over 10 years of experience in accounting and corporate governance.

DIRECTORS' REPORT

The Board submits the annual report together with the audited financial statements of the Group for the year ended 31 December 2018 (the "Financial Statements").

Principal Place of Business

The Company is a company incorporated in Cayman Islands and domiciled in Hong Kong. The principal place of business of the Company at Room 902-3, 9/F., Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong.

Principal Activities

The Company is an investment holding company, and its subsidiaries are principal engaged in foundation works and ancillary services, general building works and sales of piles. The activities and particulars of the Company's subsidiaries are shown under note 12 to the Financial Statements.

Business Review

The business review of the Group, with the description of the principal risk and uncertainties, for the year ended 31 December 2018 and the likely future development, are included in the section headed "Management Discussion and Analysis" in this annual report on pages 5 to 14, which forms part of this report.

Major Customers, Subcontractors and Suppliers

During the year ended 31 December 2018, the Group's five largest customers in aggregate accounted for approximately 84.6% (2017: 62.0%) of the Group's total revenue. The largest customer accounted for approximately 39.1% (2017: 19.4%) of the Group's total revenue.

During the year ended 31 December 2018, the Group's five largest subcontractors in aggregate accounted for approximately 58.4% (2017: 39.0%) of the Group's total subcontracting fee. The largest subcontractor accounted for approximately 29.3% (2017: 16.2%) of the Group's total subcontracting fee.

During the year ended 31 December 2018 the Group's five largest suppliers in aggregate accounted for approximately 78.1% (2017: 54.5%). The largest supplier accounted for approximately 53.6% (2017: 14.2%) of the Group's total material costs.

At no time during the year have directors, their associates or any shareholder of the Company (which to knowledge of the directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers, subcontractors and suppliers.

Results and Dividends

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 53 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2018 are set out in note 19 and 20 to the Financial Statements.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years are included in the section headed "Financial Summary" in this annual report on page 126, which forms part of this report.

Management Contract

The Company did not enter into any contract, other than the contracts of service with the directors or any person engaged in the full-time employment of the Company, whereby any individual, firm or body corporate undertakes the management and administration of the whole, or any substantial part of any business of the Company.

Shares Issued During the Year

Details of the shares issued during the year ended 31 December 2018 are set out in note 21 to the Financial Statements.

Tax Relief

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

Distributable Reserves

As at 31 December 2018, the Company's reserves available for distribution to shareholders of the Company amounted to approximately HK$161 million (31 December 2017: HK$81 million).

Movements of the reserves of the Group are set out in the consolidated statement of changes in equity on page 56 of this annual report.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in the note 11 to the Financial Statements.

Share Option Scheme

A share option scheme (the "Scheme") was adopted pursuant to a written resolutions of the sole shareholder of the Company passed on 23 June 2017 for the purpose of recognizing and motivating the contributions that the eligible participants have made or may make to the Group.

Pursuant to the Scheme, the Company may grant options to (i) an executive; (ii) the director of proposed director (including an independent non-executive director) of any member of the Group; (iii) the consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (iv) the person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; and (v) the close associate of any of the foregoing persons, to subscribe for shares in the Company in accordance with the terms of the Scheme.

An offer of the grant of an option shall be deemed to have been accepted when the acceptance letter of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period specified in the letter containing the offer of the grant of the option. No offer shall be capable of or remain open for acceptance after the expiry of 10 years commencing on the Listing Date.

The subscription price of a share shall not be less than the highest of (i) the nominal value of the share; (ii) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date.

The share options granted are exercisable at any time during a period as the Directors may determine which shall not exceed 10 years from the date of an offer for the grant of the option, subject to the provisions for early termination contained in the Scheme, and provided that the Directors may determine the minimum period for which an option has to be held or other restrictions before its exercise.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares of the Company in issue on the Listing Date (i.e. 51,200,000 shares). The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% in aggregate of the shares of the Company in issue. The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

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

No share options have been granted, exercised or cancelled under the Scheme since its adoption date and up to the date of this annual report and the total number of shares available for grant under the Scheme was 51,200,000 Shares, representing 10% of the issued share capital of the Company of the Listing Date.

Directors

The Directors during the financial year and up to this annual report were:

Executive Directors

Lee Kai Lun *(Chairman)*
Kan Hou Sek, Jim
Lee Sai Man
Wong Siu Kwai
Kwong Po Lam
Guo Jianfeng *(appointed on 6 July 2018)*

Independent Non-Executive Directors

Fan Siu Kay
Leung William Wai Kai
Lo Chi Leung

Pursuant to Article 108 of the Articles of Association, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation at every annual general meeting of the Company provided that every Director (including those appointed for a specific item) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Further, pursuant to Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting.

In accordance with Articles 108 and 112 of the Articles of Association, Lee Kai Lun, Kwong Po Lam, Fan Siu Kay and Guo Jianfeng, shall retire from office at the 2019 annual general meeting (the "2019 AGM"). All of the above retiring Directors, being eligible, will offer themselves for re-election at the 2019 AGM.

Biographical Details of Directors and Senior Managmenet

Brief biographical details of Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management" on pages 15 to 19 of this annual report.

Directors' Service Contracts

None of the Directors being proposed for re-election at the 2019 AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Pre-Emptive Rights

There is not provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Permitted Indemnity Provision

The Articles of Association provide that every Director shall be indemnified out of the assets of the Company against all losses and liabilities incurred or sustained by him as a Director in the execution of his duties or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to such Director. There is appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group. Such provision was in force as of date of this annual report and during the financial year ended 31 December 2018.

Directors' Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

Directors' Interests and Short Positions in Securities

As at the 31 December 2018, the interests and short positions of the Directors in the Shares, underlying shares or debentures of the Company and its associated corporations, within the meaning of the Securities and Futures Ordinance (the "SFO"), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:–

(a) Long positions in the Shares:

Name of Shareholders	Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Dr. Kan Hou Sek, Jim ("Dr. Kan")[1] *(Note 1)*	Interest in a controlled corporation	384,000,000	62.75%
Mr. Lee Sai Man ("Mr. SM Lee")[2] *(Note 2)*	Interest in a controlled corporation	384,000,000	62.75%
Mr. Wong Siu Kwai ("Mr. Wong")[3] *(Note 3)*	Interest in a controlled corporation	384,000,000	62.75%

Notes:

1. *384,000,000 Shares are beneficially owned by Condover Assets Limited ("Condover Assets"). Dr. Kan beneficially owns approximately 33.33% of issued share capital of Condover Assets. Therefore, Dr. Kan is deemed, or taken to be, interested in all the Shares held by Condover Assets for the purpose of the SFO.*

2. *384,000,000 Shares are beneficially owned by Condover Assets. Mr. SM Lee beneficially owns approximately 33.33% of issued share capital of Condover Assets. Therefore, Mr. SM Lee is deemed, or taken to be, interested in all the Shares held by Condover Assets for the purpose of the SFO.*

3. *384,000,000 Shares are beneficially owned by Condover Assets. Mr. Wong beneficially owns approximately 33.33% of issued share capital of Condover Assets. Therefore, Mr. Wong is deemed, or taken to be, interested in all the Shares held by Condover Assets for the purpose of the SFO.*

(b) Long positions in the Shares of associated corporation of the Company

Name of directors	Name of associated corporation	Capacity/nature of interest	Total interests	Approximately percentage
Dr. Kan	Condover Assets	Beneficial owner	384,000,000 *(Note 1)*	62.75%
Mr. Lee	Condover Assets	Beneficial owner	384,000,000 *(Note 2)*	62.75%
Mr. Wong	Condover Assets	Beneficial owner	384,000,000 *(Note 3)*	62.75%

Notes:

1. *384,000,000 Shares are beneficially owned by Condover Assets. Dr. Kan beneficially owns approximately 33.33% of issued share capital of Condover Assets. Therefore, Dr. Kan is deemed, or taken to be, interested in all the Shares held by Condover Assets for the purpose of the SFO.*

2. *384,000,000 Shares are beneficially owned by Condover Assets. Mr. SM Lee beneficially owns approximately 33.33% of issued share capital of Condover Assets. Therefore, Mr. SM Lee is deemed, or taken to be, interested in all the Shares held by Condover Assets for the purpose of the SFO.*

3. *384,000,000 Shares are beneficially owned by Condover Assets. Mr. Wong beneficially owns approximately 33.33% of issued share capital of Condover Assets. Therefore, Mr. Wong is deemed, or taken to be, interested in all the Shares held by Condover Assets for the purpose of the SFO.*

Save as disclosed above, as at 31 December 2018, none of director and chief executive of the Company and their respective associates held any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company.

Substantial Shareholders' Interests in Securities

So far as was known to the Directors, as at 31 December 2018, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholders	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Condover Assets	Beneficial interest	384,000,000	62.75%
Dr. Kan[1]	Interest in a controlled corporation	384,000,000	62.75%
Mr. SM Lee[2]	Interest in a controlled corporation	384,000,000	62.75%
Mr. Wong[3]	Interest in a controlled corporation	384,000,000	62.75%
Ms. Poon Man Yee[4]	Interest of spouse	384,000,000	62.75%
Ms. Sheba Kishinchand Daswani[5]	Interest of spouse	384,000,000	62.75%
Ms. Ho Lai Kuen[6]	Interest of spouse	384,000,000	62.75%

Notes:

1. *Dr. Kan beneficially owns approximately 33.33% of issued share capital of Condover Assets. Therefore, Dr. Kan is deemed, or taken to be, interested in all the Shares held by Condover Assets for the purpose of the SFO.*

2. *Mr. SM Lee beneficially owns approximately 33.33% of issued share capital of Condover Assets. Therefore, Mr. Lee is deemed, or taken to be, interested in all the Shares held by Condover Assets for the purpose of the SFO.*

3. *Mr. Wong beneficially owns approximately 33.33% of issued share capital of Condover Assets. Therefore, Mr. Wong is deemed, or taken to be, interested in all the Shares held by Condover Assets for the purpose of the SFO.*

4. *Ms. Pong Man Yee is the spouse of Dr. Kan. Accordingly Ms. Poon Man Yee is deemed, or taken to be, interested in all the Shares in which Dr. Kan is interested for the purpose of the SFO.*

5. *Ms. Sheba Kishinchand Daswani is the spouse of Mr. SM Lee. Accordingly Ms. Sheba Kishinchand Daswani is deemed, or taken to be, interested in all the Shares in which Mr. SM Lee is interested for the purpose of the SFO.*

6. *Ms. Ho Lai Kuen is the spouse of Mr. Wong. Accordingly Ms. Ho Lai Kuen is deemed, or taken to be, interested in all the Shares in which Mr. Wong is interested for the purpose of the SFO.*

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other person (other than the Directors) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Directors' Right to Acquire Shares or Debentures

Apart from as disclosed under the paragraph headed "Directors' Interests in Securities" above, at no time during the year was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company or their associates to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate.

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

During the year ended 31 December 2018, neither the Company nor its subsidiaries had purchase, sell or redeem any of the Company's listed securities.

Related Party Transactions

The significant related party transactions entered into by the Group during the year ended 31 December 2018 are set out in note 25 to the Financial Statements.

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" in this annual report, none of the related party transactions constitute a connected transaction (as defined in the Listing Rules) that is required to be disclosed.

Connected Transactions and Continuing Connected Transactions

The Group has entered into certain agreements with the Company's connected persons (as defined under Chapter 14A of the Listing Rules) constitute connected transactions and continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The independent non-executive Directors of the Company confirmed that the continuing connected transactions for the year ended 31 December 2018 and that they were entered into:

1. in the ordinary course of the business of the Group;

2. on normal commercial terms or better; and

3. in accordance with the relevant written agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to conduct certain procedures in respect of the continuing connected transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has confirmed to the Board in writing that for the year ended 31 December 2018, the continuing connected transactions, which were entered into:

1. have reviewed the approval of the Board;

2. have been in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

3. have been in accordance with the relevant agreements governing such transactions; and

4. have not exceeded the relevant announced cap amounts for the financial year ended 31 December 2018.

Details of the connected and continuing connected transactions of the Company for the year ended 31 December 2018 are as follows:

Connected Transactions – Purchase of materials from GZYC

Connected person

GZYC is a 30%-controlled company held indirectly by Dr. Kan, Poon Man Yee (Dr. Kan's spouse) on behalf of Dr. Kan, Mr. SM Lee and Mr. Wong, and is therefore an associate of Dr. Kan, Mr. SM Lee and Mr. Wong and a connected person of the Company under the Listing Rules.

Description of the transactions

2017 PHC Pile Purchase Agreement

On 1 March 2017, 24 June 2017 and 15 November 2017, WWW Materials entered into a purchase agreement, a supplemental purchase agreement and second supplemental purchase agreement, respectively, with GZYC (collectively, the "2017 PHC Piles Purchase Agreement") pursuant to which WWW Materials has agreed to make a one-off purchase of a total of 164,000 meters of PHC Piles of four different specifications and 4,500 units of steel cross shoes from GZYC.

2018 PHC Pile Purchase Agreement

On 15 November 2017 and 8 December 2017, WWW Materials entered into a purchase agreement and a supplemental purchase agreement, respectively, with GZYC (collectively, the "2018 PHC Piles Purchase Agreement") pursuant to which WWW Materials has conditionally agreed to make a one-off purchase of a total of 106,000 meters of PHC Piles of four different specifications and 3,600 units of steel cross shoes from GZYC.

On 29 December 2017, the Company obtained independent shareholders' approval at the extraordinary general meeting in accordance with the Listing Rules.

During the year ended 31 December 2018, the total purchase from GZYC amounted to approximately HK$39.7 million (2017: HK$41.6 million)

Details of the above-mentioned transactions were disclosed in the prospectus dated 30 June 2017; announcements dated 15 November 2017 and 8 December 2017; and circular dated 12 December 2017 of the Company.

Exempt continuing connected transaction – Provision of consultancy services by Wong & Cheng Consulting Engineers Limited ("Wong & Cheng")

Connected person

Wong & Cheng is owned by Mr. Kwong Po Lam ("Mr. Kwong"), the executive Director of the Company, as to approximately 32% and by an independent third party as to 68%. Wong & Cheng is an associate of Mr. Kwong, and is therefore a connected person of the Company under Listing Rules.

Description of the transaction

The Company engaged Wong & Cheng for the provision of consultancy services relating to submission of works such as piling foundation, ELS and hoarding amendment to the relevant government departments, including the Buildings Department for approval on an ad-hoc basic ("W&C Consultancy Services"). On 23 June 2017, Win Win Way Construction Co., Limited ("WWW Construction"), the indirect wholly-owned subsidiary of the Company, entered into a framework consultancy agreement (the "W&C Framework Consultancy Agreement") with Wong & Cheng pursuant to which Wong & Cheng shall provide W&C Consultancy Services to the WWW Construction from time to time.

Listing Rules implications

Since each of the relevant percentage ratio under the Listing Rules in respect of the total annual consideration of the transactions under the W&C Framework Consultancy Agreement is expected to be less than 5% and the total annual consideration is expected to be less than HK$3 million, the transaction constitutes de minimis transaction under Rule 14A.76 (1) which is fully exempt from the shareholders' approval, annual review and all disclosure requirements.

During the year ended 31 December 2018, the total consultancy fee paid to Wong & Cheng amounting to approximately HK$1.4 million (2017: HK$2.2 million).

Details of the above-mentioned transaction was disclosed in the prospectus dated 30 June 2017 of the Company.

Non-exempt continuing connected transactions – Provision of consultancy services by Paul Tong & Associated Consulting Engineers Ltd. ("Paul Tong")

Connected person

Paul Tong is a Hong Kong incorporated private company principal engaged in the provision of general construction consulting services and certification of piles manufactured by GZYC. It is held as to 75% by Dr. Kan and as to 25% by Mr. Yeung Nai Cheong, a senior management of the Company, and is therefore an associate of Dr. Kan and a connected person of the Company under the Listing Rules. Paul Tong obtained the Building Department's approval for the use of PHC Piles in 2006 subject to certain conditions and requirements being met, rendering Paul Tong's certification necessary for use of the PHC Piles in Hong Kong.

Description of the transactions

2017 Paul Tong Framework Consultancy Agreement

On 2 May 2017, WWW Materials entered into a consultancy agreement (the "2017 Paul Tong Framework Consultancy Agreement") with Paul Tong pursuant to which Paul Tong will provide PHC Piles Consultancy Services to the Group from time to time during the term of that agreement.

2018 Paul Tong Framework Consultancy Agreement

On 15 November 2017, WWW Materials entered into a consultancy agreement (the "2018 Paul Tong Framework Consultancy Agreement") with Paul Tong pursuant to which Paul Tong will provide PHC Piles Consultancy Services to the Group from time to time during the term of that agreement.

Listing Rules implications

As Paul Tong is a connected person of the company and in light of the view of the Directors (including the independent non-executive Directors) as described below, the transactions as contemplated under the 2017 Paul Tong Framework Consultancy Agreement and the 2018 Paul Tong Framework Consultancy Agreement constitute continuing connected transactions of the Company and are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The transaction amounts and the annual cap for the year ended 31 December 2018 under the 2018 Paul Tong Framework Consultancy Agreement were as follows:

Agreement	**Transaction amount for the year ended 31 December 2018** HK$'000	**Annual Cap for the year ended 31 December 2018** HK$'000
2018 Paul Tong Framework Consultancy Agreement	5,250	7,309

Details of the above-mentioned transactions were disclosed in the circular dated 12 December 2017 and announcements dated 15 November 2017 and 8 December 2017 of the Company.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules from the Listing Date and up to the date of this annual report.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 33 to 45.

Retirement Schemes

The Group participates in the mandatory provident fund prescribed by the Mandatory Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, the Group did not participate in any other pension schemes during the year ended 31 December 2018.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers contained in Appendix 10 to the Listing Rules as its own code of conduct of dealings in securities of the Company by Directors. Upon specific enquires of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the year.

Specific Performance of Controlling Shareholders Under Rule 13.18 of the Listing Rules

On 25 October 2017, WWW Construction entered into a facility agreement (the "Facility Agreement") for a banking facilities up to HK$60 million with a bank (the "Lender"). If Dr. Kan, Mr. SM Lee and Mr. Wong hold less than 51% interests in the Company, then the Lender is entitled to request immediate repayment of any amount owing or payable by WWW Construction.

On 12 December 2018, the Facility Agreement was cancelled, the aforesaid shareholding requirement in favour to the Lender is no longer required.

Events after the Reporting Period

Save as the disclosure in note 29 to the Financial Statements, there is no material subsequent event undertaken by the Company or the Group after 31 December 2018 and up to the date of this annual report.

Auditor

The Financial Statements for the year ended 31 December 2018 have been audited by KPMG, who will retire and being eligible, offer themselves for re-appointment at the 2019 AGM.

By order of the Board

Lee Kai Lun
Chairman
Hong Kong, 29 March 2019

The Board is pleased to present this Corporate Governance Report of the Company.

Corporate Governance Practices

During the year ended 31 December 2018, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to Listing Rules, except for:

(a) Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company did not officially have a chief executive. The daily management of the Group's business is handled by the executive Directors. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations. The Board will continue to review the effectiveness of the Group's structure as business continues to grow and develop in order to assess whether any changes, including the appointment of chief executive, if necessary.

(a) Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting.

Due to the health reason, Mr. Lee Kai Lun has not attended the annual general meeting on 12 June 2018 and Dr. Kan was elected chairman of the said meeting.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules upon the Listing. All the Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2018 and up to the date of this annual report in response to the specific enquiry made by the Company.

The Board has established written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the securities of the company as required under the CG Code. No incident of non-compliance of such guidelines by the relevant employees was noted by the Company during the year ended 31 December 2018 and up to the date of this annual report.

The Board

The Board acts in good faith, with due diligence and care, to discharge its duties concerning the best interests of the Company and its shareholders. The primary role of the Board is protect and entrance long term shareholders' value; it also oversees the management, business, strategies and financial performance of the Group to ensure that good corporate governance policies and practices are implemented within the Group. The management is responsible for the execution of the strategies in the Group's daily operations and the implementation of the risk management and internal control systems.

The composition of the Board during the year and up to the date of this annual report is set out below:

Executive Director

Lee Kai Lun *(Chairman)*
Kan Hou Sek, Jim
Kwong Po Lam
Lee Sai Man
Wong Siu Kwai
Guo Jianfeng *(appointed on 6 July 2018)*

Independent Non-Executive Directors

Fan Siu Kay
Leung William Wai Kai
Lo Chi Leung

The biographies of the Directors during the year and up to the date of this annual report and the relationships among them are set out in the "Biographies of the Directors and Senior Management" section on pages 15 to 19 of this annual report. The executive Directors bring a good balance of skills and experience to the Company. The independent non-executive Directors provide their independent judgement on the development, performance and risk management of the Group. The Directors are fully aware that they individually and collectively accountable to shareholders.

The executive Directors have entered into employment contracts with the Company and each of the independent non-executive Directors have been appointed on a specific term of three years. Notwithstanding the specific term of appointments, the articles of association of the Company (the "Articles of Association") provide that every Directors shall be subject to retirement by rotation at the annual general meeting at least once every three years. At each annual general meeting, one-third of the Directors for the time being shall retire shall retire from office by rotation and be eligible for re-election by the shareholders.

Independent Non-Executive Directors

During the year ended 31 December 2018 and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Delegation by The Board

The management, consisting of executive Directors along with other senior executive, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Board Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communication.

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and board meetings should be held at least four times a year.

The attendance of the respective Directors to the board meeting during the year are set out below:

	Attendance/Number of meeting between the Listing Date and the date of this annual report
Executive Director	
Mr. Lee Kai Lun	8/8
Mr. Kan Hou Sek, Jim	8/8
Mr. Kwong Po Lam	8/8
Mr. Lee Sai Man	8/8
Mr. Wong Siu Kwai	8/8
Mr. Guo Jianfen*	1/8
Independent Non-Executive Director	
Mr. Fan Siu Kay	8/8
Mr. Leung William Wai Kai	8/8
Mr. Lo Chi Leung	8/8

* *Appointed during the year*

Continuous Professional Development of Directors

All Directors confirmed to comply with the provision of the CG Code in relation to continuous professional development during the year. In doing so, the Directors have undertaken various forms of activities relevant to the Company's business, Directors' duties and responsibilities.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the period from the Listing Date and up to the date of this annual report are summarised as follows:

	Type of Training (Note)
Executive Director	
Mr. Lee Kai Lun	B
Mr. Kan Hou Sek, Jim	B
Mr. Kwong Po Lam	B
Mr. Lee Sai Man	B
Mr. Wong Siu Kwai	B
Mr. Guo Jianfen	A, B
Independent Non-Executive Director	
Mr. Fan Siu Kay	B
Mr. Leung William Wai Kai	B
Mr. Lo Chi Leung	A, B

Note:

Type of Training

A: *Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops*

B: *Reading relevant news alerts, newspapers, journals, magazines and relevant publications*

Board Committees

The Board has established certain committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "Board Committee"), to oversee specific aspects of the Company's affairs. The Board Committees are established with specific written terms of reference which clearly outline the committees' authority and duties. The terms of reference of the Board Committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors. The members of the Board committees during the year are set out below:

Audit Committee

Lo Chi Leung *(Chairman)*
Fan Siu Kay
Leung William Wai Kai

Remuneration Committee

Fan Siu Kay *(Chairman)*
Lee Kai Lun
Leung William Wai Kai

Nomination Committee

Lee Kai Lun *(Chairman)*
Kan Hou Sek, Jim
Fan Siu Kay
Leung William Wai Kai
Lo Chi Leung

Board Committee are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company has set up the Audit committee on 23 June 2017 with written terms of reference of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control and risk management systems, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2018, three Audit Committee meetings were held. The attendance of each member to the Audit Committee Meeting is as follows:

	Audit Committee meeting attended/ Eligible to attend
Mr. Lo Chi Leung *(Chairman)*	3/3
Mr. Fan Siu Kay	3/3
Mr. Leung William Wai Kai	3/3

The Audit Committee met the external auditors and Chairman on 27 March 2018 and 20 December 2018 respectively, without the presence of the executive Directors.

Remuneration Committee

The Company has set up the Remuneration Committee on 23 June 2017 with written terms of reference of no less exacting terms those set out in the CG Code. The primary functions of the Remuneration Committee include determining/reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

Details of the remuneration of the Directors and senior management are set out in the sections headed "Directors' Remuneration" and "Remuneration of the Senior Management" in this annual report.

During the year ended 31 December 2018, two Remuneration Committee meetings were held. The attendance record of each member of the Remuneration Committee is as follows:

	Remuneration Committee meeting attended/ Eligible to attend
Mr. Fan Siu Kay *(Chairman)*	2/2
Mr. Lee Kai Lun	2/2
Mr. Leung William Wai Kai	2/2

Nomination Committee

The Company has set up the Nomination Committee on 23 June 2017 with written terms of reference of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to skills, industry and regional experience, background, race, gender and other qualities etc. In forming its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2018, two Nomination Committee meetings were held. The attendance record of each member of the Remuneration Committee is as follows:

	Nomination Committee meeting attended/ Eligible to attend
Mr. Lee Kai Lun *(Chairman)*	2/2
Mr. Kan Hou Sek, Jim	2/2
Mr. Fan Siu Kay	2/2
Mr. Leung William Wai Kai	2/2
Mr. Lo Chi Leung	2/2

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 December 2018, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code by Directors and relevant employees, and the Company's compliance with the CG Code and disclosures in this Corporate Governance Report.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified.

2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

The Group has maintained internal control guidance and procedures on the Group's operational cycles relating to revenue, purchase and expenditure, inventory and human resources etc., to ensure proper accounting records are kept so that reliable financial reporting can be provided, the effectiveness and efficiency of operation can be achieved, and the compliance with applicable laws and regulations and safeguarding of assets can be maintained. These procedures, together with the Company's compliance manual, have also shaped the control environment in which and how the Group operates, including the budgeting controls, investment decision making, risk assessment and practices of corporate governance. These systems are designed to provide reasonable protection against errors, losses and fraud.

The Company does not establish a standalone internal audit department, however, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group.

The Company has engaged CT Partners Consultants Limited to conduct a review on the effectiveness of the internal controls of the Group for the year ended 31 December 2018. The review covered certain operational procedures and included recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified. The Boards has conducted a review of the effectiveness of the internal control system of the Group and is satisfied that the Group has complied with the Code in respect of internal control during the year.

Regular meetings were held between the executive Directors and senior management to review and monitor the business and financial performance against the targets, the progress of certification and contract receipts from the customers, the efficiency in the use of the Group's resources in comparison to the budgets, and the operational matters to ensure the Group has complied with the regulations that have material impact to the Group's business. The aim is to enhance the communication and accountability of the Directors and management so that significant strategic, financial, operational and compliance risks or potential deviations are timely identified and dealt with in proper manner, which significant issues are reported back to the Board for their attention.

With respect to the monitoring and disclosure of inside information, the Group has developed its disclosure policy which provides a general guide to the Group's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquires. While any potential inside information will be escalated to the executive meetings or the Board via the established reporting channels, the Directors will assess and determine if the inside information of the Group exist where timely disclosure is required to be made by way of an announcement published on the Stock Exchange website. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

Dividend Policy

The Board has adopted its dividend policy on 31 December 2018. The Board may, as it deems appropriate, determine and distribute an interim dividend to shareholders of the Company from time to time. The Board may recommend the payment of an annual dividend, subject to the approval by shareholders of the Company at annual general meetings.

The Company's dividend policy is to allow shareholders to share the Company's profits whist preserving adequate reserves for the Company's future development. Subject to the approval of shareholders and requirement of relevant laws, if the Group makes a profit, the operating environment remains stable and the Group has no plans for material investment or capital contribution, the Company shall pay annual dividends to its shareholders. The Board may, from time to time, pay to the shareholders such interim dividends as the Directors deem reasonable to the profit of the Group. Moreover, the Board may, where considered appropriate, declare special dividends.

Considerations:

In deciding or proposing the number of distribution and the amount and form of dividend for any financial year/period, the Board shall consider the following factors:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and respective members of the Group;

(c) the debt-to-equity ratio, rate of return on equity and relevant financial covenants of the Group;

(d) any restrictions imposed by the lenders of the Group in terms of dividend payment;

(e) the Group's expected working capital requirements and future expansion plans;

(f) the Group's general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(g) any other factors the Board may consider appropriate.

The dividend payout ratio will vary from year to year. There is no assurance that a dividend will be declared in any particular amount for any given period.

Form of Dividend

In accordance with the articles of association of the Company, dividend may be paid in cash. The Board may consider bonus issue, and its relevant basis must comply with applicable laws and regulations.

Directors' Remuneration

Directors' emoluments are determined with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee of the Company annually. Details of the Directors' remuneration are set out in note 8 to the Financial Statements.

Remuneration of the Senior Management

During the year ended 31 December 2018, the remuneration of senior management is listed below by band:

Band of remuneration	Number of Person
HK$1,000,000 or below	2

Auditor's Remuneration

For the year ended 31 December 2018, the remunerations paid or payable to KPMG in respect of its audit services and non-audit services are HK$3,030,000 and HK$215,000. The non-audit services mainly include the service fee for the reporting on continuing connected transactions and advisory service in relation to environment, social and governance reporting. The Audit Committee was satisfied that the non-audit services in 2018 did not affect the independence of the auditor.

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for the preparation of Financial Statements for the year ended 31 December 2018 which give a true and fair view of the financial position of the Group. In preparing the Financial Statements which give a true and fair view, it is fundamental that the appropriate accounting policies are selected and applied consistently. The statement of the external auditor of the Company about their reporting responsibilities on the Financial Statements is set out in the "Independent Auditor's Report" on pages 46 to 52 of this annual report. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

Company Secretary

The Company's company secretary, Mr. Cheng Wai Hei, coordinates the supply of information to the Directors and is the primary contract person within the Company for all matters relating to the duties and responsibilities of the company secretary. All Directors have access to company secretary to ensure that Board procedures and all applicable laws, rules and regulations are followed. During the year ended 31 December 2018, he had taken no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. For details of his biography, please refer to the section headed "Biographies of Directors and Senior Management" of this annual report.

Shareholders' Rights

We seriously take care of the shareholders' interest to ensure that they are treated fairly and are able to exercise their shareholders' rights effectively. Shareholders are entitled by the Articles of Association and are also encouraged to participate in the Company's general meetings or appoint proxies to attend meetings may request the Board to convene an extraordinary general meeting and put forward proposals. Such requisition should be made in writing to the Board or the company secretary for such purpose and should specify the objects of the meeting.

The Board is not aware of any provisions allowing the shareholders of the Company to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law of the Cayman Islands. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make written requisition to require the convening of an extraordinary general meeting of the Company.

In case a shareholder wishes to nominate a person for election as director in general meeting, the particulars of the candidate must be stated in a nomination notice signed and deposited together with a notice of willingness signed by the candidate to the company secretary at the Company principal place of business (Room 902-3, 9/F., Nam Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong) or at the Hong Kong branch share registrar and transfer office of the Company. The notice should be given at least seven days prior to the date of such general meeting.

Investor Relations

The Company is committed to maintaining effective and timely dissemination of the Group's information to its shareholders and the market. The annual shareholders' meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholder participation. At the annual general meeting of the Company, the Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquires. In addition, the Company's website (http://www.winwinway.com.hk) contains extensive company information which is easily accessible.

Constitutional Documents

There was no change to the Company's constitutional documents during the year. An up-to-date version of the Company memorandum and articles of association is available on the websites of the Company and Hong Kong Stock Exchange.

Enquires to The Board

Enquiries may put to the Board through the Company's principal place of business in Hong Kong at Room 902-3, 9/F., Nam Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong (email: info@winwinway.com.hk).

Independent auditor's report to the shareholders of
Win Win Way Construction Holdings Ltd.
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Win Win Way Construction Holdings Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 53 to 125 which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Key audit matters (continued)

Contract accounting estimates

Refer to accounting policies 2(j) and 2(r)(i) and notes 4(a) and 16 to the consolidated financial statements

The Key Audit Matter

The Group recorded revenue from the provision of foundation works and ancillary services and general building works in Hong Kong and Saipan totalling HK$544 million for the year ended 31 December 2018.

Contract revenue is recognised progressively over time using the output method, based on direct measurements of the value of services delivered or surveys of work performed and the estimated total revenue for the contracts entered into by the Group. Contract costs are recognised when work is performed, together with any provisions for expected contract losses.

Management reviews and revises the estimates of contract revenue, contract costs and variation orders for each construction contract by comparing the most current budgeted amounts with corresponding actual amounts as the contract work progresses.

How the matter was addressed in our audit

Our audit procedures to assess contract accounting estimates included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the contract revenue recognition processes;

- discussing with management the performance of contracts in progress during the year, on a sample basis, and challenging the key estimates and assumptions adopted in the forecasts for contract revenue and contract costs, including estimated costs to completion, the recognition of variation orders, the adequacy of contingency provisions and the assessment of potential liquidated and ascertained damages for contracts which were behind schedule, by obtaining and evaluating relevant information in connection the assumptions adopted, including contract agreements and subcontracts, correspondence with customers regarding contract variations and claims and by considering historical outcomes for similar contracts;

Key audit matters (continued)

Contract accounting estimates

Refer to accounting policies 2(j) and 2(r)(i) and notes 4(a) and 16 to the consolidated financial statements

The Key Audit Matter

The recognition of revenue and profit relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and liquidated and ascertained damages, in estimating the amount of expected losses and in assessing the ability of the Group to deliver services according to the agreed timetable.

We identified contract accounting estimates as a key audit matter because the estimation of the total contract revenue and total costs to complete contracts is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.

How the matter was addressed in our audit

- obtaining a detailed breakdown of the total estimated costs to completion for all contracts in progress during the year and comparing, on a sample basis, actual costs incurred to the reporting date and future cost estimates with agreements, certifications or correspondence with subcontractors and suppliers and other documentation referred to by management in its assessment of the estimated costs to completion;

- for all projects in progress at the reporting date, challenging the assumptions and critical judgements made by management which impacted their estimations of the liquidated and ascertained damages assessments by comparing the key terms and conditions in the assessments with contract agreements with customers and by comparing the estimated contract completion time with the Group's updated progress report or correspondence from customers;

- comparing the contract revenue recognised for contracts in progress during the year, on a sample basis, with reference to the certifications from the surveyors appointed by the customers or payment applications from the in-house surveyor;

Key audit matters (continued)

Contract accounting estimates

Refer to accounting policies 2(j) and 2(r)(i) and notes 4(a) and 16 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
	• conducting site visits, on a sample basis, to observe the progress of individual contracts, discussing with site personnel the status of each project and evaluating whether the project progress was consistent with the agreed timetable and the Group's financial accounting records; • performing a retrospective review of contracts completed during the current year by comparing the final outcome of the contracts with previous estimates made for those contracts to assess the reliability of the management's forecasting process; and • inspecting a sample of contract agreements with customers and subcontractors to identify key terms and conditions, including the contracting parties, the contract period, the contract sum, the scope of work, the methodology for calculating liquidated and ascertained damages, and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue and costs to complete in the forecast of the outcome of the contracts.

Information other than the consolidated financial statements and auditor's report thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Wai Ming.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000 (Note)
Revenue	4	**610,761**	821,907
Direct costs		**(524,319)**	(707,997)
Gross profit		**86,442**	113,910
Other income	5	**2,289**	301
General and administrative expenses		**(63,041)**	(81,365)
Profit from operations		**25,690**	32,846
Finance costs	6(a)	**(3,821)**	(1,640)
Profit before taxation	6	**21,869**	31,206
Income tax	7(a)	**(4,475)**	(8,319)
Profit for the year		**17,394**	22,887
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		**(1,084)**	(1)
Profit and total comprehensive income for the year		**16,310**	22,886
Earnings per share (Hong Kong cents)	10		
Basic and diluted		**3.07**	5.17

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 58 to 125 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000 (Note)
Non-current assets			
Property, plant and equipment	11	**8,122**	5,267
Goodwill	18	**21,670**	–
Deferred tax assets	7(c)	**313**	648
		30,105	5,915
Current assets			
Contract assets	16(a)	**336,737**	–
Gross amounts due from customers for contract work	15	**–**	215,927
Trade and other receivables	13	**165,503**	171,774
Cash and bank balances	14(a)	**52,520**	56,051
		554,760	443,752
Current liabilities			
Contract liabilities	16(b)	**5,238**	–
Gross amounts due to customers for contract work	15	**–**	11,597
Trade and other payables	17	**119,955**	130,709
Amounts due to related parties	25(b)	**–**	4,345
Obligations under finance leases	19	**3,005**	6,674
Bank loans and overdrafts	20	**80,890**	50,996
Tax payable		**7,448**	3,310
		216,536	207,631
Net current assets		**338,224**	236,121
Total assets less current liabilities		**368,329**	242,036
Non-current liabilities			
Loans from related parties	25(b)	**20,888**	–
Obligations under finance leases	19	**4,555**	2,461
		25,443	2,461
NET ASSETS		**342,886**	239,575

As at 31 December 2018

(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000 (Note)
CAPITAL AND RESERVES	21		
Share capital	21(c)	**6,120**	5,120
Reserves		**336,766**	234,455
TOTAL EQUITY		**342,886**	239,575

Approved and authorised for issue by the board of directors on 29 March 2019.

Lee Kai Lun
Director

Kan Hou Sek, Jim
Director

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 58 to 125 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Note	Share capital $'000	Share premium $'000	Other reserve $'000	Exchange reserve $'000	Retained profits $'000	Total equity $'000
At 1 January 2017		234	–	41,656	(9)	83,983	125,864
Changes in equity for 2017:							
Profit for the year		–	–	–	–	22,887	22,887
Other comprehensive income for the year		–	–	–	(1)	–	(1)
Total comprehensive income for the year		–	–	–	(1)	22,887	22,886
Issuance of new shares under the reorganisation	21(c)(ii)	234	–	–	–	–	234
Reorganisation	21(c)(ii)	(234)	–	–	–	–	(234)
Issuance of new shares under the Initial Public Offering ("IPO"), net of issuing expenses	21(c)(iii)	1,280	89,545	–	–	–	90,825
Capitalisation issue	21(c)(iv)	3,606	(3,606)	–	–	–	–
At 31 December 2017 (Note)		5,120	85,939	41,656	(10)	106,870	239,575
At 1 January 2018		**5,120**	**85,939**	**41,656**	**(10)**	**106,870**	**239,575**
Impact on initial application of HKFRS 9	2(c)(i)	**–**	**–**	**–**	**–**	**(2,030)**	**(2,030)**
Impact on initial application of HKFRS 15	2(c)(ii)	**–**	**–**	**–**	**–**	**6,287**	**6,287**
Adjusted balance at 1 January 2018		**5,120**	**85,939**	**41,656**	**(10)**	**111,127**	**243,832**
Changes in equity for 2018:							
Profit for the year		**–**	**–**	**–**	**–**	**17,394**	**17,394**
Other comprehensive income for the year		**–**	**–**	**–**	**(1,084)**	**–**	**(1,084)**
Total comprehensive income for the year		**–**	**–**	**–**	**(1,084)**	**17,394**	**16,310**
Deemed contribution from shareholders for interest-free loans granted to the Group		**–**	**–**	**1,444**	**–**	**–**	**1,444**
Placing of new shares, net of issuing expenses	21(c)(v)	**1,000**	**80,300**	**–**	**–**	**–**	**81,300**
At 31 December 2018		**6,120**	**166,239**	**43,100**	**(1,094)**	**128,521**	**342,886**

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 58 to 125 form part of these financial statements.

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000 (Note)
Cash used in operations	14(b)	**(102,967)**	(58,261)
Tax paid		**(843)**	(15,314)
Net cash used in operating activities		**(103,810)**	(73,575)
Investing activities			
Increase in pledged bank deposits		**(13,690)**	(36,315)
Payment for the purchase of property, plant and equipment		**(418)**	(976)
Acquisition of subsidiaries	14(d)	**(23,740)**	–
Proceeds from disposal of property, plant and equipment		**1,585**	–
Net cash used in investing activities		**(36,263)**	(37,291)
Financing activities			
Net proceeds from placing of new shares	21(c)(v)	**81,300**	–
Payment of listing expenses		**–**	(11,479)
Capital element of finance lease rentals paid	14(c)	**(6,853)**	(7,823)
Interest element of finance lease rentals paid	14(c)	**(448)**	(636)
Proceeds from new bank loans	14(c)	**60,618**	43,996
Repayments of bank loans	14(c)	**(43,996)**	(22,033)
Proceeds from issuance of new shares		**–**	110,080
Interest paid	14(c)	**(3,373)**	(1,004)
Proceeds from loans from related parties	14(c)	**22,332**	–
Net cash generated from financing activities		**109,580**	111,101
Net (decrease)/increase in cash and cash equivalents		**(30,493)**	235
Cash and cash equivalents at the beginning of the year	14(a)	**19,736**	19,501
Cash and cash equivalents at the end of the year	14(a)	**(10,757)**	19,736

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 58 to 125 form part of these financial statements.

1 General information

Win Win Way Construction Holdings Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of construction and related services, which mainly included (a) foundation works and ancillary services and general building works; (b) sales of piles; and (c) construction of solar power plants and sales of electricity. The Company was incorporated in the Cayman Islands on 5 October 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 July 2017 (the "Listing").

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation and presentation

These consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries.

Pursuant to a group reorganisation completed on 23 June 2017 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 June 2017 (the "Prospectus").

2 Significant accounting policies (continued)

(b) Basis of preparation and presentation (continued)

The Group's businesses were conducted principally through Win Win Way Construction Co., Limited ("WWWC"), Smart City Engineering Limited ("SCE"), Win Win Way Materials Supply Limited ("WWWM") and Win Win Way Construction Co., (Saipan) Inc. ("WWWC (Saipan)"). Prior to the Reorganisation, WWWC and WWWM were wholly-owned by Win Win Way Holdings Limited ("WWWH") and WWWC (Saipan) was wholly-owned by Moral Grace Investment Limited ("MGIL"). WWWH and SCE were owned as to 33.33% by Mr. Kan Hou Sek, Jim ("Mr. Kan"), 33.33% by Mr. Lee Sai Man ("Mr. Lee") and 33.33% by Mr. Wong Siu Kwai ("Mr. Wong") and MGIL was held by Cheung Yuk Kwan on trust which was owned as to 33.33% by Mr. Kan, 33.33% by Mr. Lee and 33.33% by Mr. Wong. Mr. Kan, Mr. Lee and Mr. Wong are collectively the "Controlling Shareholders" and were acting in concert during the current and prior periods.

The companies that took part in the Reorganisation were controlled by the Controlling Shareholders before and after the Reorganisation. As the control is not transitory and, consequently, there was a continuation of risks and benefits to the Controlling Shareholders, the Reorganisation is considered to be a restructuring of entities under common control. The financial information before the completion of the Reorganisation has been prepared using the merger basis of accounting as if the Group has always been in existence.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

– **HKFRS 9, *Financial instruments***

– **HKFRS 15, *Revenue from contracts with customers***

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of recognition of contract costs and presentation of contract assets and contract liabilities. Details of the change in accounting policies are disclosed in note 2(c)(i) for HKFRS 9 and note 2(c)(ii) for HKFRS 15. Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018, comparative information is not restated.

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement.* It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments* (continued)

The following table summarises the impact of transition to HKFRS 9 on retained profits and the related tax impact at 1 January 2018.

	$'000
Retained profits	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(1,805)
– contract assets	(626)
Related tax	401
Net decrease in retained profits at 1 January 2018	(2,030)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments* (continued)

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

– contract assets as defined in HKFRS 15 (see note 2(j));

For further details on the Group's accounting policy for accounting for credit losses, see note 2(i)(i).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	$'000
Loss allowance at 31 December 2017 under HKAS 39	–
Additional credit loss recognised at 1 January 2018 on:	
– Trade and other receivables	1,805
– Contract assets recognised on adoption of HKFRS 15	626
Loss allowance at 1 January 2018 under HKFRS 9	2,431

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on retained profits and the related tax impact at 1 January 2018:

	$'000
Retained profits	
Change in timing of contract costs recognition for construction contracts	7,529
Related tax	(1,242)
Net increase in retained profits at 1 January 2018	6,287

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, *Revenue from contracts with customers* (continued)

Further details of the nature and effect of the changes to previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from construction contracts was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from construction contracts and sales of piles.

b. Timing of recognition of contract costs

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, *Revenue from contracts with customers* (continued)

b. Timing of recognition of contract costs (continued)

Previously, contract costs of the Group were recognised by reference to the stage of completion of the contract, which was measured with reference to the progress certificates issued by the customers or the progress payment applications submitted to the customers. Contract costs were deferred or accrued to report a consistent margin percentage over the term of a contract. Under HKFRS 15, contract costs that related to satisfied performance obligations are expensed as incurred.

As a result of this change in accounting policy, the Group had made adjustments to opening balances at 1 January 2018 which increased retained profits by $6,287,000, increased contract assets by $8,047,000, increased contract liabilities by $518,000 and increased tax payable by $1,242,000.

c. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 2(r)) before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see note 2(j)).

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "gross amounts due from customers for contract work" or "gross amounts due to customers for contract work" respectively. Receivables for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion of the retention period were presented in the statement of financial position as "retentions receivable" under "trade and other receivables".

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

(i) "Gross amounts due from customers for contract work" and "retentions receivable" under "trade and other receivables" amounting to $215,927,000 and $71,280,000 respectively, are now included under contract assets;

(ii) "Gross amounts due to customers for contract work" amounting to $11,597,000 is now included under contract liabilities; and

(iii) As explained in (b) above, adjustments to opening balances have been made to increase contract assets by $8,047,000 and increase contract liabilities by $518,000.

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, *Revenue from contracts with customers* (continued)

d. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) $'000	**Hypothetical amounts under HKASs 18 and 11** (B) $'000	**Difference: Estimated impact of adoption of HKFRS 15 on 2018** (A) – (B) $'000
Line items in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Direct costs	(524,319)	(556,210)	31,891
Gross profit	86,442	54,551	31,891
Profit/(loss) from operations	25,690	(6,201)	31,891
Profit/(loss) before taxation	21,869	(10,022)	31,891
Income tax (expense)/credit	(4,475)	787	(5,262)
Profit/(loss) for the year	17,394	(9,235)	26,629
Profit/(loss) and total comprehensive income for the year	16,310	(10,319)	26,629
Earnings/(loss) per share (Hong Kong cents)			
Basic and diluted	3.07	(1.63)	4.70

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, *Revenue from contracts with customers* (continued)

d. *Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018 (continued)*

	Amounts reported in accordance with HKFRS 15 (A) $'000	Hypothetical amounts under HKASs 18 and 11 (B) $'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A) – (B) $'000
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:			
Deferred tax assets	313	3,388	(3,075)
Total non-current assets	30,105	33,180	(3,075)
Contract assets	336,737	–	336,737
Gross amounts due from customers for contract work	–	233,060	(233,060)
Trade and other receivables	165,503	231,726	(66,223)
Total current assets	554,760	517,306	37,454
Contract liabilities	5,238	–	5,238
Gross amounts due to customers for contract work	–	7,204	(7,204)
Tax payable	7,448	4,019	3,429
Total current liabilities	216,536	215,073	1,463
Net current assets	338,224	302,233	35,991
Total assets less current liabilities	368,329	335,413	32,916
Net assets	342,886	309,970	32,916
Reserves	336,766	303,850	32,916
Total equity	342,886	309,970	32,916
Line items in the reconciliation of profit before taxation to cash used in operations for the year ended 31 December 2018 (note 14(b)) impacted by the adoption of HKFRS 15:			
Profit/(loss) before taxation	21,869	(10,022)	31,891
Increase in gross amounts due from customers for contract work	–	(17,551)	17,551
Increase in trade and other receivables	(64,066)	(61,965)	(2,101)
Increase in contract assets	(42,109)	–	(42,109)
Decrease in contract liabilities	(6,877)	–	(6,877)
Decrease in gross amounts due to customers for contract work	–	(4,393)	4,393

The significant differences arise as a result of the changes in accounting policies described above.

2 Significant accounting policies (continued)

(d) Basis of measurement and use of estimates and judgements

These consolidated financial statements are presented in Hong Kong dollars, rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on these financial statements and major sources of estimation uncertainty are discussed in note 3.

(e) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 Significant accounting policies (continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(i)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see note 2(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Furniture and fixtures	5 years
– Motor vehicles	5 years
– Plant and machinery	3 to 4 years
– Office equipment	5 years
– Solar power plant	25 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 Significant accounting policies (continued)

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 Significant accounting policies (continued)

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and

– contract assets as defined in HKFRS 15 (see note 2(j)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, retentions receivable and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2 Significant accounting policies (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

(A) Policy applicable from 1 January 2018 (continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 Significant accounting policies (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

(A) Policy applicable from 1 January 2018 (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(vi) 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 (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 Significant accounting policies (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence existed, for trade and other receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreased and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance amount. When the Group was satisfied that recovery was remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

2 Significant accounting policies (continued)

(i) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries in the Company's statement of financial position; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 Significant accounting policies (continued)

(i) Credit losses and impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(k)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(r)).

2 Significant accounting policies (continued)

(j) Contract assets and contract liabilities (continued)

Policy prior to 1 January 2018

In the comparative period, contract balances were recorded for construction contracts at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. These net balances were presented as the "gross amounts due from customers for contract work" (as an asset) or the "gross amounts due to customers for contract work" (as a liability), as applicable on a contract-by-contract basis. Progress billings not yet paid by the customer were included under "trade debtors". Amounts received before the related work was performed were included under "trade and other payables". These balances have been reclassified on 1 January 2018 as shown in note 16 (see note 2(c)(ii)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(j)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(i)(i)).

(l) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(t)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2 Significant accounting policies (continued)

(o) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies (continued)

(p) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefits to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2 Significant accounting policies (continued)

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Construction contract revenue

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method based on direct measurements of value of services delivered or surveys of work performed.

The likelihood of the Group in suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(q)(ii).

Revenue for construction contracts was recognised on a similar basis in the comparative period under HKAS 11.

(ii) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

In the comparative period, revenue from sales of good was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership.

2 Significant accounting policies (continued)

(r) Revenue and other income (continued)

(iii) Rental income from lease of machinery

Rental income receivable from lease of machinery is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Sales of electricity

Electricity revenue which included, where applicable, subsidies from the relevant government authorities is recognised when electricity is supplied to the provincial power grid companies and customers. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(v) Service fee income

Service fee income is recognised when the related services are rendered and the amount receivable can be measured reliably.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 Significant accounting policies (continued)

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2015, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(1) 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 over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

2 Significant accounting policies (continued)

(u) Related parties (continued)

(2) 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 (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(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.

(vi) The entity is controlled or jointly controlled by a person identified in (u)(1).

(vii) A person identified in (u)(1)(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).

(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 Group's parent.

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.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgements and estimates

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(ii) Allowance for expected credit losses

The Group uses a provision of matrix to calculate ECLs for trade receivables, retentions receivable and contract assets. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Group's contract assets and trade receivables are disclosed in notes 16 and 13 respectively. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant business units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Sources of estimation uncertainty

Construction contracts

As explained in policy note 2(r)(i), revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred.

3 Accounting judgements and estimates (continued)

(b) Sources of estimation uncertainty (continued)

Construction contracts (continued)

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on revenue and profit recognised to date. In addition, actual outcomes in terms of total revenue or costs may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future periods as an adjustment to the amounts recorded to date.

4 Revenue and segment information

(a) Revenue

Revenue represents revenue from construction contracts earned, sales of piles and sales of electricity during the year.

	2018 **$'000**	2017 $'000
Disaggregation of revenue		
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Revenue from construction contracts	**544,145**	754,203
– Sales of piles	**65,834**	67,704
– Sales of electricity	**782**	–
	610,761	821,907

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see note 2(c)(ii)).

At 31 December 2018, the aggregate amount of revenue expected to be recognised in the consolidated statement of profit or loss and other comprehensive income in the future from the Group's existing construction contracts amounted to $386,023,000, which will be recognised when the work is performed and which is expected to occur over the next 1 year to 2 years.

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date with performance obligation is part of a contract that has an original expected duration of one year or less.

4 Revenue and segment information (continued)

(b) Segment information

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Construction contracts: this segment provides foundation and general building works to customers in Hong Kong and Saipan.

– Sales of piles: this segment covers sales of piles to customers in Hong Kong.

– Construction of solar power plants and sales of electricity: this segment covers construction of solar power plants and sales of electricity in the People's Republic of China ("PRC").

(i) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of deferred tax assets (if any) and other corporate assets. Segment liabilities include all current and non-current liabilities with the exception of deferred tax liabilities (if any) and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment profit is profit before taxation except that unallocated corporate expenses are excluded from this measurement.

4 Revenue and segment information (continued)

(b) Segment information (continued)

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year is set out below:

	2018			
	Construction contracts $'000	Sales of piles $'000	Construction of solar power plants and sales of electricity $'000	Total $'000
Revenue from external customers	544,145	65,834	782	610,761
Reportable segment revenue	544,145	65,834	782	610,761
Reportable segment profit/(loss)	20,408	9,875	(709)	29,574
Interest expenses	3,657	–	164	3,821
Depreciation for the year	1,076	–	6	1,082
Reportable segment assets	578,461	16,709	30,543	625,713
Additions to non-current segment assets during the year	324	–	29,518	29,842
Reportable segment liabilities	244,934	4,077	33,067	282,078

4 Revenue and segment information (continued)

(b) Segment information (continued)

(i) Segment results, assets and liabilities (continued)

	2017		
	Construction contracts $'000	Sales of piles $'000	Total $'000
Revenue from external customers	754,203	67,704	821,907
Reportable segment revenue	754,203	67,704	821,907
Reportable segment profit	49,257	5,848	55,105
Interest expenses	1,640	–	1,640
Depreciation for the year	720	–	720
Reportable segment assets	448,883	6,984	455,867
Additions to non-current segment assets during the year	976	–	976
Reportable segment liabilities	213,236	2,698	215,934

(ii) Reconciliation of reportable segment profit

	2018 $'000	2017 $'000
Reportable segment profit	**29,574**	55,105
Unallocated corporate expenses	**(7,705)**	(23,899)
Consolidated profit before taxation	**21,869**	31,206

4 Revenue and segment information (continued)

(b) Segment information (continued)

(iii) Reconciliation of reportable segment assets and liabilities

	2018 $'000	2017 $'000
Assets		
Reportable segment assets	**625,713**	455,867
Other corporate assets	**–**	–
Elimination of inter-segment receivables	**(41,161)**	(6,848)
	584,552	449,019
Deferred tax assets	**313**	648
Consolidated total assets	**584,865**	449,667

	2018 $'000	2017 $'000
Liabilities		
Reportable segment liabilities	**282,078**	215,934
Other corporate liabilities	**1,062**	1,006
Elimination of inter-segment payables	**(41,161)**	(6,848)
Consolidated total liabilities	**241,979**	210,092

4 Revenue and segment information (continued)

(b) Segment information (continued)

(iv) Geographic information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of goodwill.

Revenue from external customers:

	2018	2017
	$'000	$'000
Hong Kong (place of domicile)	**370,961**	662,768
Saipan	**239,018**	159,139
PRC	**782**	–
	610,761	821,907

Physical location of the specified non-current assets:

	2018	2017
	$'000	$'000
Hong Kong (place of domicile)	**1,557**	2,570
Saipan	**277**	2,697
PRC	**27,958**	–
	29,792	5,267

4 Revenue and segment information (continued)

(c) Information about major customers

Revenue from customers during the year contributing over 10% of the total revenue of the Group is as follows:

	2018 **$'000**	2017 $'000
Customer A (note)	**239,018**	159,139
Customer B	**71,346**	104,882
Customer C	**65,834**	101,602
Customer D	**63,765**	–*

* *Revenue from the relevant customer was less than 10% of the Group's total revenue for the respective year.*

Note: The Controlling Shareholders hold 10% effective interest in Customer A through a private company co-owned by the Controlling Shareholders.

5 Other income

	2018 **$'000**	2017 $'000
Rental income from lease of machinery	**375**	180
Gain on disposal of property, plant and equipment	**1,441**	–
Exchange gain/(loss)	**107**	(149)
Others	**366**	270
	2,289	301

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2018 $'000	2017 $'000
(a) Finance costs		
Interest on bank overdrafts	**212**	13
Interest on bank loans	**3,161**	991
Finance charges on obligations under finance leases	**448**	636
	3,821	1,640
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	**2,553**	3,577
Salaries, wages and other benefits	**93,165**	118,441
	95,718	122,018
Less: Amount included in direct costs/construction contracts in progress	**(71,494)**	(96,540)
	24,224	25,478
(c) Other items		
Depreciation	**3,780**	12,182
Less: Amount included in direct costs/construction contracts in progress	**(2,698)**	(11,462)
	1,082	720
Operating lease charges: minimum lease payments in respect of leasing of properties	**5,229**	4,134
Less: Amount included in direct costs/construction contracts in progress	**(553)**	(635)
	4,676	3,499
Cost of goods sold	**54,459**	60,171
Listing expenses	**–**	17,314
Impairment losses for trade and other receivables and contract assets	**1,193**	–
Write off of deposits and prepayments	**–**	1,021
Auditors' remuneration	**2,780**	2,555

7 Income tax

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2018 $'000	2017 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**3,739**	9,171
Deferred tax		
Origination and reversal of temporary differences	**736**	(852)
	4,475	8,319

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year.

(iii) No provision for taxation outside Hong Kong as the Group's subsidiaries outside Hong Kong either did not have assessable profits or have tax credits in excess of assessable profits during the year in the relevant jurisdiction.

(b) Reconciliation between income tax expense and accounting profit before taxation at applicable tax rate:

	2018 $'000	2017 $'000
Profit before taxation	**21,869**	31,206
Notional tax on profit before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	**3,709**	5,996
Tax effect of non-deductible expenses	**1,723**	3,197
Tax effect of non-taxable income	**(1,110)**	(814)
Derecognition of deferred tax assets	**137**	–
Statutory tax concession	**(60)**	(60)
Under-provision in prior years	**76**	–
Actual income tax expense	**4,475**	8,319

7 Income tax (continued)

(c) Deferred taxation

	Credit loss allowance $'000 (Note)	Depreciation allowances in excess of the related depreciation $'000	Total $'000
At 1 January 2017	–	204	204
Credited to profit or loss	–	(852)	(852)
At 31 December 2017	–	(648)	(648)
Impact on initial application of HKFRS 9 at 1 January 2018	(401)	–	(401)
At 1 January 2018 (adjusted)	(401)	(648)	(1,049)
Charged/(credited) to profit or loss	(60)	796	736
At 31 December 2018	(461)	148	(313)

There were no material unrecognised deferred tax assets and liabilities as at 31 December 2017 and 2018.

Note: Upon the initial application of HKFRS 9, the Group has recognised deferred tax assets on the additional credit losses recognised under the ECL model (see note 2(c)(i)).

8 Directors' emoluments

Directors' emoluments during the year which was included in the staff costs as disclosed in note 6(b) is as follows:

	2018			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contribution $'000	Total $'000
Executive Directors				
Mr. Lee Sai Man	**–**	**1,183**	**18**	**1,201**
Mr. Kan Hou Sek, Jim	**–**	**1,183**	**18**	**1,201**
Mr. Wong Siu Kwai	**–**	**1,183**	**18**	**1,201**
Mr. Lee Kai Lun	**–**	**1,300**	**–**	**1,300**
Mr. Kwong Po Lam	**–**	**1,300**	**18**	**1,318**
Mr. Guo Jianfeng (appointed on 6 July 2018) (v)	**–**	**669**	**52**	**721**
Independent Non-Executive Directors				
Mr. Fan Siu Kay	**240**	**–**	**–**	**240**
Mr. Leung William Wai Kai	**240**	**–**	**–**	**240**
Mr. Lo Chi Leung	**240**	**–**	**–**	**240**
Total	**720**	**6,818**	**124**	**7,662**

	2017			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contribution $'000	Total $'000
Executive Directors				
Mr. Lee Sai Man (i)	–	1,183	18	1,201
Mr. Kan Hou Sek, Jim (i)	–	1,183	18	1,201
Mr. Wong Siu Kwai (ii)	–	1,183	18	1,201
Mr. Lee Kai Lun	–	1,300	–	1,300
Mr. Kwong Po Lam	–	1,300	18	1,318
Independent Non-Executive Directors				
Mr. Fan Siu Kay	110	–	–	110
Mr. Leung William Wai Kai	110	–	–	110
Mr. Lo Chi Leung	110	–	–	110
Total	330	6,149	72	6,551

(Expressed in Hong Kong dollars)

8 Directors' emoluments (continued)

Notes:

(i) *During the year ended 31 December 2017, certain emoluments of Mr. Lee and Mr. Kan were paid by WWWC for their directorships in WWWC.*

(ii) *During the year ended 31 December 2017, certain emolument of Mr. Wong was paid by SCE for his directorship in SCE.*

(iii) *No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No director waived or agreed to waive any emoluments during the year.*

(iv) *The Company has adopted a share option scheme on 23 June 2017. There were no options granted for the purchase of ordinary shares in the Company during the year ended 31 December 2018.*

(v) *During the year ended 31 December 2018, certain emoluments of Mr. Guo was paid by 南京忠天翼暉新能源科技有限公司.*

9 Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments, all are directors whose emoluments are disclosed in note 8.

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $17,394,000 (2017: $22,887,000) and the weighted average of 566,794,521 ordinary shares for the year ended 31 December 2018 (2017: 442,915,068 on the assumption that the Reorganisation and the Capitalisation Issue, as detailed in notes 2(b) and 21(c)(iv) respectively, had been completed on 1 January 2017).

Weighted average number of ordinary shares	**2018**
Issued ordinary shares at 1 January	**512,000,000**
Effect of placing of new shares (note 21(c)(v))	**54,794,521**
Weighted average number of ordinary shares	**566,794,521**

(b) Diluted earnings per share

There were no potential dilutive shares in existence during the years ended 31 December 2018 and 2017 and, therefore, diluted earnings per share are the same as the basic earnings per share.

11 Property, plant and equipment

	Plant and machinery $'000	Solar power plant $'000	Furniture and fixtures $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
Cost:						
At 1 January 2017	105,629	–	2,722	1,464	141	109,956
Additions	392	–	584	–	–	976
At 31 December 2017	106,021	–	3,306	1,464	141	110,932
At 1 January 2018	106,021	–	3,306	1,464	141	110,932
Disposals	(2,228)	–	–	–	–	(2,228)
Additions through acquisition of subsidiaries	–	6,860	–	–	42	6,902
Other additions	–	94	118	206	–	418
Exchange adjustments	–	(247)	–	2	(2)	(247)
At 31 December 2018	103,793	6,707	3,424	1,672	181	115,777
Accumulated depreciation:						
At 1 January 2017	91,107	–	1,450	862	64	93,483
Charge for the year	11,462	–	484	212	24	12,182
At 31 December 2017	102,569	–	1,934	1,074	88	105,665
At 1 January 2018	102,569	–	1,934	1,074	88	105,665
Charge for the year	2,880	158	521	192	29	3,780
Written back on disposals	(2,084)	–	–	–	–	(2,084)
Additions through acquisition of subsidiaries	–	280	–	–	25	305
Exchange adjustments	–	(10)	–	–	(1)	(11)
At 31 December 2018	103,365	428	2,455	1,266	141	107,655
Net book value:						
At 31 December 2018	428	6,279	969	406	40	8,122
At 31 December 2017	3,452	–	1,372	390	53	5,267

11 Property, plant and equipment (continued)

Assets held under finance leases

Certain machinery, motor vehicles and a solar power plant were held under finance leases and their net book value is analysed as follows:

	2018 **$'000**	2017 $'000
Cost – Capitalised finance lease	**30,435**	44,146
Accumulated depreciation	**(24,353)**	(44,035)
Net book value	**6,082**	111

As at 31 December 2018, the finance lease of a solar power plant granted to the Group was secured by:

(i) trade receivables in relation to sales of electricity amounted to $141,000 as at 31 December 2018;

(ii) registered capital of a wholly-owned subsidiary amounted to RMB10,000,000; and

(iii) a guarantee by the wholly-owned subsidiary in (ii) above and a director of another wholly-owned subsidiary.

(Expressed in Hong Kong dollars)

12 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

				Proportion of ownership interest		
Name of company	**Place of incorporation**	**Date of incorporation**	**Issued/ paid up capital**	**Group's effective interest**	**Held by the Company**	**Principal activities**
WWWC	Hong Kong	7 May 1999	$81,636,000	100%	–%	Construction and engineering
SCE	Hong Kong	19 January 2006	$10,000	100%	–%	Construction and engineering
WWWM	Hong Kong	20 October 2004	$10,000	100%	–%	Trading of piles
WWWC (Saipan)	Saipan	26 August 2014	US$200,000	100%	–%	Construction and engineering
江蘇忠天暉新能源科技有限公司	PRC	19 October 2015	RMB9,016,000	100%	–%	Construction and engineering
四川亞飛工程設計有限公司	PRC	1 March 2017	Nil	100%	–%	Construction and engineering
南京忠天翼暉新能源科技有限公司	PRC	23 September 2016	RMB3,014,000	100%	–%	Construction and engineering
南京恒翼暉新能源科技有限公司	PRC	25 August 2016	RMB630,000	100%	–%	Sales of electricity

13 Trade and other receivables

	31 December 2018 $'000	1 January 2018 $'000	31 December 2017 $'000
Trade debtors, net of loss allowance (note (iv))	**93,405**	58,987	59,101
Deposits, prepayments and other receivables (notes (i) and (v))	**52,267**	13,858	13,858
Retentions receivable, net of loss allowance (notes (ii), (iii) and (iv))	**19,831**	25,844	98,815
	165,503	98,689	171,774

Notes:

(i) Except for the amount of $545,000 as at 31 December 2018 (2017: $715,000) which was expected to be recovered or recognised as expense after one year, all of the remaining balances were expected to be recovered or recognised as expense within one year.

(ii) As at 31 December 2018, all the retentions receivable were expected to be recovered within one year (31 December 2017: except for the amount of $71,744,000 was expected to be recovered after one year, all of the remaining balances were expected to be recovered within one year).

(iii) Upon the adoption of HKFRS 15, some of the retentions receivable, for which the Group's entitlement to the consideration was conditioned on achieving certain milestones or satisfying completion of the retention period, were reclassified from "Trade and other receivables" to "Contract assets" (see note 2(c)(ii)).

(iv) Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade debtors and retentions receivable (see note 2(c)(i)).

(v) As at 31 December 2018, included in the other receivables was an aggregate amount of $39,784,000 (2017: $3,096,000) representing the Group's payment on behalf of the Customer A (see note 4(c)) for the purchase of materials and certain expenses. In return, the Group earns a handling fee of approximately $704,000 from Customer A. The amount due from Customer A of $35,218,000 will be recovered on or before 30 April 2019 and the remaining balance of $4,566,000 is recoverable on demand. The balance is unsecured and interest-free (other than the handling charge earned).

13 Trade and other receivables (continued)

(a) Ageing analysis

Included in trade and other receivables are trade debtors, based on invoice date (net of loss allowance) with the following ageing analysis at the end of the reporting period:

	2018 $'000	2017 $'000
Within 1 month	**27,342**	10,605
1 to 2 months	**3,658**	2,200
2 to 3 months	**4,872**	–
Over 3 months	**57,533**	46,296
	93,405	59,101

Trade debtors are normally due within 0–60 days from invoice date. Further details on the Group's credit policy are set out in note 22(a).

(b) Expected credit losses

The Group measures loss allowances for trade receivables, retentions receivable and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables, retentions receivable and contract assets as at 31 December 2018.

	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Current (not past due)	364,798	(719)	364,079
1 – 30 days past due	12,307	(197)	12,110
31 – 60 days past due	13,502	(544)	12,958
61 – 90 days past due	5,106	(1,190)	3,916
More than 90 days past due	57,055	(145)	56,910
	452,768	(2,795)	449,973

Expected loss rates are based on actual loss experience over the past 3 years and outstanding receivables which are overdue for more than 3 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

13 Trade and other receivables (continued)

(b) Expected credit losses (continued)

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(i)(B) – policy applicable prior to 1 January 2018). At 31 December 2017, none of the Group's trade debtors were considered to be impaired. The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2017 $'000
Neither past due nor impaired	10,605
Less than 1 month past due	2,200
1 to 3 months past due	1,188
Over 3 months past due	45,108
	59,101

Receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default.

Receivables which were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable.

Movements in the loss allowance for impairment of trade receivables, retentions receivable and contract assets

	2018 **$'000**
Balance at the beginning of the year under HKAS 39	**–**
Impact on initial application of HKFRS 9 (note 2(c)(i))	**2,431**
Adjusted balance at the beginning of the year	**2,431**
Amounts written off during the year	**(829)**
Impairment losses recognised	**1,193**
Balance at the end of the year	**2,795**

14 Cash and bank balances

(a) Cash and bank balances comprise:

	2018 $'000	2017 $'000
Pledged bank deposits (note 20)	**50,005**	36,315
Cash at banks and in hand	**2,515**	19,736
Cash and bank balances in the consolidated statement of financial position	**52,520**	56,051
Less: Pledged bank deposits	**(50,005)**	(36,315)
Bank overdrafts (note 20)	**(13,272)**	–
Cash and cash equivalents in the consolidated cash flow statement	**(10,757)**	19,736

(b) Reconciliation of profit before taxation to cash used in operations:

	Note	2018 $'000	2017 $'000 (Note)
Operating activities			
Profit before taxation		**21,869**	31,206
Adjustments for:			
Finance costs	6(a)	**3,821**	1,640
Depreciation	6(c)	**3,780**	720
Write off of deposits and prepayments	6(c)	**–**	1,021
Gain on disposal of property, plant and equipment	5	**(1,441)**	–
Changes in working capital:			
Increase in trade and other receivables		**(64,066)**	(28,888)
Increase in gross amounts due from customers for contract work		**–**	(53,810)
Increase in contract assets		**(42,109)**	–
Decrease in trade and other payables		**(13,599)**	(19,499)
Increase in gross amounts due to customers for contract work		**–**	5,004
Decrease in contract liabilities		**(6,877)**	–
(Decrease)/increase in amounts due to related parties		**(4,345)**	4,345
Cash used in operations		**(102,967)**	(58,261)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

14 Cash and bank balances (continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities. Liabilities arising from financing activities are liabilities for which cash flows were, or further cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans $'000 (note 20)	Finance leases $'000 (note 19)	Loans from related parties $'000 (note 25(b))	Total $'000
At 1 January 2018	**50,996**	**9,135**	**–**	**60,131**
Changes from financing cash flows:				
Proceeds from new bank loans	60,618	–	–	60,618
Repayment of bank loans	(43,996)	–	–	(43,996)
Interest paid	(3,373)	–	–	(3,373)
Capital element of finance lease rentals paid	–	(6,853)	–	(6,853)
Interest element of finance lease rentals paid	–	(448)	–	(448)
Proceeds from new loans from related parties	–	–	22,332	22,332
Total changes from financing cash flows	13,249	(7,301)	22,332	28,280
Other changes:				
Financial charges on obligations under finance leases (note 6(a))	–	448	–	448
Interest expenses	3,373	–	–	3,373
New finance lease through acquisition of subsidiaries (note 14(d))	–	5,278	–	5,278
Deemed contribution from shareholders for interest-free loans granted to the Group	–	–	(1,444)	(1,444)
Total other changes	3,373	5,726	(1,444)	7,655
At 31 December 2018	**67,618**	**7,560**	**20,888**	**96,066**

14 Cash and bank balances (continued)

(c) Reconciliation of liabilities arising from financing activities (continued)

	Bank loans $'000 (note 20)	Finance leases $'000 (note 19)	Total $'000
At 1 January 2017	29,033	16,958	45,991
Changes from financing cash flows:			
Proceeds from new bank loans	43,996	–	43,996
Repayment of bank loans	(22,033)	–	(22,033)
Interest paid	(1,004)	–	(1,004)
Capital element of finance lease rentals paid	–	(7,823)	(7,823)
Interest element of finance lease rentals paid	–	(636)	(636)
Total changes from financing cash flows	20,959	(8,459)	12,500
Other changes:			
Financial charges on obligations under finance leases (note 6(a))	–	636	636
Interest expenses	1,004	–	1,004
Total other changes	1,004	636	1,640
At 31 December 2017	50,996	9,135	60,131

14 Cash and bank balances (continued)

(d) Acquisition of subsidiaries

	2018 $'000
Fair value of assets of subsidiaries acquired	
Property, plant and equipment	6,597
Other receivables and prepayments	2,744
Cash and bank balances	260
Trade and other payables	(2,845)
Obligations under finance lease	(5,278)
Fair value of net assets acquired	1,478
Goodwill (note 18)	22,522
Total consideration paid, satisfied by cash	24,000
Less: cash and bank balances acquired	(260)
Net cash outflow	23,740

On 20 June 2018, the Group entered into a sales and purchase agreement with the vendor to acquire 100% of the issued share capital of TIEN New Energy Development Limited ("TIEN") at a consideration of $24,000,000. TIEN and its subsidiaries ("TIEN group") are principally engaged in engineering development and qualified for main engineering, procurement and construction in electric power projects in the PRC with a focus in the application of renewable energy in the construction sector of the PRC.

All the conditions precedent under the Agreement have fulfilled and the acquisition was completed on 6 July 2018 ("Completion"). After the Completion, TIEN became an indirect wholly-owned subsidiary of the Company.

Since the acquisition, TIEN group contributed $782,000 to the Group's revenue and a loss of $1,206,000 to the Group's profit for the year ended 31 December 2018, respectively.

Had the business combination taken place at 1 January 2018, the Group's revenue and the profit for the year ended 31 December 2018 would have increased by $1,048,000 and decreased by $4,212,000, respectively.

15 Gross amounts due from/to customers for contract work

	2018 $'000	2017 $'000
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	–	2,100,257
Less: Progress billings received and receivable	–	(1,884,330)
	–	215,927
Gross amounts due to customers for contract work		
Progress billings received and receivable	–	37,629
Less: Contract costs incurred plus recognised profits less recognised losses	–	(26,032)
	–	11,597

As at 31 December 2017, all gross amounts due from/to customers for contract work were expected to be recovered/settled within one year.

Note: Upon the adoption of HKFRS 15, gross amounts due from/to customers for contract work are included in contract assets and contract liabilities respectively and disclosed in note 16 (see note 2(c)(ii)).

16 Contract assets and contract liabilities

(a) Contract assets

	Notes	**31 December 2018 $'000**	1 January 2018 (note (i)) $'000	31 December 2017 (note (i)) $'000
Contract assets				
Arising from performance under construction contracts	(ii),(iii),(iv)	**336,737**	294,628	–

16 Contract assets and contract liabilities (continued)

(a) Contract assets (continued)

Notes:

(i) The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018.

(ii) Upon the adoption of HKFRS 9, opening adjustments were made as at 1 January 2018 to recognise additional ECLs on contract assets. This has resulted in a decrease in this balance as at that date (see note 2(c)(i)).

(iii) Upon the adoption of HKFRS 15, some of the retentions receivable, for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion of the retention period, were reclassified from "Retentions receivable" under "Trade and other receivables" to contract assets (see note 2(c)(ii)).

(iv) Upon the adoption of HKFRS 15, amounts previously included as "Gross amounts due from customers for contract work" (note 15) were reclassified to contract assets (see note 2(c)(ii)).

The Group's construction contracts normally include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to a one to two years retention period for 5% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the year end date. The increase in contract assets in 2018 was the result of the increase in the provision of construction services at the end of the year. The contract assets are transferred to trade receivables when the rights become unconditional.

The amount of contract assets that is expected to be recovered after more than one year is $66,223,000, all of which related to retentions.

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous periods is $8,303,000, mainly due to the changes in estimate of the transaction price of certain construction contracts.

16 Contract assets and contract liabilities (continued)

(b) Contract liabilities

	Notes	31 December 2018 $'000	1 January 2018 (note(i)) $'000	31 December 2017 (note(i)) $'000
Contract liabilities				
Construction contracts				
– Billings in advance of performance	(ii)	**5,238**	12,115	–

Notes:

(i) *The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.*

(ii) *Upon the adoption of HKFRS 15, amounts previously included as "Gross amounts due to customers for contract work" (note 15) were reclassified to contract liabilities (see note 2(c)(ii)).*

The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

Significant changes in contract liabilities are explained as follows:

	2018 $'000
Balance at 1 January	**12,115**
Billing in advance of construction contracts	**1,264**
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(8,141)**
Balance at 31 December	**5,238**

17 Trade and other payables

	2018	2017
	$'000	$'000
Trade creditors	**52,386**	86,892
Other payables and accruals	**40,252**	22,744
Retentions payable	**27,317**	21,073
	119,955	130,709

Note: Except for the amount of $1,242,000 as at 31 December 2018 (2017: $17,856,000), which was expected to be settled after one year, all of the remaining balances were expected to be settled within one year.

Included in trade and other payables are trade creditors, based on invoice date, with the following ageing analysis at the end of the reporting period:

	2018	2017
	$'000	$'000
Within 1 month	**11,960**	43,991
1 to 2 months	**9,562**	14,137
2 to 3 months	**8,751**	7,228
Over 3 months	**22,113**	21,536
	52,386	86,892

18 Goodwill

	$'000
Cost:	
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Acquisition of subsidiaries (note14(d))	22,522
Exchange adjustment	(852)
At 31 December 2018	21,670
Carrying amount:	
At 31 December 2018	21,670
At 31 December 2017	–

Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to country of operation and operating segment as follows:

	2018 **$'000**	2017 $'000
Construction of solar power plants and sales of electricity – PRC	**21,670**	–

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a period of five years. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 1%. The cash flows are discounted using a discount rate of 25%, which reflects specific risks relating to the segment.

19 Obligations under finance leases

At 31 December 2018, the Group had obligations under finance leases repayable as follows:

	2018		2017	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**3,005**	**3,362**	6,674	6,952
After 1 year but within 2 years	**889**	**1,157**	2,461	2,502
After 2 years but within 5 years	**1,806**	**2,360**	–	–
After 5 years	**1,860**	**2,016**	–	–
	4,555	**5,533**	2,461	2,502
	7,560	**8,895**	9,135	9,454
Less: Total future interest expenses		**(1,335)**		(319)
Present value of lease obligations		**7,560**		9,135

20 Bank loans and overdrafts

	2018 $'000	2017 $'000
Bank loans	**67,618**	50,996
Bank overdrafts	**13,272**	–
	80,890	50,996

The bank loans and overdrafts were repayable as follows:

	2018 $'000	2017 $'000
Within 1 year or on demand	**80,890**	50,996

As at 31 December 2018 and 2017, the Group's banking facilities were secured and guaranteed by counter-indemnity provided by a subsidiary for the issuance of guarantee or performance bond.

Bank deposits of $50,005,000 (2017: $36,315,000) (see note 14(a)) were also pledged to secure the banking facilities granted to the Group as at 31 December 2018. In addition, as at 31 December 2017, it was provided in the agreement with a bank for banking facilities that if the Controlling Shareholders hold less than 51% interests in the Company, then the bank is entitled to request immediate repayment of any outstanding loans and accrued interest. Such banking facilities were terminated upon repayment of the respective loan during the year ended 31 December 2018.

The bank loans bear interest ranging from 4.63% to 6.93% per annum for the year ended 31 December 2018 (2017: 3.75% to 5% per annum).

All of the Group's banking facilities are subject to the fulfilment of covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 22(b). As at 31 December 2018, none of the covenants relating to drawn down facilities had been breached (2017: $Nil).

21 Capital, reserves and dividends

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the Company's individual components of equity between the beginning and the end of the period are set out below:

	The Company			
	Share capital $'000	**Share premium** $'000	**Accumulated losses** $'000	**Total** $'000
Balance at 1 January 2017	–*	–	–	–*
Issuance of new shares under the Reorganisation (note 21(c)(ii))	234	–	–	234
Issuance of new shares under IPO, net of issuing expenses (note 21(c)(iii))	1,280	89,545	–	90,825
Capitalisation issue (note 21(c)(iv))	3,606	(3,606)	–	–
Loss and total comprehensive income for the year	–	–	(4,522)	(4,522)
Balance at 31 December 2017	5,120	85,939	(4,522)	86,537
Balance at 1 January 2018	**5,120**	**85,939**	**(4,522)**	**86,537**
Placing of new shares, net of issuing expenses (note 21(c)(v))	**1,000**	**80,300**	**–**	**81,300**
Loss and total comprehensive income for the year	**–**	**–**	**(550)**	**(550)**
Balance at 31 December 2018	**6,120**	**166,239**	**(5,072)**	**167,287**

* *The balance represents an amount of less than $1,000.*

(b) Dividends

The directors did not propose the payment of a dividend by the Company for the years ended 31 December 2018 and 2017.

21 Capital, reserves and dividends (continued)

(c) Share capital

		The Company			
		2018		2017	
	Par value $	**No. of shares**	**Amount $'000**	No. of shares	Amount $'000
Authorised ordinary shares					
At 1 January	0.01	**1,000,000,000**	**10,000**	38,000,000	380
Increase in authorised ordinary shares (note (i))	0.01	**–**	**–**	962,000,000	9,620
At 31 December	0.01	**1,000,000,000**	**10,000**	1,000,000,000	10,000
Issued and fully paid ordinary shares					
At 1 January	0.01	**512,000,000**	**5,120**	30,000	–*
Issuance of new shares under the reorganisation (note (ii))	0.01	**–**	**–**	23,400,000	234
Issuance of new shares under IPO, net of issuing expenses (note (iii))	0.01	**–**	**–**	128,000,000	1,280
Capitalisation issue (note (iv))	0.01	**–**	**–**	360,570,000	3,606
Placing of new shares (note (v))	0.01	**100,000,000**	**1,000**	–	–
At 31 December	0.01	**612,000,000**	**6,120**	512,000,000	5,120

* *The balance represents an amount of less than $1,000.*

21 Capital, reserves and dividends (continued)

(c) Share capital (continued)

Notes:

(i) *On 23 June 2017, the authorised share capital of the Company was increased from $380,000 divided into 38,000,000 ordinary shares of par value of $0.01 each to $10,000,000 divided into 1,000,000,000 ordinary shares of par value of $0.01 each by the creation of an additional 962,000,000 ordinary shares of par value of $0.01 each.*

(ii) *On 23 June 2017, Mr. Kan, Mr. Lee and Mr. Wong (as vendors) and the Company (as purchaser) entered into a sales and purchase agreement, pursuant to which the Company acquired the entire issued share capital of Win Win Way Investment Holdings Limited held by Mr. Kan, Mr. Lee and Mr. Wong (the "Transfer"). In consideration of the Transfer, the Company issued a total of 23,400,000 ordinary shares to Condover Assets Limited ("Condover Assets") at the direction of Mr. Kan, Mr. Lee and Mr. Wong.*

(iii) *On 17 July 2017, the Company was successfully listed on the Stock Exchange following the completion of its share offer of 128,000,000 shares issued at a price of $0.86 per share. The Company received net proceeds of approximately $90,825,000 (after deducting listing expenses) in respect of the Listing.*

(iv) *On 17 July 2017, a total of 360,570,000 shares were allotted and issued, credited as fully paid at par, to Condover Assets by way of capitalisation of a sum of $3,606,000 standing to the credit of the share premium account of the Company (the "Capitalisation Issue").*

(v) *On 15 June 2018, a total of 100,000,000 shares were allotted and issued at a price of $0.84 per share. The Company received net proceeds of approximately $81,300,000 (after deducting issuing expenses) in respect of the placing of new shares under general mandate.*

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

No distribution or dividend may be paid to equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Other reserve

The other reserve mainly represents the deemed contributions from and distributions to the Controlling Shareholders as a result of the reorganisation before the Listing.

21 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves (continued)

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

(e) Distributability of reserves

At 31 December 2018, the aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company, as calculated in accordance with the Companies Law of the Cayman Islands and the Company's memorandum and articles of association, was $161,167,000 (2017: $81,417,000).

(f) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-equity ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest bearing loans and borrowings, and obligations under finance leases) less cash and bank balances. Total equity comprises all components of equity attributable to equity shareholders of the Company. During 2017 and 2018, the Group's strategy was to maintain the adjusted net debt-to-equity ratio at a reasonable level, not exceeding 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The Government of Hong Kong Special Administrative Region (the "Government") requires contractors on the list of approved contractors for public works (the "List") to maintain such minimum working capital as the Government may from time to time determine (the "Required Minimum Working Capital"). A subsidiary of the Company is subject to the Required Minimum Working Capital as the subsidiary is a contractor on the List. Except for this, neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

22 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

22 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, retentions receivable and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with sound credit rating, for which the Group considers to have low credit risk.

Trade receivables, retentions receivable and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 51% (2017: 28%) and 66% (2017: 44%) of the total trade receivables, retentions receivable and contract assets (2017: total trade receivables, retentions receivable and gross amounts due from customers for contract work) was due from the Group's largest customer (i.e. Customer A as disclosed in note 4(c)) and the five largest customers respectively. The total balance of trade receivables, retentions receivable, contract assets and other receivables relating to Customer A amounted to $271,808,000 as at 31 December 2018 (2017: $108,719,000).

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0 – 60 days from the date of billing. The Group does not obtain collateral from customers.

The Group provides information about the Group's exposure to credit risk and ECLs for trade receivables, retentions receivable and contract assets as at 31 December 2018 in note 13.

(b) Liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

22 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

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

	At 31 December 2018					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within in 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Bank loans and overdrafts	**80,890**	**82,655**	**82,655**	**–**	**–**	**–**
Trade and other payables	**119,955**	**119,955**	**118,713**	**1,242**	**–**	**–**
Obligations under finance leases	**7,560**	**8,895**	**3,362**	**1,157**	**2,360**	**2,016**
Loans from related parties	**20,888**	**22,332**	**–**	**22,332**	**–**	**–**
	229,293	**233,837**	**204,730**	**24,731**	**2,360**	**2,016**

	At 31 December 2017			
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within in 1 year or on demand $'000	More than 1 year but less than 2 years $'000
Bank loans	50,996	52,060	52,060	–
Trade and other payables	130,709	130,709	112,853	17,856
Obligations under finance leases	9,135	9,454	9,454	–
	190,840	192,223	174,367	17,856

22 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's interest rate risk arises primarily from variable-rate bank borrowings and overdrafts. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group has not used financial derivatives to hedge against the interest rate risk. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest risk exposure. The Group's interest rate profile as monitored by management is set out in (i) below.

The interest rates and terms of repayment of interest-bearing borrowings of the Group are disclosed in note 20 to these financial statements.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings.

	2018		2017	
	Effective interest rate %	**Amount $'000**	Effective interest rate %	Amount $'000
Variable rate borrowings:				
Bank overdrafts	**5.125%**	**13,272**	–	–
Bank loans	**4.63% to 6.93%**	**67,618**	3.75% to 5%	50,996

(ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately $675,000 (2017: $426,000), in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The analysis has been performed on the same basis as 2017.

(d) Foreign currency risk

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Hong Kong dollars, United States dollars and Renminbi. As the Hong Kong dollars is pegged to the United States dollars, the Group considers the risk of movements in exchange rates between the Hong Kong dollars and the United States dollars to be insignificant.

The Group's primary foreign currency exposures arise from its business conducted in the PRC. The Group is mainly exposed to the effects of fluctuation in Renminbi. Where appropriate and cost efficient, the Group seeks to finance these operations by Renminbi borrowings and as future returns from these operations are denominated in Renminbi, exposure to Renminbi currency risk is minimised.

22 Financial risk management and fair values of financial instruments (continued)

(e) Fair values measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2018 and 2017.

23 Commitments

At 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	$'000	$'000
Within 1 year	**3,190**	2,984
After 1 year but within 5 years	**2,000**	3,700
After 5 years	**2,433**	–
	7,623	6,684

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

24 Contingent liabilities

(a) At 31 December 2018, the Group had contingent liabilities in respect of performance bonds to guarantee the due and proper performance of the obligations undertaken by the Group's subsidiaries for projects amounting to $31,097,500 (2017: $64,667,500).

(b) In 2012, WWWC set up an arrangement with a third party to jointly undertake a construction project with a contract sum of $270,000,000. Pursuant to the requirements of the construction contract (the "Contract"), WWWC and the third party entered into an agreement with the customer to jointly and severally guarantee the due and proper performance of the Contract and thus the Group had contingent liabilities in this respect as at 31 December 2018. Given the defect liability period for the Contract had expired in October 2015 and no claims were received from the customer up to the date of approval of these financial statements, the directors do not consider it is probable that a claim would be made against the Group and no provision has been made in the financial statements.

25 Material related party transactions

Material related party transactions identified during the year are summarised as follows:

(a) Related party transactions

Name of party	Relationships
Paul Tong & Associates Consulting Engineers Limited ("Paul Tong")	A private company owned by Mr. Kan and a senior management of the Company
Wong & Cheng Consulting Engineers Limited ("Wong & Cheng")	A private company owned by Mr. Kwong and an independent third party
Guangzhou Yangcheng Pile Co. Ltd ("Guangzhou Yangcheng")	Common director and indirect associate of WWWH
KLDL Consultants ("KLDL")	A private company owned by Mr. KL Lee

	2018 **$'000**	2017 $'000
Consultancy fee paid to Paul Tong (note)	**5,250**	6,191
Consultancy fee paid to Wong & Cheng (note)	**1,352**	2,172
Purchase of goods from Guangzhou Yangcheng (note)	**39,686**	41,624
Consultancy fee paid to KLDL	**–**	1,000

Note: *As defined in Chapter 14A of the Listing Rules, the above-mentioned related party transactions in respect of consultancy fees paid to related companies and purchase of goods from a related company constitute continuing connected transactions or connected transactions. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Connected Transactions and Continuing Connected Transactions" of the Directors' Report.*

25 Material related party transactions (continued)

(b) Balances with related parties

	At 31 December 2018 $'000	2017 $'000
Loans from directors	**20,888**	–
Amounts due to directors	**–**	4,345

Loans from directors are unsecured, interest-free and repayable after more than one year.

Amounts due to directors are unsecured, interest-free and have no fixed repayment terms.

(c) Key management personnel

Remuneration of key management personnel, including amounts paid to the executive directors as disclosed in note 8 and senior management, is as follows:

	2018 $'000	2017 $'000
Short-term employee benefits	**8,939**	9,334
Post-employment benefits	**126**	126
	9,065	9,460

Total remuneration is included in "staff costs" (see note 6(b)).

26 Company-level statement of financial position

	Note	At 31 December 2018 $'000	2017 $'000
Non-current assets			
Investments in subsidiaries		**234**	234
		234	234
Current assets			
Amounts due from subsidiaries		**120,193**	88,812
Cash and bank balances		**50,649**	1,028
		170,842	89,840
Current liabilities			
Other payables		**3,789**	3,537
		3,789	3,537
Net current assets		**167,053**	86,303
Total assets less current liabilities		**167,287**	86,537
NET ASSETS		**167,287**	86,537
CAPITAL AND RESERVES	21(a)		
Share capital	21(c)	**6,120**	5,120
Reserves		**161,167**	81,417
TOTAL EQUITY		**167,287**	86,537

(Expressed in Hong Kong dollars)

27 Comparative figures

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

28 Immediate and ultimate controlling party

At 31 December 2018, the directors consider the immediate parent and ultimate controlling party of the Group to be Condover Assets, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

29 Event after the reporting period

The Company has undergone a change in its controlling shareholders upon completion of the share purchase agreement dated 25 January 2019 entered into between Condover Assets as vendors, Mr. Kan, Mr. Lee and Mr. Wong as guarantors and CT Vision Investment Limited as purchaser for acquiring 312,120,000 ordinary shares of the Company, representing 51% of the then entire issued share capital of the Company. The transaction contemplated under the aforesaid share purchase agreement was completed on 19 February 2019 and CT Vision Investment Limited became the immediate parent and ultimate controlling party of the Company.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018 (continued)

HKFRS 16, Leases

As disclosed in note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 23, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amounted to $7,623,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or more than 5 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years are as follows.

	Year ended 31 December				
RESULTS	**2018**	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		Note	Note	Note	Note
Revenue	**610,761**	821,907	715,107	628,732	448,779
Profit before income tax	**21,869**	31,206	55,287	67,442	53,886
Income tax expenses	**(4,475)**	(8,319)	(13,150)	(13,115)	(9,229)
Profit for the year	**17,394**	22,887	42,137	54,327	44,657

	As at 31 December				
ASSETS AND LIABILITIES	**2018**	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		Note	Note	Note	Note
Total assets	**584,865**	449,667	338,897	438,408	376,914
Total liabilities	**(241,979)**	(210,092)	(213,033)	(211,273)	(202,544)
Net assets	**342,886**	239,575	125,864	227,135	174,370

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

This annual report is publish in both English and Chinese languages. Should there be any inconsistency between the Chinese and English versions, the English version shall prevail.