Build King Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 00240)

Annual Report 2019

CONTENTS

Financial Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	25%
Equity	HK$1,178 million
Equity per share	HK95 cents
Group revenue	HK$7,568 million
Profit attributable to owners of the Company	HK$296 million
Final dividend per share	HK4.8 cents

** *equity refers to equity attributable to owners of the Company*

FINAL DIVIDEND

The board of directors (the "Board") of the Company recommends the payment of a final dividend of HK4.8 cents (2018: HK4.4 cents) per ordinary share for the year ended 31 December 2019.

Chairman's Letter

The Group's gain in equity during 2019 was HK$238 million whilst the equity per share increased by 25% to HK95 cents. Since listing the Group in 2004, our cumulative gain in equity is 1,019% or an average of 18% yearly (taking into consideration of dividend payments made over the years and new capital raised in 2010).

Our turnover this year was HK$7.6 billion, an increase of 20% over that of 2018. The net profit attributable to the shareholders was HK$296 million, a decrease of 28% compared to last year. However, as I pointed out in last year's report, the 2018 figure of HK$142 million profit was an aberration due to the then new accounting system adopted. The actual profit in 2018 (on a like with like basis) would have been HK$271 million, thus making this year's profit a slight increase of 9% compared with that of 2018. So this year whilst our turnover has increased by 20%, the increase in profit is 9%, reflecting the current competitive construction market. Unfortunately, we are likely to see this trend continue for the next few years.

Last year, I was concerned that our 2020 results would not be as good as this year. However, I am glad to tell you that most of our projects are going well and with the recent new contracts awarded, I am confident that we will be able to maintain both our 2019 turnover and profit level for 2020, though any meaningful increase will be unlikely.

As always, the construction market is both competitive and volatile. Our order book at the time of writing is at HK$19 billion, slightly higher than this time last year. This is only equivalent to 2.5 years of the current turnover and hence the pressure to win new projects is more intense just at a time availability of new projects for tender is reducing, in particular civil engineering projects.

Therefore, I must offer a word of caution to our shareholders. In view of the competitive pricing and the lack of new projects, we have to face the reality of a reduction in profit from construction in Hong Kong in the future, though I hope this day will not come too soon.

However, thanks to the effort of the whole team, Build King has been doing very well in the last few years with good results, and I assure you that we will be trying our very best to keep this spirit and momentum going in future, despite the challenging market conditions.

Chairman's Letter

BUSINESS ANALYSIS

(A) Construction

The core business of our Group is construction, which this year represented 99.6% of our turnover, almost of all which was carried out in Hong Kong.

(1) Civil Engineering

This year the turnover of our Civil Engineering Division was HK$3.8 billion, a decrease of 16% compared with 2018. We currently have about 34 active civil projects of which 10 are in Joint Venture with other contractors. At present, most of our current projects are performing well, though there are as always one or two projects facing temporary difficulties, but active steps are in hand to overcome these.

During the past 12 months, we were awarded a total of HK$4 billion of new civil engineering projects (our share only), which roughly replenishes the amount of work done in 2019. We therefore expect to be able to maintain the current turnover level in 2020, and if we are fortunate we may even show a small increase.

However, as I point out above, due to the shrinking market, all contractors are currently tendering with reduced margins. Build King is no exception and the new projects awarded in 2019 have been secured with thin margins to cover overheads with little left over to contribute to our bottom line.

To counter this trend, we rely on our strengths to bring us to where we are:

i) Our engineering capability has been improved a lot. Several new contracts have been awarded not because we were the cheapest (though our pricing was still very competitive), but by being able to propose good technical solutions to give us a tender advantage.

ii) Our track record of completing projects on time (despite unexpected difficulties) has won the confidence of many of our clients who in turn have placed their trust in us and awarded us work.

iii) The reputation of Build King in the industry is good. Sub-contractors and suppliers are therefore willing to give us better prices as they know we try to treat them as our own team members ensuring we pay them on time to maintain their cashflow.

iv) Having a large number of projects at the same time has the added advantage that sometimes we can identify synergies amongst projects thereby generating improved results for those contracts.

Obviously we need to do more; and we intend to win more projects with better technical proposals rather than merely relying on price. Since 2018, we have employed time and resources to develop innovative methods to improve our chances in winning new jobs whilst at the same time doing more than just meeting the client's needs on safety, innovation or the environment. It is too early to draw any conclusions about our new initiative, but I hope to see at least 20% of our new projects in future won this way. I will update you in next year Chairman's statement on how we are doing in this area.

BUSINESS ANALYSIS (CONTINUED)

(A) Construction (Continued)

(2) Building

The turnover of our Building Division this year was HK$3.5 billion, three times that of 2018, and much better than my expectation. However, I need to point out that in normal building contracts much of the turnover is carried out by nominated sub-contractors appointed by the client often exceeding 50% of the contract sum. Taking account of this, our Building Division turnover is still far less than that of our Civil Division. We currently have 17 active building projects and most of them are performing according to plan. However, I doubt we will be able to match this turnover in 2020 as most of the new tenders were only awarded towards end of 2019. As such the contribution to turnover next year is bound to be less although hopefully not by a lot as we still have over 10 months to win more new jobs.

I regret that the troubles on the Kai Tak Police Headquarters project that I mentioned in last year's annual report, have not yet been overcome. Although physically this project will be successfully completed by May 2020, there are two issues to be resolved before a final profit can be declared. The first is that the provisional liquidator of our previous partner may challenge the latest successful Court finding in the Court of Final Appeal. If so, it is likely that the case will only be heard towards the end of 2020. The second is a significant dispute with a subcontractor, which may go to arbitration unless we can reach a reasonable settlement in the meantime.

However, this is the only project on which we face significant challenges. The rest are performing well enabling our Building Division to register a meaningful profit in 2019.

The Building market is in some ways more stable than civil engineering. During the past 12 months, we have been awarded a total of HK$4 billion of new work, and at present we are tendering for some mega size projects.

By the end of 2020, we expect to have achieved sufficient track record to be in a position to apply for a Housing Authority NW2 Licence. The approval process will however take a long time, but needless to say, we will do our best in this regard.

(3) Specialist Subsidiaries

In 2019 our three main subsidiaries, Titan Foundation Limited, Integral E&M Engineering Limited and Build King Interior & Construction Limited, together achieved a turnover of HK$1.16 billion including in-house works. This was an increase of 16% over that for 2018. However, the year was not so good as again we registered a net loss of HK$20 million, although this was still much better than last year's HK$36 million loss.

We have introduced significant management changes in all three subsidiaries since last year and I expect the result to be much better in 2020. I do hope I can tell you better news next year.

BUSINESS ANALYSIS (CONTINUED)

(A) Construction (Continued)

(4) Staff

Altogether we currently have 51 active projects (not counting the projects carried out by our subsidiaries) and as a result, the number of staff and labour we employ has significantly increased from 2,065 in 2018 to 2,374 at end of 2019.

(5) Outlook

Given the contracts we currently have on hand together with the tenders we are likely to be awarded, I expect a slight increase in turnover in 2020. This is a great comfort to our loyal staff and shareholders and provides us confidence going forward. During the year, we have made a great effort to contain our overheads, which are now close to 3% (discounting the bonus we committed to our team of 30% of the profit). This is at the lower range of the industry norm and hence improves our chances of winning new projects with profitable margins. With our low overheads and existing projects generally performing well, we expect to be able to maintain our profit level for another year.

Although the turnover of our Building Division is likely to shrink in 2020, in the longer term we expect to show a meaningful increase to counter the projected reduction in civil engineering turnover. As a result, we expect to be able to maintain Build King's overall turnover at current level or even grow it further. I expect the joint results of our three subsidiaries will also start to produce more positive news in 2020. All the necessary ground work for change is in place and the results are beginning to show. I hope I will be able confirm this to you next year.

So in short, despite many uncertainties including not least the very competitive market, we will do our best to maintain the current turnover and profit. This is our target and only time will tell if we can succeed.

However, given the competitive market and lack of projects in the Hong Kong market, our turnover is probably nearing a ceiling and long term construction growth will be extremely limited, and I would not rule out a drop in turnover in 2021.

Recently, with the COVID-19 spreading fast impacting everyone on this planet, I am afraid that world recession is inevitable, and depression may be just around the corner. Certainly, this time I wish my fear is grossly misplaced as vaccine might appear somehow shortly. Here in Hong Kong, almost all commercial activities are effected, it is only a matter of degree of which industry is hit hardest. Luckily, Build King adopts a prudent approach in our finance and can withstand this storm, but shareholder must be reminded that we might be heading towards a 2 to 3 years extremely tough time, let's keep our fingers crossed that we can come out of this storm hopefully only scratched, but not seriously injured.

BUSINESS ANALYSIS (CONTINUED)

(B) Environmental Infrastructure

This year I wish to share with you some of my thoughts and hopes for our investment in China in more detail. In the years to come, I expect the contribution from these activities will provide a significant share of our Group profit. This is essential to offset the volatility of construction in the local market. With the cash the Group has been able to accumulate in recent years, we can afford to invest money productively to secure a steady recurrent income for the Group. In the longer term, I expect the profit from these activities to reach HK$100 million+ in 4 or 5 years time. Our current investments in China are:

(1) Wuxi Sewage Treatment Plant

We invested in this project in 2004 and the plant operation and production is now stable. However, this year in line with the nationwide rise in effluent standards, the local Government has instructed us to upgrade our facility.

As a result, we have invested a further RMB90 million whilst at the same time we have reached agreement with local authority to increase the levy we charge our customers. The upgrading construction work started this year with completion and testing expected to be complete mid 2020. Once back in normal production, we expect a profit of over RMB10 million per year with an annual cashflow close to RMB15 million to RMB20 million.

(2) Dezhou District providing heating to households

This is a project to provide heat to keep local people warm in winter, which is defined, from 15 November to 15 March of the following year. We are in joint venture with a local partner. This market is a very steady and on an annual basis we expect to receive close to RMB8 million to RMB10 million (our share) in cashflow.

BUSINESS ANALYSIS (CONTINUED)

(B) Environmental Infrastructure (Continued)

(3) The following three projects all provide steam to factories in industrial parks in north west Provinces all in joint venture with another partner:

(i) Gaotai County of Gansu Province

We started investing in this project in 2018. Phase 1 to build a 40 ton/hour capacity plant to supply steam to various factories in the industry park commenced production last year and currently supplies a demand of 15 ton/hour. By the end of 2020, the demand is expected to reach 90 ton/hour as more and more factories start production. As a result, we plan to start Phase 2, a 60 ton/hour plant which will come on stream in September/October 2020.

(ii) Yumen City of Gansu Province

Similar to the above, this project will supply steam to an industrial park. In the long term demand is forecast to be 300 ton/hour. Phase 1, a 40 ton/hour plant has been in operation since December 2019, and construction of Phase 2 – a second 40 ton/hour is planned to commence in May/June in 2020 with completion in October 2020.

(iii) There are also two other places where we have signed contracts. Construction is planned to commence in May 2020 and with completion of the plants by October 2020 to match the production startup of the factories.

We expect on average all these infrastructure investments will repay the initial capital in 6 to 7 years time. We will be seeking other similar projects and depending on how many we can identify and invest in, I hope to see such investment providing a significant element of Build King's bottom line in the future.

From next year, I will report to you the profit from these infrastructure investments as a whole so you can measure progress towards achieving our target.

(C) Investment in Securities

This year we added one investment, a medical stock in the US. Unfortunately, we registered a loss on this of HK$14 million in 2019, but at the time of writing with medicines already on sale, and the company beginning to breakeven in December 2019, I expect the share price to make significant gain as time goes by.

CORPORATE GOVERNANCE

Communication with Shareholder

I have been candid with you in my reporting and I will emphasize the pluses as well as minuses that are important in appraising the Group. My guideline is to tell you the business facts that I would want to know if our positions were reversed; I owe you nothing less. There may be some queries or issues you want to raise and so I strongly encourage shareholders to attend the AGM. This is the occasion where the management and owners of the company can discuss the business face to face.

Dividend Policy

I am pleased to advise that based on earnings of HK24 cents, we will distribute a dividend of HK4.8 cents per share this year. We still need to maintain our reserves to cater for the working capital required for our workload, as well as for our infrastructure investment in the coming years.

Appreciation

Finally, I would like to take this opportunity to again express my hearty gratitude to our shareholders, clients, business partners, directors and the hard work of our loyal and dedicated staff.

Zen Wei Peu Derek
Chairman

23 March 2020

Management Discussion and Analysis

Overall Results

For the year 2019, the Group's turnover increased by 20% from HK$6,305 million to HK$7,568 million; the profit for the year decreased by 28% from HK$414 million to HK$298 million. The increase of turnover was in line with the management's forecast of progress of the contracts on hand. For the year 2018, the record-high profit was the combined result of adopting a new accounting standard and satisfactory final accounts of several major projects. As indicated in the Annual Report 2018 of the Company ("Annual Report 2018"), the profit of 2018 was exceptional, but the management did expect such profitability would not sustain. Despite deteriorating economy and ever competitive market, the Group still achieved gross profit margin of 9.7% and net profit margin of 3.9% which could be considered very healthy in the construction sector.

Amid the fierce competition in construction market, we continued to win new projects by leveraging on our better than average performance scores of current projects so that we can maintain a reasonable margin for the new projects. Since the issue of Annual Report 2018, we have managed to secure 22 new projects of total contract sum about HK$8 billion, including ten building projects of HK$4 billion and twelve civil projects of HK$4 billion. As at the date of this report, the total value of works on hand amounted to HK$19 billion.

Following substantial completion of several mega projects in 2018, the turnover of civil projects during 2019 decreased by 20% as compared with 2018. Most of current large projects were still in early stage in 2019 but they were gradually gaining momentum according to the program. The reclamation works of Tung Chung New Town Extension – Reclamation and Advance Works, our largest joint venture project of HK$12 billion of which we shared 51%, progressed smoothly and have finished less than 25%, targeting to complete in 2023. For two projects, namely of Central Kowloon Route – Yau Ma Tei East and Central Kowloon Route – Yau Ma Tei West, of the total contract sum over HK$8 billion of which we shared 60% and 51% respectively, completed less than 20%; they were slightly behind the program but we have acted promptly to mitigate the technical difficulties and to catch up the program gradually.

The building division registered a record-high turnover of HK$3.5 billion in 2019, mainly attributable to the substantial works of the residential development work at Au Tau, Yuen Long and the design and build of Kowloon East Headquarters and Operational Base cum Ngau Tau Kok Divisional of Police Station. Both of them will be handed over to the clients on time in middle of 2020. With the award of new building projects over HK$4 billion, the management are confident with the prospect of the building division in long term.

For the environmental infrastructure projects in the PRC, during 2019, we made further investment in existing projects as well as acquired new ventures to broaden our source of stable income. The sewage treatment plant in Wuxi City continued to run smoothly and generated a profit of HK$4 million in 2019. To meet the new environmental standard for the effluence discharged from the sewage treatment plant in Wuxi, we finally agreed 80% increment of sewage treatment fees with the local authorities to compensate for our additional investment of HK$106 million in upgrading the equipment and facilities. The upgrading works started in October 2019 and will be completed by June 2020. Upon completion, the sewage plant will operate at the same capacity of 45,000 tonnes per day but its contribution to the Group's profit will increase significantly. In October 2019, we committed to increase the investment from HK$57 million to HK$141 million in Tianjin Wai Kee Earth Investment Co., Ltd (formerly known as Tianjin Wai Kee Earth New Energy Co., Ltd) which is operating two plants in Gansu Province, each of which was granted an exclusive license to provide steam fuel to factories in a designate industrial park for 30 years. We expect the investment in these two plants are paid back within five to six years. Should their financial performances be in line with our plan, we will increase our investment in similar project in the coming years. Lastly, the centralized heat supply in Dezhou run smoothly and produced same annual profit as prior years.

Employees and Remuneration Policies

As at 31 December 2019, the Group had a total of 2,374 employees and total remuneration for the year ended 31 December 2019 was approximately HK$1,170 million. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as performance of the individual.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2019, the Group had liquid assets of HK$1,822 million (as at 31 December 2018: HK$1,432 million) comprising financial assets at FVTPL of HK$57 million (as at 31 December 2018: HK$55 million), time deposits with original maturity of not less than three months of HK$77 million (as at 31 December 2018: HK$284 million) and bank balances and cash of HK$1,688 million (as at 31 December 2018: HK$1,093 million).

As at 31 December 2019, the Group had a total of interest bearing borrowings of HK$369 million (as at 31 December 2018: HK$382 million) comprising bank loans of HK$239 million (as at 31 December 2018: HK$253 million) and the bonds of HK$130 million (as at 31 December 2018: HK$129 million) with following maturity profile:

	At 31 December 2019 HK$ million	At 31 December 2018 HK$ million
On demand or within one year	**250**	198
In the second year	**119**	168
In the third to fifth year inclusive	**–**	16
	369	382

The Group's borrowings, bank balances and cash and financial assets at FVTPL were principally denominated in Hong Kong dollars. Hence, there is no exposure to foreign exchange rate fluctuations. During the year, the Group had no financial instrument for hedging purpose. As at 31 December 2019, total borrowings of HK$130 million (as at 31 December 2018: HK$129 million) carried interest at fixed rate.

Capital Structure and Gearing

As at 31 December 2019, total equity was HK$1,185 million (as at 31 December 2018: HK$944 million) comprising ordinary share capital of HK$124 million (as at 31 December 2018: HK$124 million), reserves of HK$1,054 million (as at 31 December 2018: HK$816 million) and non-controlling interests of HK$7 million (as at 31 December 2018: HK$4 million).

As at 31 December 2019, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 31% (as at 31 December 2018: 40%).

Pledge of Assets

As at 31 December 2019, bank deposits of the Group amounting to HK$64 million (as at 31 December 2018: HK$2 million) were pledged to banks for securing the banking facilities granted to the Group.

Directors and Senior Management

EXECUTIVE DIRECTORS

ZEN Wei Peu, Derek, age 67, has been the Chairman of the Company since 23 April 2004. He is a member of the Remuneration Committee and a member of the Nomination Committee of the Company. He is also the Vice Chairman of Wai Kee Holdings Limited ("Wai Kee") and the Co-Chairman of Road King Infrastructure Limited ("Road King"), the shares of both are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a director of Emmaus Life Sciences, Inc., whose shares are traded on the OTC Market in USA. Mr. Zen holds a Bachelor of Science degree in Engineering from The University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. He is a member of the Institution of Civil Engineers and The Hong Kong Institution of Engineers and a fellow member of the Institution of Quarrying, the United Kingdom ("UK"). He was the Honorary Treasurer of Hong Kong Construction Association. He has over 45 years of experience in civil engineering.

CHANG Kam Chuen, Desmond, age 54, has been appointed as an Executive Director of the Company since 1 June 2008. He has been appointed as the Company Secretary of the Company since 31 May 2005. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and an associate member of Chartered Institute of Management Accountants, UK. He has over 30 years of experience in accounting profession and financial management. Mr. Chang is responsible for the finance, human resources, information technology, administration and secretarial departments of the Group.

NON-EXECUTIVE DIRECTORS

David Howard GEM, age 79, has been appointed as a Non-executive Director of the Company since 9 August 2004. He had been a member of the Audit Committee of the Company since 29 July 2005 and resigned on 12 January 2011. He is a Chartered Engineer and is a member of both the Institution of Civil Engineers, London and The Hong Kong Institution of Engineers. He is also a member of The Chartered Institute of Arbitrators and a fellow of The Hong Kong Institute of Highways and Transportation. He has over 45 years of experience with contractors in the management, design and construction of a wide variety of civil engineering and building projects in UK, Asia and Hong Kong. He was a past Vice President of The Hong Kong Construction Association and Chairman of The Civil Engineering Committee. He was also a past Chairman of the Civil Engineering Division of The Hong Kong Institution of Engineers and a past member of the Construction Advisory Board to the Hong Kong Government.

CHAN Chi Hung, Anthony, age 46, has been appointed as a Non-executive Director of the Company since 4 December 2008. He holds a Bachelor of Science Degree with major in Economics with University of Minnesota, and is an alumni of Stanford Graduate School of Business with a certificate of Stanford Executive Program. He is currently an independent non-executive director of Milan Station Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of China Minsheng Drawin Technology Group Limited (now known as DIT Group Limited) (resigned on 14 June 2018), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan was previously the Investment Manager of Springfield Financial Adv. Ltd. in charge of its private equity, fund-of-funds and fixed income investment portfolios. Prior to that, he was with J.P. Morgan Chase.

INDEPENDENT NON-EXECUTIVE DIRECTORS

HO Tai Wai, David, age 71, has been appointed as an Independent Non-executive Director since 8 September 2004. He is the Chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Ho has over 40 years of experience in finance and accounting. He is a fellow member of the Association of Chartered Certified Accountants of UK, The Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Ho holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is an independent non-executive director of Left Field Printing Group Limited, the shares of which are listed on the Main Board of the Stock Exchange.

LING LEE Ching Man, Eleanor, SBS, OBE, JP, age 72, has been appointed as an Independent Non-executive Director of the Company since 30 September 2014. She is the Chairwoman of the Remuneration Committee, and a member of the (Audit Committee) and the Nomination Committee of the Company. Mrs. Ling had over 30 years of management experience with one of the largest multinational group in Asia and is a Fellow of the Institute of Chartered Management. Mrs. Ling has retired but remains involved in public services. She is also active in charitable organizations, such as the Maggie's Cancer Caring Centre. She is a Vice Patron of the Community Chest.

LO Yiu Ching, Dantes, GBS, JP, age 74, has been appointed as an Independent Non-executive Director of the Company since 30 November 2018. He is the Chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Lo is a professional civil and structural engineer. He is fellows of the Institution of Civil Engineers, Institution of Structural Engineers and Hong Kong Institution of Engineers. He has engaged for more than 50 years in the administration, planning, design and construction of various major capital works projects in Hong Kong and overseas. Mr. Lo joined the Hong Kong Government in 1974 as an Engineer and was promoted to Director of Civil Engineering in 1999 and Director of Highways in 2000. From 2002 to 2006, he was appointed as the Permanent Secretary for the Environment, Transport and Works (Works). He retired from the civil service in 2006. Mr. Lo then served as a senior consultant to the Hospital Authority on capital planning. Subsequently, Mr. Lo had been appointed as a board member and later Advisor to the CEO of The Airport Authority Hong Kong. Mr. Lo is a distinguished adjunct professor in the Department of Civil Engineering, University of Hong Kong. He is an independent non-executive director of China Overseas Grand Oceans Group Limited, the shares of which are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

CHEUNG Siu Lun, age 69, is responsible for the Group's business development. He is a director and the Chief Operating Officer of Build King Construction Limited ("BKCL"), and a director of Build King Civil Engineering Limited ("Build King Civil") and Build King (Zens) Engineering Limited ("Build King (Zens) Engineering"). He holds a Bachelor of Science Degree in Civil Engineering from The University of Hong Kong. He is a fellow of The Hong Kong Institution of Engineers. He is a member of the Faculty Advisory Committee of the Faculty of Science and Technology of the Technological and Higher Education Institute of Hong Kong. He has over 45 years of experience in both civil engineering and building construction.

KWOK Chi Ko, Enmale, age 63, is responsible for the Group's contract administration and commercial management for all building and construction related businesses. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He holds an Engineering Doctorate Degree, a Master Degree in Arbitration & Dispute Resolution and a Master Degree in Laws. He is a Chartered Quantity Surveyor, a Registered Professional Surveyor (QS) and an Accredited Mediator and has been a Fellow Member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. He has had over 35 years of experience in building and construction industry.

LEE Man Wai, age 59, is responsible for the Group's tendering activities. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He has over 35 years of extensive experience in tendering and commercial management of civil engineering and building project in Hong Kong.

SENIOR MANAGEMENT (CONTINUED)

LIU Sing Pang, Simon, age 58, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He is a member of the Institution of Structural Engineers, a fellow member of the Hong Kong Institution of Engineer and a member of The Hong Kong Institute of Civil and Building Information Management. He is also a Chartered Engineer of UK. He is Vice Chairman of Civil Engineering Committee of Hong Kong Construction Association. He is also a member of the Registered Contractors' Disciplinary Board Panel under the Buildings Ordinance and the Construction Workers Registration Board under Construction Works Registration Ordinance. He has over 35 years of experience in civil engineering and building construction.

LUI Yau Chun, Paul, age 59, is responsible for the Group's civil and marine engineering operation in Hong Kong. He is a director and the General Manager (Marine) of Build King (Zens) Engineering, a director of BKCL, Build King Civil and Leader Marine Contractors Limited. He is a member of the Institution of Structural Engineers, and of the Hong Kong Institution of Engineers. He has over 35 years of experience in civil and marine engineering.

MOK Hon Wa, Kenneth, age 56, is responsible for the Group's building operation in Hong Kong. He is a director of BKCL and Build King Civil. He holds a Master Degree of Applied Science in Civil Engineering from University of Windsor. He is a member of the Hong Kong Institution of Engineers, fellow of Hong Kong Institute of Construction Managers and Registered Professional Engineer in Hong Kong, Canada and USA. He has over 30 years of experience in building construction.

SO Yiu Wing, Wilfred, age 45, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He holds a Bachelor degree in Civil Engineering from The University of Hong Kong. He is a member of The Hong Kong Institution of Engineers and a Registered Professional Engineer (CVL). He is a council member of Hong Kong Construction Association. He has over 20 years of experience in civil engineering construction.

YEOW Chin Lan, Denis, age 49, joined the Group in September 1999 and is the Group Financial Controller responsible for the financial management and accounting of the Group. He is a fellow member of the Association of Chartered Certified Accountants, UK. He has over 20 years of experience in auditing, accounting and financial management.

YIU Cheuk Hung, Kenneth, age 54, is responsible for the Group's building operation in Hong Kong. He is a director of BKCL. He holds an Executive Master Degree of Business Administration from The Chinese University of Hong Kong and a Master Degree of Project Management from University of South Australia. He is a member of the Hong Kong Institution of Engineers, the Chartered Institute of Building (UK) and the Hong Kong Institute of Construction Managers. He is also a Registered Professional Engineer. He has over 30 years of experience in the construction industry including design, construction and project management.

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 51 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the five largest customers of the Group together accounted for approximately 78% of the Group's turnover, with the largest customer accounted for approximately 50%, and the five largest suppliers of the Group together represented less than 13% by value of the Group's total purchases.

One of the Group's five largest customers is a wholly owned subsidiary of Road King. As at 31 December 2019, (i) Wai Kee held 322,336,428 Road King shares; (ii) Mr. Zen Wei Peu, Derek ("Mr. Zen", who is a Director of the Company) was interested in 24,649,000 Road King shares, of which 1,000,000 Road King shares was held by the spouse of Mr. Zen; and (iii) Mr. Zen was deemed to be interested in Road King shares through 203,857,078 Wai Kee shares held by him. In addition, Mr. Zen had nominal beneficial interest in a Hong Kong listed company which is the holding company of one of the Group's five largest customers.

Save as disclosed above, none of the other Directors, or any of their associates, or any shareholders which, to the knowledge of the Directors, owned more than 5% of the Company's share capital, had any interests in the Group's five largest customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 68 and 69 respectively.

The Board recommends the payment of a final dividend of HK4.8 cents per ordinary share for the year ended 31 December 2019 to shareholders whose names appear in the register of members of the Company on Friday, 29 May 2020. The details of the final dividend are set out in note 13 to the consolidated financial statements.

Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the payment of final dividend will be made on or before Tuesday, 7 July 2020.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 22 May 2020, the register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 18 May 2020.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is on Friday, 29 May 2020. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 28 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 27 May 2020.

Directors' Report

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out in the sections headed "Financial Highlights" on page 2, "Chairman's Letter" on pages 3 to 9, "Management Discussion and Analysis" on pages 10 and 11, "Corporate Governance Report" on pages 24 to 38, "Consolidated Financial Statements" on pages 68 to 158 and "Financial Summary" on page 159. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in notes 36 and 37 to the consolidated financial statements.

RESERVES

Details of movement in the reserves of the Group for the year is set out in the consolidated statement of changes in equity on page 72.

DISTRIBUTABLE RESERVES

The reserves of the Company which were available for distribution to the shareholders at 31 December 2019 were HK$360,000.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2019, the Company has not entered into any equity-linked agreement.

FINANCIAL SUMMARY

A summary of the results and of financial position of the Group for the past five financial years is set out on page 159.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

BANK BORROWINGS

Details of the Group's bank borrowings for the year ended 31 December 2019 are set out in note 35 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the Company's pension schemes are set out in note 45 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the financial year and up to the date of this report are:

Executive Directors

Zen Wei Peu, Derek *(Chairman, Chief Executive Officer and Managing Director)*
Chang Kam Chuen, Desmond

Non-executive Directors

David Howard Gem
Chan Chi Hung, Anthony

Independent Non-executive Directors

Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
Lo Yiu Ching, Dantes

Details of the Directors are set out in the section of Directors and Senior Management.

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Zen Wei Peu, Derek, Mr. Chan Chi Hung, Anthony and Mrs. Ling Lee Ching Man, Eleanor shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence during the year ended 31 December 2019 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS

As at 31 December 2019, the interests (including short positions) of the directors (the "Directors") and chief executive of the Company (including their respective spouses, infant children, related trusts and companies controlled by them) in the Shares, convertible securities, warrants, options or derivatives in respect of securities which carried voting rights of the Company and its associated corporations (within the meaning of the Securities & Futures Ordinance ("SFO")), which 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 or short position in which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which 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") in the Listing Rules, were as follows:

(I) The Company

Interests in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held Long position (Note)	Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Personal	123,725,228	–	9.96
Chang Kam Chuen, Desmond	Personal	1,500,000	–	0.12
David Howard Gem	Personal	900,000	–	0.07

Note:

Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

(II) Associated Corporations

Interests in Shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long position (Note 1)	Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Wai Kee Holdings Limited ("Wai Kee")	Personal	203,857,078	–	25.70
	Wai Kee (Zens) Construction & Transportation Company Limited (Note 2)	Personal	2,000,000	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000	–	37.50

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. With effect from 29 February 2016, the name of Wai Kee (Zens) Construction & Transportation Company Limited has been changed to Build King (Zens) Engineering Limited.

DIRECTORS' INTERESTS (CONTINUED)

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interests or short positions in any equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which 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 or short positions in which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save as disclosed above, none of the Directors nor any of their associates had any interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, none of the Directors nor their spouses or children under 18 years of age were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or of any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" and in note 46 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director and everyone of their heirs, executors and administrators shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

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

COMPETING INTEREST

During the year, no Director was interested in the business which competes or was likely to compete either directly or indirectly, with the business of the Group as required to be disclosed under the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2019, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares held and percentage of shareholding — Long position (Note 1) Number of Shares	%	Short position Number of Shares	%
Top Horizon Holdings Limited ("Top Horizon") (Note 2)	Beneficial owner	704,945,033	56.76	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 3)	Corporate	704,945,033	56.76	–	–
Wai Kee (Note 4)	Corporate	704,945,033	56.76	–	–

Notes:

1. Long position in the Shares.

2. Top Horizon is a direct wholly-owned subsidiary of Wai Kee (Zens). Mr. Zen Wei Peu, Derek is a director of Top Horizon.

3. Wai Kee (Zens) is deemed to be interested in the Shares through its interests in Top Horizon. Mr. Zen Wei Peu, Derek is a director of Wai Kee (Zens).

4. Wai Kee (Zens) is a direct wholly-owned subsidiary of Wai Kee. Accordingly, Wai Kee is deemed to be interested in the Shares through its interests in Wai Kee (Zens). Mr. Zen Wei Peu, Derek is the Vice Chairman, the Chief Executive Officer and an executive director of Wai Kee.

Save as disclosed above, as at 31 December 2019, no other person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

(1) Framework Agreements with Wai Kee

On 24 November 2017, the Company entered into a framework agreement (the "2018 Framework Agreement") with Wai Kee, whereby the Group may, but is not obliged to, purchase ready mixed concrete ("Concrete") from Wai Kee (or its subsidiaries and/or associates) from time to time during the period from 1 January 2018 to 31 December 2020 for the Group's construction projects, subject to the terms and conditions of 2018 Framework Agreement. The maximum aggregate value of the contract sum in respect of the purchase of Concrete by the Group from Wai Kee (or its subsidiaries and/or associates) for the periods concerned under the 2018 Framework Agreement are subject to annual caps and shall not exceed the amounts set out below:

Period	Total value not exceeding
1 January 2018 – 31 December 2018	HK$105,000,000
1 January 2019 – 31 December 2019	HK$190,000,000
1 January 2020 – 31 December 2020	HK$195,000,000

During the year, the relevant maximum aggregate value of the contracts was approximate HK$73,103,000 and the transaction is disclosed in note 46 to the consolidated financial statements.

The transaction was announced by the Company in its announcement dated 24 November 2017 and approved by independent shareholders at the special general meeting of the Company held on 15 December 2017.

(2) Framework Agreements with Road King

On 24 November 2017, the Company entered into a framework agreement (the "Framework Agreement") with Road King in respect of the engagement of member of the Group, subject to successful tender, as the main contractor for the construction works of the present and future property development projects of Road King and its subsidiaries (collectively "Road King Group") in Hong Kong for the three financial years ending 31 December 2020. The parties have acknowledged that if the annual value to be recognised under the contracts entered into between Road King Group and the Group pursuant to the Framework Agreement in respect of each of the financial years specified below exceed the amounts specified below that year in the row headed "Annual Cap", either or both parties may be required to seek additional shareholders' approval under the Listing Rules and shall use all reasonable endeavours to seek such approval in a timely manner:

	Financial year ending 31 December		
	2018	2019	2020
Annual cap	HK$650 million	HK$2,460 million	HK$2,880 million

During the year, the relevant maximum aggregate value of the contracts was approximate HK$1,105,439,000 and the transaction is disclosed in note 46 to the consolidated financial statements.

The transaction was announced by the Company in its announcement dated 24 November 2017 and approved by independent shareholders at the special general meeting of the Company held on 15 December 2017.

CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

The continuing connected transactions mentioned in (1) and (2) above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

(i) in the ordinary course and usual course of business of the Company;

(ii) on normal commercial terms; and

(iii) on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Upon enquiry by the Company, save as disclosed below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report:

Name of Director	Details of Changes
ZEN Wei Peu, Derek	Mr. Zen's annual salary has been revised from HK$2.97 million to HK$3 million with effect from 1 January 2020.
CHANG Kam Chuen, Desmond	Mr. Chang's annual salary has been revised from HK$2.28 million to HK$2.33 million with effect from 1 January 2020.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the year, the Group made charitable and other donations amounting to approximate HK$21,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the per cent of its public float exceeds 25% for the year ended 31 December 2019 and up to 23 March 2020, the latest practicable date to ascertain such information prior to the issue of this annual report.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as Auditor of the Company.

On behalf of the Board

Zen Wei Peu, Derek
Chairman

Hong Kong, 23 March 2020

Corporate Governance Report

The Company is committed to maintaining the highest standard of corporate governance as it believes that good corporate governance practices are fundamental to the effective operation of a company and can enhance shareholders' value as well as safeguard shareholders' interests. The Company places strong emphasis on a quality Board, accountability, sound internal control, appropriate risk-assessment, monitoring procedures and transparency to all shareholders and stakeholders.

Throughout the year of 2019, the Company has complied with the code provisions of Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules, except for code provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

Mr. Zen Wei Peu, Derek has been both the Chairman and Chief Executive Officer of the Company. In addition to his responsibilities as Chairman overseeing the function of the Board and formulating overall strategies and polices of the Company, Mr. Zen has taken up the management of the Group's business and overall operation. However, the day-to-day running of the Company has been delegated to the divisional heads responsible for the different aspects of the business.

THE BOARD

Composition

The Board has a balanced composition of members to ensure independent judgement being exercised in all discussions. As at the date of this report, the Board comprises seven Directors including two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Board members are listed below:

	Board of Directors	
Executive Directors	**Non-executive Directors**	**Independent Non-executive Directors**
Zen Wei Peu, Derek *(Chairman, Chief Executive Officer and Managing Director)*	David Howard Gem	Ho Tai Wai, David
Chang Kam Chuen, Desmond	Chan Chi Hung, Anthony	Ling Lee Ching Man, Eleanor
		Lo Yiu Ching, Dantes

With the expertise contributed by each of the Directors, the Board has a wide spectrum of valuable business experience, knowledge and professionalism for its efficient and effective functioning. Biographical details are set out in the "Directors and Senior Management" section of this annual report. An updated list of Directors and their respective roles and functions are maintained on the websites of the Company and the Stock Exchange.

During the year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three Independent Non-executive Directors including one Independent Non-executive Director with accounting or related financial management expertise and the number of Independent Non-executive Directors representing at least one-third of the Board.

There is no financial, business and family relationship among members of the Board.

THE BOARD (CONTINUED)

Appointment and Re-election

Pursuant to the Bye-laws, the Board may appoint a director either to fill a causal vacancy or as an addition to the Board from time to time during the year following the recommendation from the Nomination Committee. Any Director appointed by the Board to fill a causal vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. In addition, at each annual general meeting, at least one-third of the Directors for the time being shall retire from office by rotation and are eligible for re-election.

Non-executive Directors

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Each Non-executive Director (including Independent Non-executive Director) of the Company has entered into a Letter of Appointment with the Company for a specific term not more than three years, subject to re-election at the general meeting.

Independence of Independent Non-executive Directors

The Company has received written confirmation of independence from each of the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board considers them to be independent in accordance with the Listing Rules.

Role and Delegation

The primary role of the Board is to protect and enhance shareholders' long-term value. It assumes the responsibility for providing effective and responsible leadership and control of the Company, and directing and supervising the Company's affairs in pursuit of the Group's strategic objectives.

The Board, led by the Chairman, approves and monitors Group's strategies and policies, evaluates the performance of the Group and supervises the management. In addition, the Board reserved for its decisions all major matters of the Company, including approval and monitoring of budgets, internal control and risk management, dividend payout, material transaction (in particular those may involve conflict of interests), preparation and release of financial information, appointment of Directors, other significant financial and operational matters.

There is no separation of the role of the Chairman and the Chief Executive Officer in the Company. The Chairman provides leadership of the Board and undertakes the role of the Chief Executive Officer. Mr. Zen Wei Peu, Derek has taken up the management of the Group's business and overall operation. However, the day-to-day running of the Company has been delegated to the divisional heads responsible for the different aspects of the business.

THE BOARD (CONTINUED)

Role and Delegation (Continued)

The Board also ensures the good corporate governance policies and practices are implemented within the Group, and is responsible for performing the corporate governance duties including the following:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct manual applicable to employees and the Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The internal audit team has also carried out a compliance review on the Code and reported to the Board that the Group has properly followed the requirements of the Code.

The Group has adopted a number of policies and procedures of the Company, all of which have been documented and communicated to the Directors and employees via Employees' Handbooks and internal memorandum to ensure good corporate practices and high standard of business conducts and ethics of the Group. The effectiveness of these policies is reviewed on a regular basis.

Board Meetings

The Board meets regularly at least four times each year and additional meetings are arranged if and when required. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. During the year, the attendance records of individual Directors at the Board meetings, meetings of three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, and the annual general meeting held on 21 May 2019 are set out below:

	Meetings Attended/Held				
Name of Director	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting held on 21 May 2019
Executive Directors					
Zen Wei Peu, Derek	4/4	–	1/1	2/2	1
Chang Kam Chuen, Desmond	4/4	–	–	–	1
Non-executive Directors					
David Howard Gem	2/4	–	–	–	0
Chan Chi Hung, Anthony	4/4	–	–	–	1
Independent Non-executive Directors					
Ho Tai Wai, David	4/4	3/3	1/1	2/2	1
Ling Lee Ching Man, Eleanor	2/4	3/3	1/1	2/2	0
Lo Yiu Ching, Dantes	4/4	3/3	1/1	2/2	1

Note:

"-": Not applicable

THE BOARD (CONTINUED)

Board Meetings (Continued)

Notice of regular Board meetings is given to all Directors at least 14 days before each meeting, and all Directors are given the opportunity to include matters in the agenda for discussion at the Board meetings. The agenda and meeting materials are normally sent to all Directors at least three days before the regular Board meeting (and so far as practicable for such other Board meetings) to ensure that they have sufficient time and attention to the affairs of the Company.

In order to have an effective Board, all Directors are provided with information on activities and developments in and the financial performance of the Group's business on a monthly basis to keep them apprised of the latest developments of the Group. They have full access to information on the Group and are able to invite management and professional advisers, where appropriate, to attend Board meetings.

All Directors have direct access to the Company Secretary who is responsible for advising the Board on corporate governance and compliance issues. The Company Secretary is also responsible for taking the minutes of Board and Board Committees' meetings. Such minutes are open for inspection by Directors.

Each Director is required to make disclosure of his/her interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by Directors at the Board and Board Committees' meetings. Any Director shall not vote on any resolution of the Board and Board Committees approving any contract or arrangement or any other proposal in which he/she (or his/her associates) is materially interested nor shall he/she be counted in the quorum present at the meeting.

Induction and Continuous Professional Development

Directors should keep abreast of their collective responsibilities. Briefing of the Group's business will be given to newly appointed Director and a comprehensive induction package including the statutory and regulatory obligations of a director of a listed company shall also be provided. The Group also provides seminars and trainings to develop and refresh the Directors' knowledge and skills. The Group continuously updates the Directors on the latest developments regarding the Listing Rules and applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, the Group provided seminars and training courses to the Directors and management.

THE BOARD (CONTINUED)

Induction and Continuous Professional Development (Continued)

All Directors are requested to provide the Company with their respective training records pursuant to the Code. Trainings received by each of the Directors during the period from 1 January 2019 to 31 December 2019 are summarized as follows:

Name of Director	Type of continuous professional development
Executive Directors	
Zen Wei Peu, Derek	A, B, C
Chang Kam Chuen, Desmond	B, C
Non-executive Directors	
David Howard Gem	C
Chan Chi Hung, Anthony	B, C
Independent Non-executive Directors	
Ho Tai Wai, David	B, C
Ling Lee Ching Man, Eleanor	B, C
Lo Yiu Ching, Dantes	B, C

Notes:

A: giving talks at seminars and/or conferences and/or forum

B: attending seminars and/or conferences and/or forum

C: reading newspapers, journals and updates relating to the economy, general business, accounting, laws, rules and regulations, etc.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the Code. During the year, no claim was made against the Directors and officers of the Company.

THE BOARD (CONTINUED)

Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer is Mr. Zen Wei Peu, Derek.

The role of the Chairman is to oversee the functioning of the Board and ensure the establishment of strategic direction of the Group. The Chairman provides leadership for the Board and ensures that the Company establishes sound corporate governance practices and procedures. He also encourages all the Directors to make a full and active contribution to the affairs of the Board.

There is no separation of the role of the Chairman and the Chief Executive Officer in the Company. The Chairman provides leadership of the Board and undertakes the management of the Group's business and overall operation. However, the day-to-day running of the Company has been delegated to the divisional heads responsible for the different aspects of the business.

The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there are a strong and independent non-executive directorship element on the Board and a clear division of responsibility in running the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

Board Diversity Policy

The Board has adopted a Board Diversity Policy. The policy aims to set out the approach to achieve diversity on the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

BOARD COMMITTEES

The Board has delegated authority to three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, to oversee particular aspects of the Company's affairs. The updated terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are available on the websites of the Company and the Stock Exchange.

Audit Committee

Composition

The Audit Committee was formed in 2004 and currently comprises three members, namely Mr. Ho Tai Wai, David (Chairman of the Audit Committee), Mrs. Ling Lee Ching Man, Eleanor and Mr. Lo Yiu Ching, Dantes, all of whom are Independent Non-executive Directors.

Role and Function

The main responsibilities of the Audit Committee are to review the consolidated financial statements and the external auditor's reports, and to monitor the integrity of the consolidated financial statements. It also assists the Board to oversee financial reporting system, risk management, internal control systems and internal and external audit functions. The Committee meets at least twice a year with the Company's external auditor to discuss the audit process and accounting issues.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2019 and up to the date of this report:

- Approval of remuneration and terms of engagement of the external auditor;
- Review of the annual results of the Group for the years ended 31 December 2018 and 2019, and the interim results of the Group for the six months ended 30 June 2019;
- Review of the Group's financial information, financial reporting procedures, risk management, internal control systems, and financial and accounting policies and practices;
- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to provide non-audit services;
- Review of the audit plan for the financial year ended 31 December 2019;
- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation;
- Recommendation to the Board to re-appoint the external auditor at the 2019 and 2020 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Review of the 2020 internal audit plan;
- Review of the findings in the internal control reports;
- Review of reporting mechanism for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters related to the Company;
- Review of the continuing connected transactions of the Company; and
- Meetings with the external auditor, in the absence of Executive Directors and management.

Nomination Committee

Composition

The Nomination Committee was set up in 2012 and currently comprises four members, namely Mr. Lo Yiu Ching, Dantes (Chairman of the Nomination Committee), Mr. Ho Tai Wai, David, Mrs. Ling Lee Ching Man, Eleanor and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Role and Function

The Nomination Committee was established to ensure that there are deliberative, considered and transparent procedures for the appointment of the Directors. The duties of this Committee include reviewing the structure, size and composition (including but not limited to gender, age, cultural background, educational background, skills, knowledge, professional experience and/or length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships based on merit against objective criteria and with due regard for the benefits of diversity on the Board.

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2019 and up to the date of this report:

- Review of the structure, size and composition (including but not limited to gender, age, cultural background, educational background, skills, knowledge, professional experience and/or length of service) of the Board;
- Review of its constitution and terms of reference;
- Review of the Nomination Policy and the Board Diversity Policy (collectively the "Policies");
- Review of the measurable objectives for implementing the Policies; and
- Determination of the rotation of the Directors for the annual general meeting to be held in May 2020.

Nomination Policy

The Company has a Nomination Policy for the nomination of Directors. The policy aims to set out the approach to guide the Nomination Committee in relation to the identification and selection of individuals suitably qualified to become Directors and the making of recommendation to the Board on the individuals nominated for directorships and the re-election of Directors.

Nomination Procedures

Appointments of new Directors are first considered by the Nomination Committee. In considering the appointment of a Director, the Committee applies criteria such as relevant experience, professional and educational background, reputation for integrity and independence as well as the diversity on the Board as mentioned in the Board Diversity Policy, including but not limited to gender, age, cultural background, educational background, professional experience, skills, knowledge and length of service.

For the retiring Directors to be re-elected at annual general meeting, other than the consideration of selection criteria and the diversity on the Board mentioned above, the Committee will evaluate their overall contribution and service to the Company.

The recommendations of this Committee are then put to the Board for consideration and approval. Thereafter, any Director appointed by the Board is subject to re-election at the general meeting after his/her appointment. During the year, there was no addition to the Board.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee

Composition

The Remuneration Committee was formed in 2005 and currently comprises four members, namely Mrs. Ling Lee Ching Man, Eleanor (Chairwoman of the Remuneration Committee), Mr. Ho Tai Wai, David, Mr. Lo Yiu Ching, Dantes and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

Role and Function

The Remuneration Committee has been established to ensure that there are formal and transparent procedures to assist the Board in determining the remuneration policy of the Company and structuring the remuneration of senior management. This Committee is responsible for making recommendation to the Board on the Company's policy and structuring for all Executive Directors' and senior management's remuneration, and reviewing and approving the management's remuneration proposal with reference to the Board's corporate goals and objectives. It also determines, with delegated responsibility, remuneration packages of individual Executive Directors and senior management, and makes recommendations on remuneration of Non-executive Directors (including Independent Non-executive Directors).

Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2019 and up to the date of this report:

- Approval of the service contracts of Executive Directors;
- Approval of year end bonus of Executive Directors for 2018;
- Approval of emoluments of Executive Directors (where Mr. Zen Wei Peu, Derek abstained from voting in determining his own remuneration) and senior management; and
- Approval of salary adjustment in 2019 and 2020.

Remuneration policy

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as the performance of the individual. No individual determine his own remuneration.

The remuneration of a Director is determined with reference to his duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of Directors for the year ended 31 December 2019 are set out in note 10 to the consolidated financial statements of this annual report. The emoluments paid to senior management for the year ended 31 December 2019 were within the following bands:

	Number of Senior Management
up to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	–
HK$3,000,001 to HK$4,000,000	1
HK$4,000,001 to HK$5,000,000	4
HK$5,000,001 to HK$6,000,000	1
HK$6,000,001 to HK$7,000,000	2

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' Securities Transactions. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2019.

The Company has also adopted a code of conduct governing securities transactions by employees who are likely to be in possession of unpublished price-sensitive information in relation to the Group.

Formal notifications are sent by the Company to all Directors and relevant employees reminding them that they should not deal in the securities of the Company during the "black out period" specified in the Model Code.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities, with the support from the Finance and Accounting Department, to prepare the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of price sensitive information, announcements and financial disclosures and authorizes their publication as and when required.

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu has been re-appointed as the Company's external auditor at the annual general meeting of 2019 until the conclusion of the next annual general meeting.

The fees paid/payable to external auditor for audit and non-audit services for the year ended 31 December 2019 are as follows:

Type of services	Fee paid/payable HK$
Audit	2,050,000
Non-audit services	
Interim review	550,000
Other services	625,000
Total	3,225,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 62 to 67 forming part of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain sound and effective risk management and internal control systems to safeguard the Company's assets and shareholders' interest.

The risk management process includes risk identification, risk assessment, risk control and risk monitoring. The internal control system comprises a well-defined organisational structure and comprehensive policies and standards. Responsibilities of each business and operational unit are clearly defined to ensure effective authority delegation and proper segregation of duties.

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's risk management and internal control systems put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31 December 2019. The Audit Committee considered that the risk management and internal control systems of the Company and its subsidiaries were effective and adequate.

During the year, the internal audit team conducts systematic reviews of the Group's risk management and internal control systems by using a risk-based audit approach and reviews the effectiveness of the Group's systems of risk management and internal control against the framework of the Committee of Sponsoring Organization of the Treadway Commission in order to provide reasonable assurance, but not absolute, of the effectiveness of the systems. The internal audit team had carried out its mission by:

- identifying and prioritizing potential business risks;
- performing risk-based audits;
- evaluating effectiveness and compliance with internal policies and procedures;
- analyzing causes for errors and irregularities found;
- recommending good internal controls to prevent unintentional mistakes, discourage fraudulent acts, and promote operational efficiency and ethical standards;
- performing follow up procedures on corrective actions;
- appraising the soundness and adequacy of various departments' ongoing maintenance of internal controls;
- providing consulting and advisory services on control and related matters;
- conducting independent investigation of situations raised by whistleblowers, if any; and
- maintaining open communication with the Chairman, Audit Committee and auditee management.

The internal audit team reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and controlling system. The internal audit team reports audit findings together with recommendations to the Audit Committee on a timely basis upon completion of the relevant audit review. All critical audit findings and control weaknesses are summarized and presented to the Audit Committee on an annual basis, which in turn reports to the Board.

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT

The Group is dedicated to excellence in Quality, Safety and Environmental Protection. Since 2004, it has adopted an Integrated Management System, which is a total management and systematic approach comprising a consistent set of standards and processes, that are applied uniformly across the Group. The system is being constantly reviewed and amended to suit changing circumstances and new legislation. Continual monitoring and reporting at all levels is carried out together with internal and external audits to ensure full compliance. As a testament of the commitment, the Group continues to be accredited under the relevant international standards; namely: ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015.

The persistent drive for excellence in quality, safety and the environment have resulted in the operating companies of the Group winning of the following awards during the year under review:

- 5 numbers of appreciation letter presented by MTR Corporation Limited
- Construction Safety Promotional Campaign 2019 – Best Method Statement Award (Merit Award) presented by Occupational Safety and Health Council
- Construction Safety Promotional Campaign 2019 – Competition on Safety Culture – Best Safety Culture Site (Gold Award) presented by Occupational Safety and Health Council
- Construction Safety Promotional Campaign 2019 – Competition on Safety Culture – Best Safety Project Manager/Site Agent (Silver Award) presented by Occupational Safety and Health Council
- Construction Safety Promotional Campaign 2019 – Competition on Safety Culture – Best Safety Activity Team (Silver Award) presented by Occupational Safety and Health Council
- Construction Safety Promotional Campaign 2019 – Competition on Safety Culture – Best Safety Sub-contractor (Silver Award) presented by Occupational Safety and Health Council
- Construction Safety Promotional Campaign 2019 – Outstanding Power Operated Elevating Platform Worker in Occupational Safety and Health (Merit Award)
- Good Housekeeping Competition 2019 – Good Housekeeping (Construction Category) (Silver Award) presented by Occupational Safety and Health Council
- 2 numbers of Good Housekeeping Competition 2019 – Good Housekeeping (Construction Category) (Bronze Award) – presented by Occupational Safety and Health Council
- Hong Kong Occupational Safety & Health Award – Safety Management System Award (Construction Industry) (Gold Award) presented by Occupational Safety and Health Council
- Hong Kong Occupational Safety & Health Award – Work Safe Behaviour Award (Bronze Award) presented by Occupational Safety and Health Council
- 3 numbers of Hong Kong Occupational Safety & Health Award - Safety Performance Award (Construction Industries) presented by Occupational Safety and Health Council

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT (CONTINUED)

- Occupational Health Award 2019-20 – Joyful@Healthy Workplace Best Practices Award (Enterprise/Organisation Category) (Excellence Award) presented by Occupational Safety and Health Council

- 3 numbers of Occupational Health Award 2019-20 – Joyful@Healthy Workplace Best Practices Award (Enterprise/Organisation Category) (Outstanding Award) presented by Occupational Safety and Health Council

- 2 numbers of Occupational Health Award 2019-20 – Joyful@Healthy Workplace Best Practices Award (Enterprise/Organisation Category) (Merit Award) presented by Occupational Safety and Health Council

- Occupational Health Award 2019-20 – Joyful@Healthy Workplace Best Practices Award (Branch/Small and Medium Enterprise (SME) Category) – Merit Award presented by Occupational Safety and Health Council

- 2 numbers of Occupational Health Award 2019-20 – Hearing Conservation Best Practices Award (Excellence Award) presented by Occupational Safety and Health Council

- Occupational Health Award 2019-20 – Prevention of Pneumoconiosis Best Practices Award (Excellence Award) presented by Occupational Safety and Health Council

- Airport Authority Capital Works Department Second Quarter 2019 – Site Safety Award presented by Airport Authority Hong Kong

- Airport Authority Capital Works Department Third Quarter 2019 – Site Safety Award presented by Airport Authority Hong Kong

- NEC Contractor of the Year 2019 presented by NEC

- 2 numbers of Commendation Letter presented by Civil Engineering and Development Department, Hong Kong SAR Government

- Commendation Letter presented by Highways Department, Hong Kong SAR Government

- Considerate Contractors Site Award Scheme – Outstanding Environmental Management & Performance Award (Merit Award) presented by Development Bureau, Hong Kong SAR Government and Construction Industry Council

- Considerate Contractors Site Award Scheme – Public Works (New Works) (Bronze Award) presented by Development Bureau, Hong Kong SAR Government and Construction Industry Council

- 2 numbers of Considerate Contractors Site Award Scheme – Public Works (New Works) (Merit Award) presented by Development Bureau, Hong Kong SAR Government and Construction Industry Council

- Hong Kong Green Awards 2019 – Green Management Award – Project Management (Large Corporation) (Silver Award) presented by Green Council

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT (CONTINUED)

- 2 numbers of Hong Kong Green Awards 2019 – Green Management Award - Project Management (Large Corporation) (Bronze Award) presented by Green Council

- Hong Kong Green Awards 2019 – Green Management Award – Project Management (Large Corporation) (Merit Award) presented by Green Council

- Construction Innovation Award 2019 – Construction Sustainability Second Prize – Construction Industry Council

- Construction Safety Week 2019 – Safety Video Competition 2019 – Merit Award presented by Development Bureau, Hong Kong SAR Government and Construction Industry Council

- 3 numbers of HKCA Proactive Safety Contract Award 2018 – Hong Kong Construction Association

- 2 numbers of Environmental Merit Award 2018 – Hong Kong Construction Association

During the year, imbued with strong management commitment and professional expertise, the Group has fulfilled its duties as a responsible corporation. In the years ahead, it will continue to take the lead in motivating all employees and subcontractors to make unremitting efforts to further improve the Group's performance in Quality Assurance, Safety and Health and Environmental Protection.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. In addition, shareholders holding not less than one-twentieth of the total voting rights or not less than 100 shareholders may submit a written request to the Company stating the resolution intended to be proceeded at the annual general meeting.

Any vote of shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and the Stock Exchange on the day of the general meeting. Since May 2009, there were no changes to the memorandum of association of the Company and Bye-laws. The updated versions of the memorandum of association of the Company and Bye-laws are available on the websites of the Company and the Stock Exchange.

Detailed procedures for the shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board has established a shareholders' communication policy setting out various channels of communication, with the objective of enabling the shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its shareholders' meeting as an important means of communication with the shareholders in which the shareholders will be able to have an open dialogue with the Board. The Board members, in particular, the chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. External auditor also attends the Company's annual general meetings and addresses queries from the shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

Apart from holding shareholders' meeting, the Company also endeavours to maintain effective communication with all shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the websites of the Company and the Stock Exchange.

Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

DIVIDEND POLICY

The Company has adopted a Dividend Policy. It aims to provide shareholders with stable and sustainable returns.

In proposing any dividend payout, the Board shall take into account, inter alia, the Group's financial condition, working capital requirements and future expansion plans, actual operations and liquidity position, the Company's retained earnings, distributable reserves and cash flow situation, general economic condition and other factors that the Board considers appropriate.

INVESTOR RELATIONS

The Company is committed to maintain effective communications with the shareholders and investors. To this end, the Company maintains an open dialogue with the shareholders and investors through the Company's financial reports, press releases and general meetings that may be convened, as well as making available all the disclosures submitted to the Stock Exchange to provide regular and timely public disclosures on the Company's operating performance and corporate developments.

ABOUT THIS REPORT

This is the Environmental, Social and Governance ("ESG") Report of Build King Holdings Limited. It discloses our performance and initiatives regarding ESG issues and relevant Key Performance Indicators ("KPIs") of different aspects from 1 January to 31 December 2019. The content can be found on pages 55 to 57.

The Group has diverse business operations in Hong Kong and the Greater China region. Owing to the differences in reporting standards across regions and the fact that our main operation remains in Hong Kong, this report mainly covers the business operations of the Group within Hong Kong.

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") sets out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchanges of Hong Kong Limited.

FEEDBACK

For further information regarding our Group and the ESG report, please refer the hyperlinks below:

Corporate Website:
https://www.buildking.hk

ESG Report:
https://www.buildking.hk/eng/sustainability/corporate-responsibility/esg#esg/corporate-governance-report/1

We value your opinion and feedback on our ESG report, and we would like to hear from you on how we could further improve our performance.

Contact information:

Address: Units 601-605A, 6/F.,
Tower B, Manulife Financial Centre,
223 Wai Yip Street, Kwun Tong,
Kowloon, Hong Kong

Email: info@buildking.hk

Environmental, Social and Governance Report

ESG MANAGEMENT APPROACH

Recognizing the worldwide concerns towards sustainable development, our Group is committed to integrating sustainable thinking into every aspects of our business. We believe we can build a better future for our people, environment and community.

Core Values

At Build King, we have three core values, Professionalism, Innovation and Integrity, as the basis of our corporate culture. These values are embedded into every aspect of our business operations. We aim to deliver an integrated range of professional services, cultivate an atmosphere in which innovation and resourcefulness can flourish, and act with the highest levels of integrity so as to fulfill our commitments with honesty and high moral standards.

ESG Policy

We set clear ESG policies to guide our human resources management, occupational health and safety, environmental management, supply chain management, and many others. With these policies set in our Management Manual, we strive to ensure compliance to all laws and regulations, and to show commitment to our people, environment, community and other stakeholders. We review the policies annually and recommendations are made to the Board of Directors for updates.

Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance and has complied with the Corporate Governance Code (the "CG Code") sets out in Appendix 14 of the Listing Rules. The detailed content can be found in the Corporate Governance Report on pages 24 to 38.

ESG MANAGEMENT APPROACH (CONTINUED)

Governance Structure

The Board of Directors and Senior Management are responsible for leading and reviewing the Group's policies and overseeing all strategic direction relating to ESG issues with the assistance from other operating departments including Business Department, Human Resources Department, Procurement Department, Safety & Environment Department and Training & Development Department. Delegated Managers are accountable for the actual implementation of the policies and in turn delegate responsibility and authority to subordinates staff according to their function.

Anti-Corruption

At Build King, we take anti-corruption and avoidance of bribery seriously, viewing these issues as long-term challenges to our sustainability. The Group has complied with all relevant laws and regulations regarding anti-corruption and is committed to the utmost professionalism and transparency.

The 'Code of Conduct', along with the 'Whistle-blowing Policy', is in place to ensure all employees adhere to the Group policies. We also organize seminars regularly on integrity and corruption prevention for our employees. In 2019, a total of 205 employees have attended these seminars. We believe that these measures form a robust system to prevent risks related to corruption across all our operations. During the year under review, no confirmed incident of corruption concerning the Group or its employees was identified.

Stakeholders Engagement

Engaging stakeholders helps us to make better and more informed decisions. We have thus continuously endeavored to deepen the relationship with our key stakeholders through regular meetings, interviews and events to understand their views and concerns.

In 2019, we appointed an independent third-party to facilitate the stakeholder engagement process and conduct materiality assessment of ESG issues. The purpose is to identify and prioritize the material issues that have significant impacts on our stakeholders and our own business operations. In addition, the stakeholders will be invited to conduct the assessment every three years to review and update the ESG issues.

ESG MANAGEMENT APPROACH (CONTINUED)

Materiality Assessment

In addition to the 14 material issues identified in the 2016 materiality assessment, there were seven additional potentially material issues identified in 2019 for reporting and listed as below:

Section in this report	Material Issues	
People	1	Employment
	2	Occupational Safety and Health
	3	Training and Development
	4	Labour Standards
	5	Employee Engagement*
	6	Diversity and Equal Opportunities*
	7	Well-being*
Environment	8	Emissions
	9	Energy
	10	Noise
	11	Effluents and Waste
	12	Water
	13	Materials
	14	Green Building*
	15	Climate Change and Extreme Weather*
Value Chain	16	Supply Chain Management
	17	Anti-corruption
	18	Green Procurement*
	19	Industry Influence*
Community	20	Community Investment
Economic and Compliance	21	Compliance

* *Newly identified material issues in 2019*

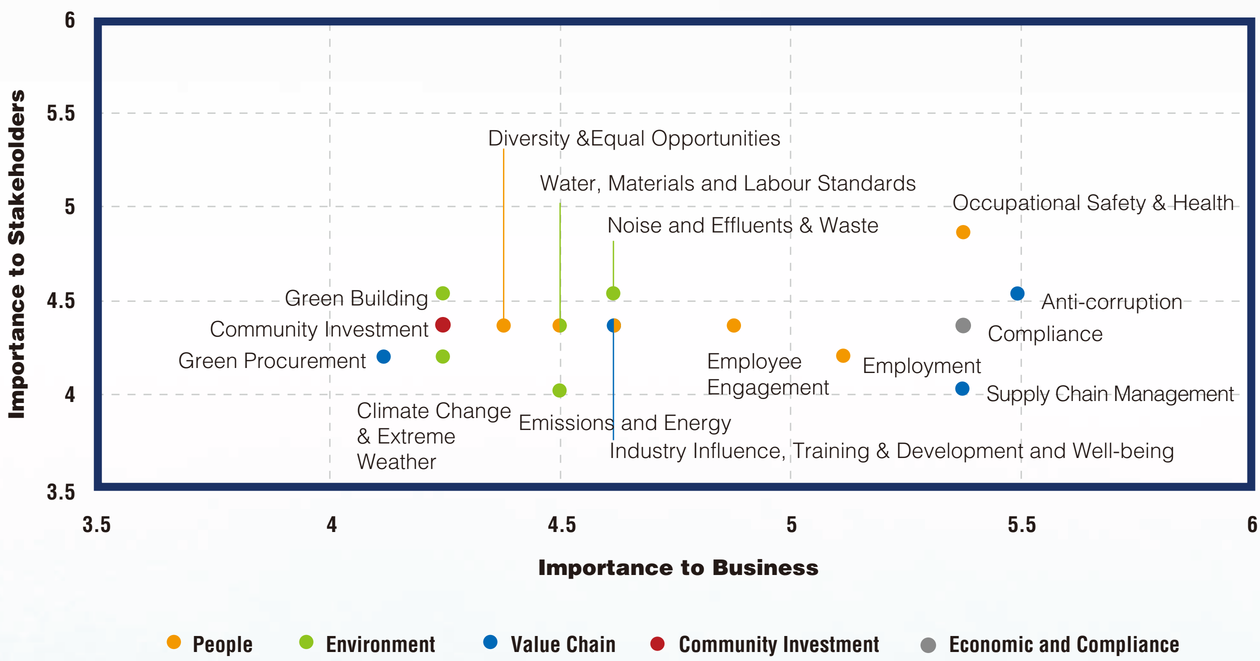
Subsequently, a diverse group of stakeholders including business partners, institute body, investors, employees and community organization were invited to participate in telephone interviews and online survey to prioritize these 21 ESG issues.

ESG MANAGEMENT APPROACH (CONTINUED)

Materiality Assessment (Continued)

Based on the feedback from stakeholders, a materiality matrix was constructed, indicating the aspects that are material to our stakeholders and our Group's business. This assessment helped to shape the content of this report and the resources we plan to focus on going forward. In this report, we disclose the performance of these material aspects in four main sections including People, Environment, Value Chain and Community.

ESG issues Materiality Matrix



According to the result of the telephone interviews and online surveys, we understand that it is difficult to satisfy all the expectations from our stakeholders. Notwithstanding, their valuable feedback and suggestions enabled us to formulate a more focused strategies on our performance, which in turn facilitate our sustainability performance.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE

Employees are our most valuable asset. We strive to create a safe and healthy workplace, providing career prospects, personal development and learning opportunities, attractive incentives, and are committed to retaining our best talent for the sustainable growth of the Group.

The Group recognizes human capital as one of our most important assets. Having an inclusive, engaged and skilled workforce is critical to our success. By upholding fair employment practices and growing the capabilities of our workforce, we aim to create a work culture that can motivate and empower every employee to be innovative and professional.

We respect the fundamental rights of our employees and are committed to building an equal, diverse and inclusive working environment, and providing equal opportunities in all aspects of employment regardless of gender, race, ethnic origin, marital status, education or disabilities. In 2019, there was no known report of any incidence of discrimination by our employees in the Group.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (CONTINUED)

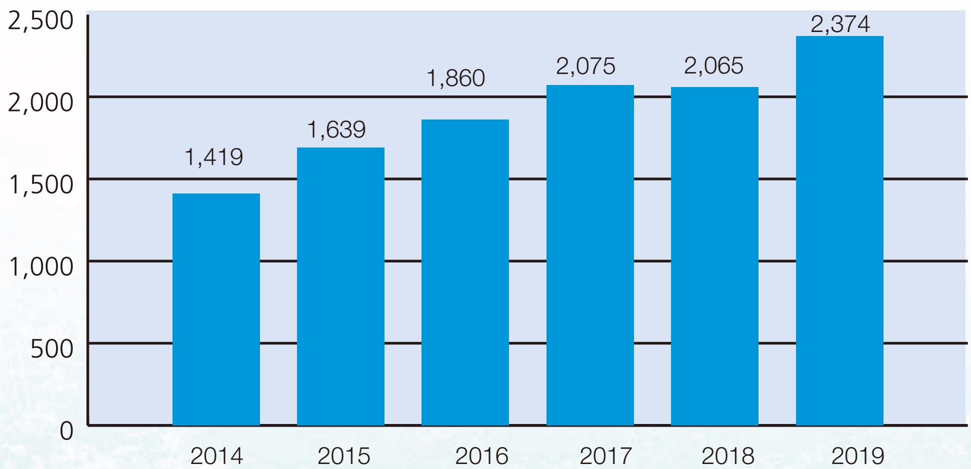
The Group has complied with regional legislative regulations regarding labor standards. We prohibit child, forced or compulsory labor in any of our operations. We extended these requirements to our supply chain to ensure they adhere to all legal standards as well. Self-audit and ad-hoc assessments are conducted regularly to review the employment practices and to detect and rectify any control deficiencies. In 2019, no operation was identified as having significant risk of child or forced labor.

Furthermore, the Group respects employee's legal rights of privacy when collecting, storing, using and transmitting personal data, in compliance with the requirements of the Personal Data (Privacy) Ordinance (Cap. 486) of the Laws of the Hong Kong Special Administrative Region. The Group requires all staff to comply the strictest standards of data security and confidentiality.

Employees Composition

The total number of employees has reached 2,374 in 2019, an increase of around 15% compared to previous year.

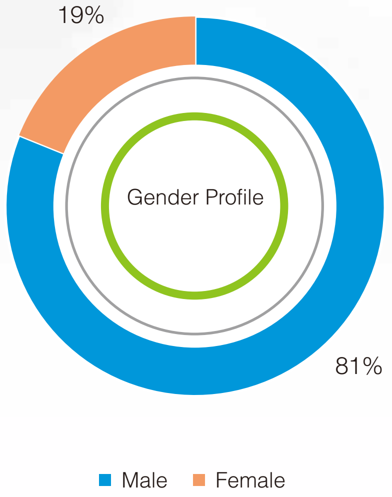
Total Workforce

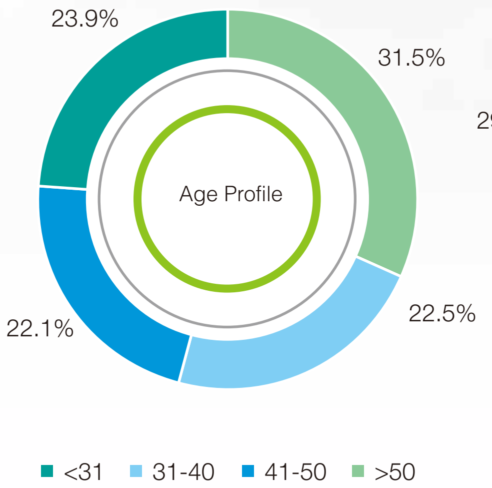


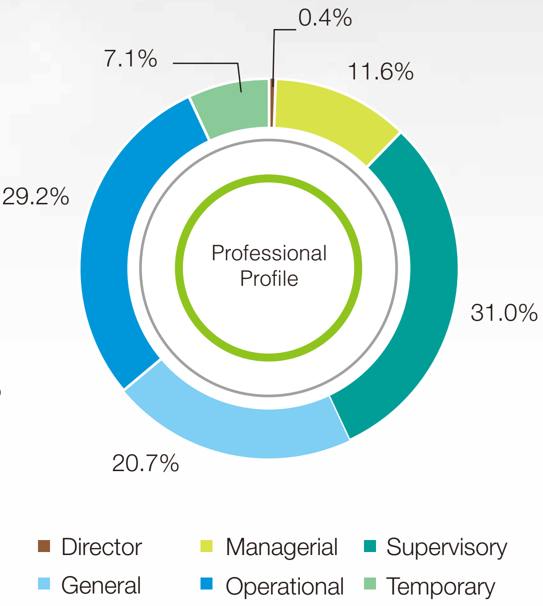
The majority of our new hires are in Hong Kong, representing 99% of total new employees, while the rest are employed in other regions. Gender diversity is a particular challenge in construction industry. In 2019, 19% of our total workforces are female and 81% are male. The workforce is evenly distributed among all age groups.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (CONTINUED)

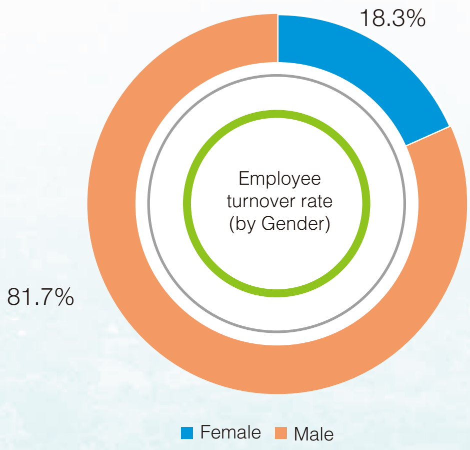
Employees Composition (Continued)

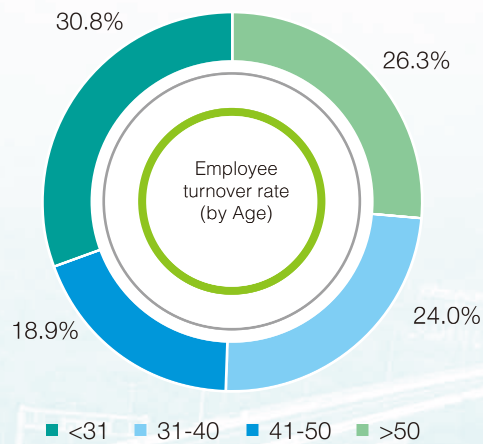






Furthermore, the turnover rate of employees was mainly focus on the age below 31 years old in 2019.





Employee Engagement

The Group values our employees' views and maintains ongoing communication with them through various channels, including intranet communication platform, regular department meetings, employee newsletters, seminars and workshops. We believe these channels could open the dialogues with our employees, and could collect feedback and exchange views on Group issues.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (CONTINUED)

Diversity and Equal Opportunities

Our workforce comprises talents of different nationalities with a diverse range of expertise and background. We embrace and treasure the differences of our employees and value their energy and innovative ideas generated and bought to our operation. On the other hand, our Group would ensure fair employment practices and offer equal employment opportunities to recruit, promote and assign employees based on their skillset, abilities and how they fit the job requirements and future development of our businesses.

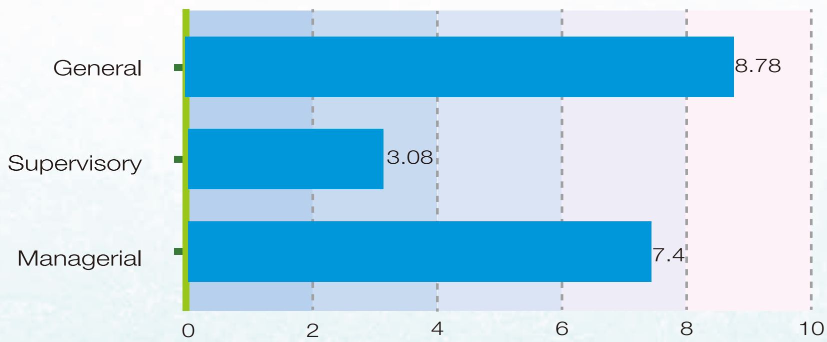
Well-being

The Group cares about the well-being of our employees, and is dedicated to provide employees with healthy and safe working environment. In 2019, the Group has been awarded the Certificate of Good Employer by Labour Department.

The Group abides by the requirements of the Employment Ordinance to ensure reasonable working hours and rest days are arranged for our employees. Besides, we promote work-life balance and provides a range of paid leave entitlements to employees. To foster a family friendly culture and to allow our staff to spend more time with their newborn babies, we have extended the maternity leave benefit from 10 weeks to 14 weeks and paternity leave benefit from three days to five days in 2019. Furthermore, the Group has organized a number of sport activities and social events in 2019, such as basketball, dragon boat, soccer events and annual gatherings to promote employee's physical fitness and healthy lifestyle.

Training and Development

2019 Average Training Hours
(by professional profile)



The Group continues to nurture employees at all levels by providing opportunities to strengthen their job-related professional skills, managerial, supervisory and personal development skills. Besides providing in-house classroom and e-learning training programs, the Group has also organized and sponsored external courses. This year, we have strengthened our Apprentices Training Scheme by implementing mentorship scheme to all apprentices. A total of four superintendents have been invited to become mentors to share their experience and provide guidance on personal growth and development to the Apprentices. A performance appraisal panel is also introduced to review and give feedback to their performance in order to motivate for better work results.

To continue the journey of total quality management, the "Construction Plus" campaign was introduced in 2019. Different teams have raised various innovative initiatives such as modular construction approach, digitization of site management, automation system on people counting etc., to enhance quality and efficiency at work.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (CONTINUED)

Training and Development (Continued)

The Group also puts emphasis on professional and ethical skills development. Total 16 senior management staff have achieved NEC Project Management Accreditation since 2019, after attending a 4-day intensive training.

The Anti-Discrimination Ordinances training has been organized regularly, more than 100 supervisory and managerial staff have attended. Besides, the ICAC training workshops have been organized quarterly and on needs basis for all levels of staff. In total, there were six ICAC workshops conducted in 2019 and 205 employees have attended.

To facilitate the Group's development, supervising staff were provided with a self-leadership assessment profile with individual coaching session to assist them to formulate their self-development plans. Three management workshops have been organized to enhance teamwork and set up strategic action plans for short and long term business development.

The Graduate Engineer Training Scheme was closely monitored to meet the institutions' requirements, at the same time to provide appropriate opportunities to our Graduate Engineers to broaden their technical engineering experience. Various professional assessment preparation workshops including presentation skills and mock presentations were also delivered to Graduate Engineers for their preparation of chartership.

Safety and Health Policy

Safety and health consideration is always the top priority of our operation over all other matters. Recognizing the inherent risks in our daily operations, we are committed to implement and achieve the highest practical standard of Safe Management System (SMS), and to provide a healthy and safe working environment to our employees, sub-contractors, clients, public and other stakeholders who may be affected by our operations.

The Group will ensure a safety and health working environment is available to all levels of employees by providing good housekeeping workplaces, safety equipment, protective measures, welfare facilities, and all relevant information, instruction, training and supervision. Promotion and development of safety and health in the workplace will take place through induction, discussion, training and consultation with representatives of all levels of employees and subcontractors.

To carry out the functions of implementing and reviewing measures of SMS and related policies, the Management Safety Committee composed of top management and project-in-charges has been set up. Relevant responsibilities and authorities are allocated from the committee to all staff according to their functions.

To achieve continuous improvements of our safety performance, we adopt a risk-based control approach to ensure all working procedures are compliance to laws, regulations and risk assessment. In 2019, the Group recorded an accident frequency rate of 0.10 per 100,000 man-hours worked, against the target rate of 0.23.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (CONTINUED)

Control Mechanisms

The Group has implemented and maintained various safety control mechanisms in order to effectively monitor, prevent, reduce or remove the risks associated with site work employees and sub-contractors.

In addition to the routine site safety inspection conducted by the respective site safety personnel, the Group has introduced different safety inspection programs on corporate level. The Cross Discipline Safety Visit by respective divisional Directors, followed by a sharing session by respective person-in-charge to share the findings and recommendations during the visit, has provided a platform for exchanging new safety initiatives among different sites; while the Cross Site Safety & Environment Assessment carried out by the Senior S&E Officers could widen their scope of safety knowledge, and hence continual improvement of safety performance of the Group could be achieved.

Safety Innovation

We believe that the safety conditions at construction sites could be improved through innovative technologies and initiatives. Therefore, the Groups has invested resources in new initiatives to uplift the site performance. In 2019, we have established an innovative mobile app "SIMple" which is a tailor-made app that digitalize various site management records including site safety inspection. With its user-friendly interfaces and efficiency button features, the site records keeping has been strengthen, which leads to efficient work processes, better analysis of data and thus improve the safety standard and achieve better quality of work.

Foster Safety Culture

We strive to ensure our employees stay vigilant on OHS through comprehensive communication and training. To inculcate a positive safety culture and uplift the awareness of our employees, we have deployed resources in regular safety and health promotional activities, and have actively participated in safety campaigns and competitions organized by difference organizations to crave for a mutual growth with other stakeholders.

Heat Stress Prevention Campaign 2019

We reckon the risk of heat stroke of our construction workers and site staff as they are working for long hours in hot environment, especially if appropriate preventive measures have not been taken. With the aim to raise the safety awareness of and provide more information to site personnel regarding the potential risks of hot weather, we have organized the Heat Stress Prevention Campaign 2019. Through safety training, regular blood pressure checking and distribution of heat stress related materials etc., there was no serious heat stress case in 2019 summer.

BUILDING TOWARDS A BETTER ENVIRONMENT

Climate change is an important issue of global concern. In order to minimize the impact on global warming, the Group is committed to provide information, training and resource to preserve the natural resources, and to achieve the goal of sustainability.

Environmental Policy is a framework for setting the Group's environmental objectives and it will be periodically reviewed and updated. The Group is committed to provide professional engineering services in construction complying with all relevant environmental legislations in order to minimize the nuisance to the public. On top of providing information, training and resources for sustainable development, we will also ensure all employees and subcontractors are managing their work in compliance with the Policy and environmental legislations.

In order to identify the potential environmental issues during construction process at early stage, we will complete the Environmental Aspect Evaluation Form prior project commencement. Environmental aspects at various construction stages including design, tender, procurement, transportation and construction etc. will be considered for implementing the mitigation measures. Moreover, we will invite external auditors to conduct ISO audit annually to ensure the construction activities have complied with environmental management system ISO 14001:2015.

Pollution Abatement

In view of the variety of our projects, each project was required to develop the project-specific Environmental Management Plan ("EMP"). Supervising by the project management team, the EMP covers the mitigation measures to manage and control on-site environmental impacts, including, but not limited to air quality, noise and water quality impacts.

To enhance the environmental awareness of frontline staff, they are required to attend induction training which covers the introduction of Group's environmental targets and relevant legislation. Toolbox talk was also provided to remind them the corresponding environmental mitigation measures for various procedures. Besides, the environmental management team would conduct weekly site inspection to ensure that the environmental measures have been implemented as planned. If non-compliance is found, remedial action will be arranged immediately and findings will be raised in subsequent environmental management meetings to alarm the management and frontline staff.

BUILDING TOWARDS A BETTER ENVIRONMENT (CONTINUED)

Air Quality Management

We have adopted a smart four-in-one sprinkler facility, which will determine the frequency of automatic sprinkles subject to the ambient temperature, humidity and weather, so as to carry out dust reduction measures more effectively.

Noise Management

For those construction sites adjacent to seacoast, floating breakwaters were used to reduce the noise impact of wave forces on temporary steel cofferdam and also the nuisance to nearby residents.

Effluent and Water Management

In 2019, the Group implemented an innovated water-cooled air-conditioning system, which make use of rain water or waste water for water-cooled instead of using the traditional wind or cooling water. This technology can be prefabricated, and the electricity consumption has been reduced by 15%.

Chemical Waste Management

During the construction period, we have kept all disposal records of chemical used as a measure to monitor the chemical waste generated.

In addition, the solar panel was set up at some projects for lighting to replace battery with the aims to reduce chemical wastes.

Green Building

In order to minimize the generation of construction wastage and to preserve natural resources, the Group has adopted the innovative construction method of Modular Integrated Construction (MiC). With this method, integrated modules are manufactured and assembled in a factory. By transferring on-site construction processes to a controlled factory environment, building components can be substantially completed off-site. Thus, the adverse impacts of dust, noise, wastewater and waste constraints could be substantially reduced. The nuisance of construction activities to sensitive receivers can also be minimized and the productivity and sustainability can be improved.

Energy Efficiency

In order to utilize the renewable energy, solar panels were installed at the roof of site office to generate electricity by solar energy. The system was also connected to the power grid of power supply company to supply other needs. In addition, the solar energy was utilized as power sockets for charging of portable hand equipment for frontline workers.

BUILDING TOWARDS A BETTER ENVIRONMENT (CONTINUED)

Carbon Reduction

We strive to minimize the usage of resources and aim to integrate sustainable development concepts into every part of our operation. Due to the huge demand of machineries in construction sites, we have chosen machineries that meet the requirements of The Air Pollution (Non-road Mobile Machinery) (Emission) Regulation to reduce the total emissions of pollutants. To further eliminate the problem of air pollution, a renewable energy biodiesel was used as a mechanical fuel to reduce the emission of air pollutants into the atmosphere.

Sustainable Use of Resources and Waste Management

To reduce the waste disposal rate at our sites, we do not only active in recycling works, but also make use of the food waste which converted into organic fertilizer by food waste machines for site greenery, and make environmental friendly bricks for main access and temporary slope protection.

Besides, we have set up waste targets and encourage participation from colleagues. The table below demonstrates how we integrate our resources and waste management system into our project life cycle.

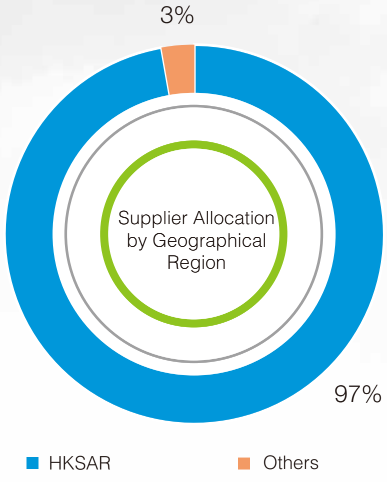
Project Cycle	Actions Taken
Design and Planning Stage	• Accurately estimate the construction material need by using software and detailed calculation • Review conforming design provided by clients, seek opportunities for cost saving and alternative design • Identification of alternative disposal ground • Fully utilization of treated contaminated soil and reuse on-site
Construction Stage	• Select reuse or salvaged materials • Utilize surplus materials where possible • Transform excavated rock materials into aggregates • Consider environmentally preferable materials, i.e., sustainable timber certified by FSC or AFPA • Properly design site layout and logistics plan, identify suitable storage area to avoid systematic disposal • Cross site materials transfer to avoid unnecessary disposal • Properly control and handle all chemical wastes in all stages of storage, collection, transportation and disposal

MANAGING OUR SUPPLY CHAIN

We recognized the management of our suppliers and sub-contractors play an important role in the development and ongoing success of our business. To secure the delivery of excellent projects for our clients, we make our efforts to ensuring our supply chain's responsibility and their high-standard services.

The Group's supply chain network involves 1,623 suppliers which are located in Hong Kong. The way we collaborate with them has a significant impact on our sustainability performance.

In view of this, we have introduced our sustainability policy to our suppliers and sub-contractors through the conditions we set out in the contract statements and required them to strictly follow the guidelines. Sub-contractors and suppliers are evaluated every six months and will be disqualified and removed from the selection list if any non-compliance is observed.



Selection Criteria

Our goal is to build a responsible and sustainable supply chain and in turn reduce risks for the Group and our clients. We set clear Group procedures and standing instructions in selecting our suppliers and sub-contractors. Prior to any procurement and subletting, performance assessments are conducted on potential suppliers and subcontractors on a competitive basis. The assessment criteria include assurance of stable supply, quality and cost, etc. We also select and work with these meeting standards of ethical conduct, human rights, health and safety, environmental management and green procurement.

Management Approach

To cope with the uniqueness of different projects, each project is required to develop a project-based Sub-contractor Management Plan to detail the measures and strategies in managing our sub-contractors.

We make sure that our suppliers and sub-contractors have sufficient knowledge of our core values and comply with our ESG governance policies as well as relevant requirement i.e. ISO 9001:2015 Quality Management System. We provide technical assistance and supervision to suppliers for quality assurance and educate them with anti-corruption terms. Meanwhile, we encourage feedback from our suppliers and sub-contractors, which may help us in understanding their needs and facilitate us in formulating the future policy.

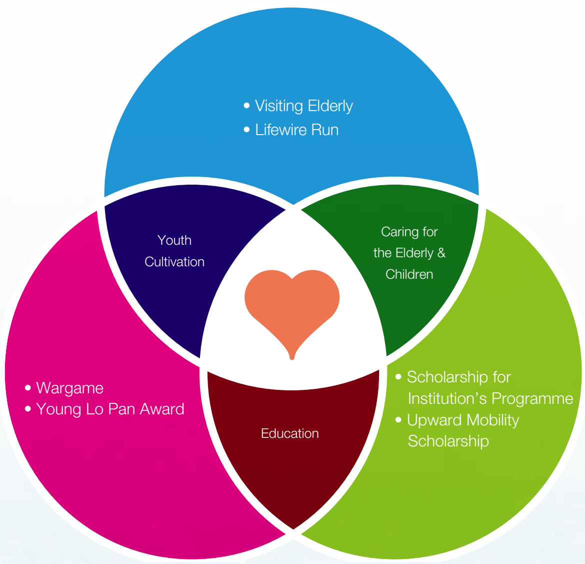
CARING FOR OUR COMMUNITY

We believe mixing business and ethics towards sustainability will help us to achieve balance between social responsibility and corporate profitability. With a strong sense of reciprocating to the community, we consider it is our responsibility to serve the society.

Corporate Social Responsibility Policy

Our long-term success is built upon commitment with integrity and responsibility towards our stakeholders and the local communities. Witnessing and actively involved in the infrastructure development of Hong Kong, we are committed to ensuring that our business is conducted according to rigorous ethical and legal standards. We have been continuously investing our best efforts to promote long term community voluntary works to spread the spirit of 'caring for the community' among staff families, and to promote the positive value of self-commitment, building towards a harmonious community.

We strive to be a good corporate citizen where we operate, by means of working in partnership with local communities and contributing resources to charity works and educational opportunities. We mainly contributed in three areas including Youth Cultivation, Education and Caring for the Elderly and Children.



Youth Cultivation

Youth Club – Wargame

To encourage our young engineers to expand their network, we have sponsored them to join the Joint Company – Wargame in which they had to learn how to build trust and communicate with others.

CARING FOR OUR COMMUNITY (CONTINUED)

Youth Cultivation (Continued)

Young Lo Pan Award

We nurture young engineers to be the future leaders in construction industry. We sponsored this award to appreciate their talents and outstanding performance dedication in the construction industry.

Scholarship

Scholarship for Institution's Programme

In 2019, Build King set up a "Build King Scholarship" in THEi, aimed to instill a sense of mission among students to pursue their career in construction industry and to recognize their academic performance.

Upward Mobility Scholarship

To provide a better learning environment and learning opportunities for the less privileged students from secondary schools, special schools and vocational training schools, we continued to sponsor this Scholarship in 2019. We hope the students could develop their full potential without being constrained by their present socio-economic status.

Caring for the Elderly & Children

Workshops and Day tour with Elderly of Po Leung Kuk Elderly Centre

Caring for the elderly, especially those with the mental and health problems, has become an increasing concerned issue in Hong Kong. To build a warm environment and to provide assistance to the elderly in need, we have established a long-term partnership with Po Leung Kuk Elderly Centre.

The day tour event jointly organized with Po Leung Kuk Elderly Centre aims to encourage the elderly to engage more with the society and enjoy their retirement lives. Besides, our volunteers would regularly send gifts, prepare delicious food and organize different activities, e.g. workshops, Christmas Party for the elderly to honor our commitment for caring for the community.

Lifewire Run

We care for the children requiring medical attention and treatments. In 2019, we sponsored the charity event – Lifewire Run. Through this event, we could raise funds for children and families with rare diseases and encourage our staff to stay positive in spite of setbacks.

PERFORMANCE DATA SUMMARY 2019

	Environment	2019	2018
Environment	***Total Resources Consumption***		
	Electricity (kWh)	**9,825,367.20**	11,665,778.00
	Petrol (litres)	**2,727,487.03**	401,721.39
	Diesel (litres)	**15,343,199.21**	10,590,177.62
	Water (m^3)	**547,041.45**	644,340.15
	Types of emissions		
	NOx emissions (g)	**37,630,358.06**	30,762,017.54
	PM emissions (g)	**3,748,852.91**	2,280,286.13
	SOx emissions (g)	**287,119.57**	176,407.16
	Greenhouse Gases Emissions		
	Total emissions (tCO_2e)	**48,485.87**	37.874.26
	Scope I (tCO_2e)	**40,152.18**	27,714.76
	Scope II (tCO_2e)	**6,358.65**	7,733.44
	Scope III (tCO_2e)	**1,975.04**	2,426.06
	Waste		
	Hazardous waste (tonnes)	**16.42**	15.06
	Non-hazardous waste (tonnes)	**146,811.40**	1,774,858
	Paper		
	Paper Consumption (tonnes)	**411.47**	413.39
	Paper Recycled (tonnes)	**23.07**	18.58
	Intensity		
	Hazardous waste	**4.11**	–
	Non-hazardous waste	**4,194.61**	–
	Energy consumption	**265,550.46**	–
	Water consumption	**16,089.45**	–

PERFORMANCE DATA SUMMARY 2019 (CONTINUED)

	Employment	2019	2018
Social	***Total Workforce***		
	by Age		
	<31	**567**	537
	31-40	**534**	458
	41-50	**526**	417
	>50	**747**	653
	by Gender		
	Male	**1,928**	1,698
	Female	**446**	367
	by Professional Profile		
	Director	**10**	10
	Managerial	**276**	245
	Supervisory	**735**	625
	General	**492**	452
	Operational	**693**	622
	Temporary	**168**	111
	by Employment type		
	Full time	**2,373**	–
	Part time	**1**	–
	by region		
	Hong Kong	**2,318**	–
	PRC	**55**	–
	UAE	**1**	–
	Employee Turnover		
	by Age		
	<31	**158**	174
	31-40	**123**	130
	41-50	**97**	124
	>50	**135**	138

PERFORMANCE DATA SUMMARY 2019 (CONTINUED)

Employment (Continued)	2019	2018
Employee Turnover (Continued)		
by Gender		
Male	**415**	459
Female	**98**	107
by Region		
Hong Kong	**507**	560
PRC	**6**	6
Occupational Health and Safety		
Work-related injuries	**22**	28
Accident Frequency Rate (per 100,000 man-hours)	**0.10**	0.20
Accident Frequency Rate (per 1,000 workers)	**3.52**	6.76
Training and Development		
Average Training Hours	**5.69**	5.78
Percentage of Employees Trained		
by Gender		
Male	**44.6%**	42.4%
Female	**46.8%**	50.0%
by Professional Profile		
Managerial	**63.5%**	69.2%
Supervisory	**33.1%**	35.3%
General	**46.0%**	40.3%
Average Training hours Completed per Employee		
by Gender		
Male	**5.62**	5.89
Female	**6.02**	5.15
by Category		
Managerial	**7.40**	9.49
Supervisory	**3.08**	2.84
General	**8.78**	7.94

HKEX ESG CONTENT INDEX

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
A. Environmental		
Aspect A1	**Emissions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment
KPI A1.1	The types of emissions and respective emissions data.	Environment – Pollution Abatement
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Performance Data Summary 2019
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Performance Data Summary 2019
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Performance Data Summary 2019
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environment – Carbon Reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environment – Sustainable Use of Resources and Waste Management
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Environment – Energy Efficiency
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Performance Data Summary 2019
KPI A2.2	Water consumption in total and intensity.	Performance Data Summary 2019
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environment – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environment – Effluent and Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable

HKEX ESG CONTENT INDEX (CONTINUED)

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimizing the issuers' significant impact on the environment and natural resources.	Environment – Sustainable Use of Resources and Waste Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment – Sustainable Use of Resources and Waste Management
B. Social		
Aspect B1	**Employment and Labor Practices**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	People – Our Workforce; Performance Data Summary 2019
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary 2019
Aspect B2	**Health and safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People – Occupational Health & Safety
KPI B2.1	Number and rate of work-related fatalities.	Performance Data Summary 2019
KPI B2.2	Lost days due to work injury.	Performance Data Summary 2019
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	People – Occupational Health & Safety

HKEX ESG CONTENT INDEX (CONTINUED)

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
Aspect B3	**Development and training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category.	People – Training and Development; Performance Data Summary 2019
KPI B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary 2019
Aspect B4	**Labour standards**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	People
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	People
Aspect B5	**Supply chain management**	
General disclosure	Policies on managing environmental and social risks of the supply chain.	Value Chain – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Value Chain – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Value Chain – Supply Chain Management

HKEX ESG CONTENT INDEX (Continued)

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
Aspect B6	**Product responsibility**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	ESG Management Approach and Supply Chain Management
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not Applicable
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not Applicable
KPI B6.4	Description of quality assurance process and recall procedures.	Not Applicable
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Not Applicable
Aspect B7	**Anti-Corruption**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	ESG Management Approach– Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	ESG Management Approach– Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	ESG Management Approach– Anti-corruption
Aspect B8	**Community investment**	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community – Corporate Social Responsibility Policy
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community

Deloitte. 德勤

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Build King Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 68 to 158, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED (Continued)
(incorporated in Bermuda with limited liability)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from construction works	
We identified the revenue recognition from construction works as a key audit matter as it is significant to the consolidated statement of profit or loss and management's estimations are required in determining the progress towards complete satisfaction of the performance obligation and the amount of contract revenue recognised. Most construction works take several years to complete and the scope of work may change during the construction period. Management estimate the revenue and budgeted costs at the commencement of the construction contracts and regularly assess the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. As set out in note 4 to the consolidated financial statements, the management measure the value of completed construction work based on output method, which is to recognise revenue on the basis of direct measurement of the value of construction work transferred to the customer to date relative to the remaining construction works promised to be completed under the construction contract. The Group regularly reviews and revises the estimation of contract revenue prepared for each construction contract as the contract progresses based on the internal construction progress reports and the certification issued by the independent quantity surveyors. As disclosed in note 5 to the consolidated financial statements, the revenue recognised from construction works was HK$7,538,870,000, which represents 99.6% of total revenue of the Group.	Our procedures in relation to the recognition of revenue from construction works included: • Testing and evaluating the effectiveness of the key internal controls in place on budget preparation and revenue recognition on the construction contracts; • Evaluating the basis in determining total revenue and expected total costs and checking to the construction contracts and related budgets, on a sample basis; • Checking to the Group's latest internal construction progress reports to verify the value of construction work completed and by tracing to the latest certificates issued by the independent quantity surveyors before and after year end, on a sample basis; • Assessing the management's estimate of the impact to revenue arising from scope changes made to the original contracts, claims and disputes with reference to supporting documents including variation orders and correspondence among the Group and customers, on a sample basis; • Checking construction costs incurred during the year by tracing to supporting documents, on a sample basis; and • Assessing the reliability of the approved budgets by comparing the actual outcome against the management's estimation of completed construction contracts, on a sample basis.

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED (Continued)
(incorporated in Bermuda with limited liability)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and contract assets	
We identified the expected credit loss ("ECL") of trade receivables and contract assets as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole, combined with the significant degree of estimations by the management of the Group in estimation of ECL of trade receivables and contract assets which may affect their carrying values. As disclosed in note 4 to the consolidated financial statements, the management assess the ECL of trade receivables and contract assets based on the historical default rates, past-due status and financial capability of the individual debtors and the forward-looking information. As disclosed in notes 24 and 25 to the consolidated financial statements, trade receivables and contract assets of the Group carried at HK$239,506,000 and HK$2,135,584,000, respectively, which represents 4.5% and 40.5% of the Group's total assets, respectively.	Our procedures in relation to the recoverability of trade receivables and contract assets included: • Obtaining an understanding of how the management assess the ECL of trade receivables and contract assets individually; • Obtaining the ageing and breakdown of trade receivables and contract assets, reviewing their history of repayment and the managements' assessment on the financial capability of the debtors and forward-looking information used; and • Discussing with the project managers for their evaluation of the impact of disputes with customers and unforeseen delay of construction projects, if any, on the recoverability of trade receivables and contract assets and checking to relevant correspondences and documents to assess the reasonableness of project managers' evaluation.

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED (Continued)
(incorporated in Bermuda with limited liability)

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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.

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED (Continued)
(incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

We communicate with those charged with governance 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.

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED (Continued)
(incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

From the matters communicated with those charged with governance, 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 the independent auditor's report is Wong Wang Hei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue from services	5	**7,568,461**	6,305,348
Cost of sales		**(6,832,633)**	(5,451,546)
Gross profit		**735,828**	853,802
Investments and other income	7	**26,244**	16,189
(Decrease) increase in fair value of financial assets at fair value through profit or loss ("FVTPL")		**(12,473)**	1,371
Administrative expenses		**(375,433)**	(333,138)
Finance costs	8	**(18,778)**	(20,467)
Share of results of joint ventures		**22,351**	16,319
Share of results of associates		**(1,941)**	(1,190)
Profit before tax	9	**375,798**	532,886
Income tax expense	12	**(78,153)**	(119,128)
Profit for the year		**297,645**	413,758
Profit for the year attributable to:			
Owners of the Company		**296,419**	412,188
Non-controlling interests		**1,226**	1,570
		297,645	413,758
		HK cents	HK cents
Earnings per share	14		
– Basic		**23.9**	33.2

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019	2018
	HK$'000	HK$'000
Profit for the year	**297,645**	413,758
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(3,358)**	(7,244)
Share of reserves of joint ventures	**2**	181
Total comprehensive income for the year	**294,289**	406,695
Total comprehensive income attributable to:		
Owners of the Company	**293,052**	405,351
Non-controlling interests	**1,237**	1,344
	294,289	406,695

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**195,275**	219,922
Right-of-use assets	16	**30,036**	–
Intangible assets	17	**108,293**	59,958
Goodwill	18	**30,554**	30,554
Interests in joint ventures	20	**151,003**	151,926
Interests in associates	21	**5,663**	7,245
Other financial asset at amortised cost	22	**36,144**	38,654
Debtors, deposits and prepayments	24	**55,875**	–
		612,843	508,259
Current assets			
Inventories	23	**33,452**	58,146
Debtors, deposits and prepayments	24	**414,909**	371,043
Contract assets	25	**2,135,584**	1,672,750
Amounts due from associates	26	**8,050**	7,699
Amounts due from other partners of joint operations	26	**176,910**	212,994
Loans to a joint venture	27	**–**	22,020
Financial assets at FVTPL	28	**56,555**	54,623
Tax recoverable		**2,295**	9,415
Pledged bank deposits	29	**64,170**	2,336
Time deposits with original maturity of not less than three months	29	**76,782**	284,400
Bank balances and cash	29	**1,687,720**	1,092,545
		4,656,427	3,787,971
Current liabilities			
Creditors and accrued charges	30	**2,661,608**	2,194,569
Contract liabilities	31	**779,716**	566,355
Lease liabilities	32	**20,839**	–
Amount due to an intermediate holding company	33	**15,652**	18,891
Amounts due to fellow subsidiaries	33	**7,070**	8,839
Amount due to a joint venture	33	**1,142**	1,142
Amounts due to other partners of joint operations	33	**2,152**	2,691
Amounts due to non-controlling interests	33	**3,094**	3,094
Amount due to an associate	34	**18,791**	17,686
Tax payable		**174,922**	128,170
Bank loans – due within one year	35	**238,781**	253,400
Bonds	39	**115,829**	–
		4,039,596	3,194,837
Net current assets		**616,831**	593,134
Total assets less current liabilities		**1,229,674**	1,101,393

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
Capital and reserves			
Ordinary share capital	36	**124,188**	124,188
Reserves		**1,054,097**	816,446
Equity attributable to owners of the Company		**1,178,285**	940,634
Non-controlling interests		**6,649**	3,951
Total equity		**1,184,934**	944,585
Non-current liabilities			
Deferred tax liabilities	38	**5,750**	5,750
Obligations in excess of interests in joint ventures	20	**27**	4,853
Obligations in excess of interests in associates	21	**14,153**	13,794
Amount due to an associate	34	**2,712**	3,192
Lease liabilities	32	**8,189**	–
Bonds	39	**13,909**	129,219
		44,740	156,808
		1,229,674	1,101,393

The consolidated financial statements on pages 68 to 158 were approved and authorised for issue by the Board of Directors on 23 March 2020 and are signed on its behalf by:

Zen Wei Peu, Derek
Chairman

Chang Kam Chuen, Desmond
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Ordinary share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note a)	Special reserve HK$'000 (Note b)	Asset revaluation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	124,188	14,186	11,121	(943)	(63,141)	4,290	482,838	572,539	2,607	575,146
Profit for the year	–	–	–	–	–	–	412,188	412,188	1,570	413,758
Exchange differences arising on translation of foreign operations	–	–	(7,018)	–	–	–	–	(7,018)	(226)	(7,244)
Share of reserves of joint ventures	–	–	181	–	–	–	–	181	–	181
Total comprehensive (expense) income for the year	–	–	(6,837)	–	–	–	412,188	405,351	1,344	406,695
Dividend paid	–	–	–	–	–	–	(37,256)	(37,256)	–	(37,256)
At 1 January 2019	**124,188**	**14,186**	**4,284**	**(943)**	**(63,141)**	**4,290**	**857,770**	**940,634**	**3,951**	**944,585**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**296,419**	**296,419**	**1,226**	**297,645**
Exchange differences arising on translation of foreign operations	**–**	**–**	**(3,369)**	**–**	**–**	**–**	**–**	**(3,369)**	**11**	**(3,358)**
Share of reserves of joint ventures	**–**	**–**	**2**	**–**	**–**	**–**	**–**	**2**	**–**	**2**
Total comprehensive (expense) income for the year	**–**	**–**	**(3,367)**	**–**	**–**	**–**	**296,419**	**293,052**	**1,237**	**294,289**
Acquisition of additional interests in a subsidiary (note 49)	**–**	**–**	**–**	**(758)**	**–**	**–**	**–**	**(758)**	**458**	**(300)**
Acquisition of subsidiaries (note 48)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,499**	**5,499**
Disposal of partial interest in a subsidiary without losing control	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Allotment of shares to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6**	**6**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,500)**	**(4,500)**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(54,643)**	**(54,643)**	**–**	**(54,643)**
At 31 December 2019	**124,188**	**14,186**	**917**	**(1,701)**	**(63,141)**	**4,290**	**1,099,546**	**1,178,285**	**6,649**	**1,184,934**

Notes:

a. The other reserve represents the excess of the consideration paid over the additional interests in net assets of respective acquired subsidiaries.

b. The special reserve represents adjustment in share capital on the reverse acquisition of the Company in 2004.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Profit before tax	**375,798**	532,886
Adjustments for:		
Finance costs	**18,778**	20,467
Amortisation of intangible assets	**1,797**	1,385
Depreciation of property, plant and equipment	**107,249**	188,695
Depreciation of right-of-use assets	**22,286**	–
Share of results of joint ventures	**(22,351)**	(16,319)
Share of results of associates	**1,941**	1,190
Loss (gain) on disposal of property, plant and equipment	**1,949**	(327)
Decrease (increase) in fair value of financial assets at FVTPL	**12,473**	(1,371)
Impairment loss recognised on amount due from other partner of a joint operation	**27,315**	–
Dividends from financial assets at FVTPL	**(3,678)**	(3,349)
Interest on bank deposits	**(15,945)**	(5,230)
Interest on other receivable	**(1,460)**	(247)
Interest on other financial asset at amortised cost	**(975)**	(1,043)
Interest on loans to a joint venture	**(2,361)**	–
Gain on bargain purchase arising from acquisition	**(368)**	–
Gain on disposal of partial interest in a subsidiary	**(2)**	–
Impairment loss recognised on goodwill	**924**	–
Operating cash flows before movements in working capital	**523,370**	716,737
Decrease in other financial asset at amortised cost	**2,510**	4,255
Decrease (increase) in inventories	**25,101**	(20,082)
Decrease in amounts due from fellow subsidiaries	**–**	9,988
Increase in debtors, deposits and prepayments	**(8,126)**	(30,449)
Increase in contract assets	**(458,229)**	(330,094)
Increase in financial assets at FVTPL	**(14,405)**	(7,833)
Increase in creditors and accrued charges	**412,433**	187,106
Increase in contract liabilities	**103,995**	156,302
Decrease in amounts due to fellow subsidiaries	**(1,769)**	–
Cash generated from operations	**584,880**	685,930
Interest on other financial asset at amortised cost received	**975**	1,043
Interest on bank deposits received	**15,945**	3,250
Interest on loans to a joint venture received	**2,361**	–
Income taxes paid	**(19,774)**	(37,303)
Net cash from operating activities	**584,387**	652,920

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Investing activities			
Interest on other receivable received		**197**	9
Purchases of property, plant and equipment		**(73,702)**	(23,367)
Repayments from (advances to) other partners of joint operations		**8,230**	(137,079)
(Advances to) repayments from associates		**(351)**	20
Dividends received from a joint venture		**14,494**	4,166
Dividends from financial assets at FVTPL		**3,678**	3,349
Placement of pledged bank deposits		**(61,834)**	(2,299)
Placement of time deposits		**(366,782)**	(326,400)
Withdrawal of time deposits		**574,400**	42,000
Proceeds from disposal of property, plant and equipment		**3,500**	964
Net cash inflow on acquisition of subsidiaries	48	**138,486**	–
Acquisition of interest in a subsidiary		**(300)**	–
Loans to a joint venture		**(92,699)**	(22,020)
Repayment from a joint venture		**66,947**	–
Capital contribution to an associate	21	**–**	(1,200)
Capital contribution to a joint venture	20	**(20,315)**	–
Acquisition of interest in a joint venture	20	**–**	(5,220)
Net cash from (used in) investing activities		**193,949**	(467,077)
Financing activities			
New banks loans raised		**107,819**	196,504
Repayment of bank loans		**(186,594)**	(178,925)
Repayment of lease liabilities		**(22,339)**	–
Interest paid		**(17,209)**	(19,351)
(Repayments to) advances from an intermediate holding company		**(3,239)**	2,425
Dividend paid		**(54,643)**	(37,256)
Dividend paid to non-controlling interests		**(4,500)**	–
Net cash used in financing activities		**(180,705)**	(36,603)
Net increase in cash and cash equivalents		**597,631**	149,240
Cash and cash equivalents at beginning of the year		**1,092,545**	949,029
Effect of foreign exchange rate changes, net		**(2,456)**	(5,724)
Cash and cash equivalents at end of the year		**1,687,720**	1,092,545
Represented by:			
Bank balances and cash		**1,687,720**	1,092,545

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Top Horizon Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability. The directors of the Company consider Wai Kee Holdings Limited ("Wai Kee"), also incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Stock Exchange, as the Company's ultimate holding company. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report.

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and joint ventures are set out in notes 51, 21 and 20 respectively.

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

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

2.1 HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

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

2.1 HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.5%.

	Note	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	44	53,275
Lease liabilities discounted at relevant incremental borrowing rates		51,695
Less: Recognition exemption – short-term leases		(15,691)
Lease liabilities as at 1 January 2019		36,004
Analysed as		
Current		15,516
Non-current		20,488
		36,004

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases of office premises recognised upon application of HKFRS 16	36,004
By class:	
Land and buildings	36,004

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

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

2.1 HKFRS 16 "Leases" (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current assets			
Right-of-use assets	–	36,004	36,004
Current liabilities			
Lease liabilities	–	15,516	15,516
Non-current liabilities			
Lease liabilities	–	20,488	20,488

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2.2 Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that an entity applies HKFRS 9 "Financial Instruments" ("HKFRS 9"), including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

As at 31 December 2019, loans to joint ventures of HK$72,397,000 are considered as long-term interests that, in substance form part of the Group's net investments in the relevant joint ventures and associates. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021.
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to HKFRS 3 "Definition of a Business"

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interest.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of the subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based Payment” at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair values.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposal directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

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

The Group's accounting policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Revenue from contracts with customers

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

The contract assets on construction contracts represent the Group's right to consideration for work completed and not billed as the rights are conditional on the Group's future performance in satisfying the respective performance obligations. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

The contract liabilities on construction contracts represent the Group's obligation to transfer project works to customers for which the Group has received consideration (or an amount of consideration is due) from the customers.

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

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

Output method

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

Variable consideration

For contracts that contain variable consideration (variation order of construction work), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant Standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Property, plant and equipment

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

Plant in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service concession arrangements

A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain infrastructure assets. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls significant residual interest in the assets at the end of the term of the arrangement.

The Group, as an operator, recognises a financial asset if it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction services. The Group measures the financial asset at fair value on its initial recognition. At the end of each reporting period subsequent to initial recognition, the financial asset is carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on financial assets below).

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition (see accounting policy on intangible assets below).

The Group recognises and measures revenue for the services in relation to the operation of the plant under a service concession arrangement in accordance with HKFRS 15.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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

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

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Refundable rental deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities

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

The lease payments include:

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

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

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

The Group as lessee (prior to 1 January 2019)

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate or a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

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

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

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

Retirement benefit costs and termination benefits

Payments to the Group's defined contribution retirement benefit plans, including state-managed retirement schemes and Mandatory Provident Fund Schemes ("MPF Scheme"), are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Government grants

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

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair values at the acquisition date (which is regarded at their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Service concession arrangements

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost (which equals to fair value at initial recognition) less accumulated amortisation and any accumulated impairment losses. Amortisation commences when the intangible asset is available for use.

Inventories

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the account of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including other financial asset at amortised cost, trade and other debtors, amounts due from associates and other partners of joint operations, loans to joint ventures, contract assets, pledged bank deposits, time deposits with original maturity of not less than three months and bank balances and cash) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

The Group always recognises lifetime ECL for trade debtors and contract assets. The ECL on these assets are assessed individually.

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

(i) Significant increase in credit risk

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

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

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

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

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

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

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

Derecognition of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including creditors and accrued charges, amounts due to an intermediate holding company, fellow subsidiaries, an associate, a joint venture, other partners of joint operations and non-controlling interests, bank loans and bonds are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Estimated impairment of intangible assets with indefinite useful lives arising from acquisition of a subsidiary

Determining the recoverable amounts of the intangible assets (i.e. construction licenses with indefinite useful lives) arising from the acquisition of a subsidiary, which are included in the consolidated statement of financial position at 31 December 2019 at HK$32,858,000 (2018: HK$32,858,000), requires an estimation of the revenues to be generated in future periods from the acquired construction licenses. The construction projects continue to progress in a satisfactory manner, and the new projects successfully secured by the Group have reconfirmed management's previous estimates of anticipated revenues generated from the acquired construction licenses. However, increased market competition has caused the management to reconsider its assumptions regarding future market share and anticipated margins on these construction projects. Detailed sensitivity analysis has been carried out and the management is confident that the carrying amount of the intangible assets will be recovered in full, even if returns are reduced. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates such adjustments are appropriate.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated, which is the higher of the value in use or fair values less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate is applied in order to calculate the present value. As at 31 December 2019, the carrying amount of goodwill is HK$30,554,000 (2018: HK$30,554,000). Details of the recoverable amount calculation are disclosed in note 19.

Income taxes

As at 31 December 2019, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK$444,818,000 (2018: HK$487,497,000) due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal or further recognition takes place.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Measurement of value of construction works

The management measure the value of completed construction work based on output method, which is to recognise revenue on the basis of direct measurement of the value of construction work transferred to the customer to date relative to the remaining construction works promised to be completed under the construction contract. Most construction works take several years to complete and the scope of work may change during the construction period. Management estimate the revenue and budgeted costs at the commencement of the construction contracts and regularly assess the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. The management's estimate of revenue and the completion status of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. The Group has the qualified surveyors to periodically measure the value of the construction work completed for each construction projects and issue the internal construction progress reports. The construction works performed by the Group would also be certified by the independent quantity surveyors periodically according to the construction contracts. The Group regularly reviews and revises the estimation of contract revenue prepared for each construction contract as the contract progresses based on the internal construction progress reports and the certification issued by the independent quantity surveyors.

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets are assessed for ECL individually and the provision rates are based on the Group's historical default rates, past-due status and the financial capability of individual debtor taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 42, 24 and 25 respectively.

5. REVENUE FROM SERVICES

(i) *Disaggregation of revenue from contracts with customers*

	2019		
Segments	**Hong Kong**	**The People's Republic of China (The "PRC")**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**
Types of goods or service			
Construction contracts	**7,538,870**	**–**	**7,538,870**
Sewage treatment plant operation	**–**	**23,695**	**23,695**
Steam fuel plant operation	**–**	**5,896**	**5,896**
Total revenue (note 6)	**7,538,870**	**29,591**	**7,568,461**
Timing of revenue recognition			
Over time	**7,538,870**	**29,591**	**7,568,461**

	2018		
Segments	Hong Kong	The PRC	Consolidated
	HK$'000	HK$'000	HK$'000
Types of goods or service			
Construction contracts	6,282,855	–	6,282,855
Sewage treatment plant operation	–	22,493	22,493
Total revenue (note 6)	6,282,855	22,493	6,305,348
Timing of revenue recognition			
Over time	6,282,855	22,493	6,305,348

(ii) *Performance obligations for contracts with customers*

Construction service

The Group provides construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the value of completed construction work using output method.

In recognising the construction revenue, the Group adjusts the amount of payment received for the effect of the time value of money of the goods and services transferred to the customers. In certain circumstances, the adjustment will result the amount of payment received in excess of the revenue recognised to date. Such difference will be recorded as contract liabilities.

5. REVENUE FROM SERVICES (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Construction service (Continued)

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones or the value of construction work has been agreed with the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables when the Group issued invoice to the customers based on the value of work certified by the independent quantity surveyors.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

Sewage treatment plant service

For sewage treatment plant service for customers, where the Group acts as principal and is primarily responsible for providing the sewage treatment services for the public in the PRC, which simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from the customers, which is agreed upfront, as its revenue over time and all related sewage treatment costs as its cost of services.

Steam fuel plant service

For steam fuel plant service for customers, where the Group acts as principal and is primarily responsible for providing the steam fuel services for the public in the PRC, which simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from the customers, which is agreed upfront, as its revenue over time and all related steam fuel costs as its cost of services.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 amounting to HK$16,659,000,000 (2018: HK$17,282,000,000). Management expects that all the remaining performance obligations will be recognised as revenue over the next six years from the end of the reporting period.

All sewage treatment plant and steam fuel plant service income is for period less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENTAL INFORMATION

The Group is mainly engaged in civil engineering work. Information reported to the Company's chief operating decision maker, i.e. the executive directors for the purposes of resource allocation and assessment of performance is focused on geographical location of its customers including Hong Kong, the PRC and Middle East. No operating segments have been aggregated in arriving at the reportable segments of the Group. The Group's reportable and operating segments under HKFRS 8 are summarised as follows:

Year ended 31 December 2019

	Hong Kong HK$'000	**The PRC HK$'000**	**Middle East HK$'000**	**Total HK$'000**
Results				
Segment revenue	**7,538,870**	**29,591**	**–**	**7,568,461**
Segment profit (loss)	**385,076**	**5,392**	**(1,185)**	**389,283**
Unallocated expenses				**(6,322)**
Investments income				**3,678**
Decrease in fair value of financial assets at FVTPL				**(12,473)**
Share of results of joint ventures				**22,351**
Share of results of associates				**(1,941)**
Finance costs				**(18,778)**
Profit before tax				**375,798**

Year ended 31 December 2018

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Results				
Segment revenue	6,282,855	22,493	–	6,305,348
Segment profit (loss)	534,577	5,712	(1,171)	539,118
Unallocated expenses				(5,614)
Investments income				3,349
Increase in fair value of financial assets at FVTPL				1,371
Share of results of joint ventures				16,319
Share of results of associates				(1,190)
Finance costs				(20,467)
Profit before tax				532,886

There are no inter-segment sales for both years. All of the segment revenue reported above is from external customers.

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of dividends from financial assets at FVTPL, (decrease) increase in fair value of financial assets at FVTPL, share of results of joint ventures and associates, finance costs and unallocated expenses.

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2019

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Assets				
Segment assets	2,867,280	327,080	168	3,194,528
Interests in joint ventures				151,003
Interests in associates				5,663
Unallocated assets				1,918,076
Total consolidated assets				5,269,270
Liabilities				
Segment liabilities	3,470,555	31,140	16,756	3,518,451
Obligations in excess of interests in joint ventures				27
Obligations in excess of interests in associates				14,153
Unallocated liabilities				551,705
Total consolidated liabilities				4,084,336

For the year ended 31 December 2019

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	32,776	55,509	–	88,285
Additions to right-of-use assets	14,938	1,403	–	16,341
Additions to intangible assets	–	51,504	–	51,504
Depreciation of property, plant and equipment	107,064	185	–	107,249
Depreciation of right-of-use assets	22,274	12	–	22,286
Amortisation of intangible assets	–	1,797	–	1,797
Interest income on bank deposits, other receivable, other financial asset at amortised cost and loans to a joint venture	13,533	7,208	–	20,741
Impairment loss recognised on amount due from other partner of a joint operation	27,315	–	–	27,315
Impairment loss recognised on goodwill	–	924	–	924
Gain on bargain purchase arising from acquisition	368	–	–	368

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2018

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Assets				
Segment assets	2,513,439	144,198	5,549	2,663,186
Interests in joint ventures				151,926
Interests in associates				7,245
Unallocated assets				1,473,873
Total consolidated assets				4,296,230
Liabilities				
Segment liabilities	2,806,829	25	7,091	2,813,945
Obligations in excess of interests in joint ventures				4,853
Obligations in excess of interests in associates				13,794
Unallocated liabilities				519,053
Total consolidated liabilities				3,351,645

For the year ended 31 December 2018

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	23,367	–	–	23,367
Amortisation of intangible assets	–	1,385	–	1,385
Depreciation of property, plant and equipment	188,610	85	–	188,695
Interest income on bank deposits, other receivable and other financial asset at amortised cost	4,978	1,542	–	6,520

6. SEGMENTAL INFORMATION (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than goodwill, interests in joint ventures and associates, financial assets at FVTPL, tax recoverable, pledged bank deposits, time deposit with original maturity of not less than three months and bank balances and cash; and

- all liabilities are allocated to reportable segments other than certain amounts due to an intermediate holding company, tax payable, bank loans, bonds, deferred tax liabilities and obligations in excess of interests in joint ventures and associates.

The Group's non-current assets by geographical location of the assets are detailed below:

	Non-current assets	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**323,676**	371,148
The PRC	**197,147**	98,374
Middle East	**1**	83
	520,824	469,605

Note: Non-current assets included all non-current assets except financial instrument.

Revenue from customers of the corresponding years contributing over 10% of the Group's revenue are as follows:

	2019	2018
	HK$'000	HK$'000
Customer A[1]	**3,785,532**	2,299,268
Customer B[1]	**N/A[2]**	760,104
Customer C[1]	**1,088,056**	N/A[2]

[1] Revenue from customers located in Hong Kong.
[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. INVESTMENTS AND OTHER INCOME

	2019 HK$'000	2018 HK$'000
Investments and other income include:		
Dividends from financial assets at FVTPL	**3,678**	3,349
Gain on bargain purchase of arising from acquisition of a joint operation	**368**	–
Interest on bank deposits	**15,945**	5,230
Interest on other receivable	**1,460**	247
Interest on other financial asset at amortised cost	**975**	1,043
Interest on loan to a joint venture	**2,361**	–
PRC value-added tax refund	**1,233**	1,278
Government subsidy	**30**	589
Gain on disposal of property, plant and equipment	**–**	327

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
Bank borrowings	**8,108**	10,250
Bonds	**9,620**	9,620
Lease liabilities	**425**	–
Imputed interest expense on non-current interest-free amount due to an associate	**625**	597
	18,778	20,467

9. PROFIT BEFORE TAX

	2019 HK$'000	2018 HK$'000
Profit before tax has been arrived at after charging:		
Auditor's remuneration		
Current year	**2,050**	1,904
Underprovision in prior years	**–**	293
	2,050	2,197
Depreciation of property, plant and equipment	**107,249**	188,695
Hire charges for plant and machinery	**280,490**	169,972
Depreciation of right-of-use assets	**22,286**	–
Amortisation of intangible assets	**1,797**	1,385
Loss on disposal of property, plant and equipment	**1,949**	–
Impairment loss recognised on amount due from other partner of a joint operation	**27,315**	–
Net foreign exchange losses	**3,306**	823
Impairment loss recognised on goodwill	**924**	–
Staff costs:		
Directors' remuneration (note 10)	**27,533**	22,832
Other staff costs	**1,102,986**	1,027,462
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$912,000 (2018: HK$1,552,000)	**39,003**	35,104
	1,169,522	1,085,398

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the eight (2018: eight) directors were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 December 2019					
Executive Directors					
Zen Wei Peu, Derek	**–**	**2,936**	**18,300**	**–**	**21,236**
Chang Kam Chuen, Desmond	**–**	**2,413**	**2,264**	**228**	**4,905**
Non-Executive Directors					
David Howard Gem	**240**	**–**	**–**	**–**	**240**
Chan Chi Hung, Anthony	**240**	**–**	**–**	**–**	**240**
Independent Non-executive Directors					
Ho Tai Wai, David	**360**	**–**	**–**	**–**	**360**
Ling Lee Ching Man, Eleanor	**288**	**–**	**–**	**–**	**288**
Lo Yiu Ching, Dantes	**144**	**–**	**–**	**–**	**144**
Chow Ming Kuen, Joseph (Note 1)	**120**	**–**	**–**	**–**	**120**
	1,392	**5,349**	**20,564**	**228**	**27,533**

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 December 2018					
Executive Directors					
Zen Wei Peu, Derek	–	2,936	15,000	–	17,936
Chang Kam Chuen, Desmond	–	2,391	1,295	226	3,912
Non-Executive Directors					
David Howard Gem	186	–	–	–	186
Chan Chi Hung, Anthony	186	–	–	–	186
Independent Non-executive Directors					
Chow Ming Kuen, Joseph (Note 1)	198	–	–	–	198
Ho Tai Wai, David	216	–	–	–	216
Ling Lee Ching Man, Eleanor	198	–	–	–	198
Lo Yiu Ching, Dantes (Note 2)	–	–	–	–	–
	984	5,327	16,295	226	22,832

Notes:

1. Chow Ming Kuen, Joseph ceased as director on 13 October 2018.
2. Lo Yiu Ching, Dantes was appointed as independent non-executive director on 30 November 2018.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

Mr. Zen Wei Pen, Derek is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration and no payment of inducement fee and compensation for loss of office as director during the current and prior year.

11. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included two (2018: two) director, details of whose emoluments are set out in note 10 above. The emoluments of the remaining three (2018: three) highest paid individuals were as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**7,728**	7,739
Performance related incentive payments	**9,080**	4,821
Retirement benefits scheme contributions	**740**	742
	17,548	13,302

Their emoluments were within the following bands:

	Number of employees 2019	2018
HK$4,000,001 to HK$4,500,000	**–**	2
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	–
HK$6,000,001 to HK$6,500,000	**2**	–

12. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong	**73,440**	106,823
The PRC	**958**	1,498
	74,398	108,321
Underprovision in prior years:		
Hong Kong	**3,718**	10,798
The PRC	**37**	9
	3,755	10,807
	78,153	119,128

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25% for both years.

12. INCOME TAX EXPENSE (Continued)

Income tax expense for the year can be reconciled to the profit before tax as follows:

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**375,798**	532,886
Taxation at the applicable rate of 16.5% (2018: 16.5%)	**62,007**	87,926
Tax effect of share of results of joint ventures	**(3,688)**	(2,693)
Tax effect of share of results of associates	**320**	196
Tax effect of expenses that are not deductible in determining taxable profit	**14,228**	6,599
Tax effect of income that is not taxable in determining taxable profit	**(4,725)**	(2,608)
Underprovision in prior years	**3,755**	10,807
Tax effect of unrecognised tax losses	**23,510**	28,839
Tax effect of utilisation of tax losses previously not recognised	**(30,552)**	(14,802)
Tax effect on concessionary rate	**345**	456
Others	**12,953**	4,408
Income tax expense	**78,153**	119,128

13. DIVIDEND

A final dividend for the year ended 31 December 2019 of HK4.8 cents (2018: HK4.4 cents) per ordinary share, totaling approximately HK$59,610,000 based on 1,241,877,992 ordinary shares (2018: approximately HK$54,643,000 based on 1,241,877,992 ordinary shares) has been proposed by the board of directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2019	2018
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per ordinary share	**296,419**	412,188

	Number of shares	
	2019	2018
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share	**1,241,878**	1,241,878

The Company has no potential ordinary shares outstanding during both years. Accordingly, no diluted earnings per share information is presented.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Property under construction HK$'000	Total HK$'000
COST								
At 1 January 2018	–	7,395	263,408	44,432	13,108	385,801	–	714,144
Exchange realignment	–	–	–	(41)	(34)	–	–	(75)
Additions	–	–	19,243	2,440	573	1,111	–	23,367
Disposals	–	–	(15,963)	(1,530)	(1,251)	–	–	(18,744)
At 31 December 2018	–	7,395	266,688	45,301	12,396	386,912	–	718,692
Exchange realignment	–	–	–	(15)	(22)	–	(220)	(257)
Additions	6,860	6,473	19,966	3,632	284	6,412	30,075	73,702
Acquisition of subsidiaries (note 48)	–	–	62	761	721	–	13,039	14,583
Transfer	2,069	–	20,410	534	–	–	(23,013)	–
Disposals	–	(3,058)	(11,103)	(98)	(550)	–	–	(14,809)
At 31 December 2019	**8,929**	**10,810**	**296,023**	**50,115**	**12,829**	**393,324**	**19,881**	**791,911**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2018	–	5,479	120,431	39,028	9,468	153,839	–	328,245
Exchange realignment	–	–	–	(38)	(25)	–	–	(63)
Provided for the year	–	1,374	29,820	2,884	1,214	153,403	–	188,695
Eliminated on disposals	–	–	(15,963)	(1,470)	(674)	–	–	(18,107)
At 31 December 2018	–	6,853	134,288	40,404	9,983	307,242	–	498,770
Exchange realignment	–	–	–	(13)	(10)	–	–	(23)
Provided for the year	29	1,687	30,617	3,172	911	70,833	–	107,249
Eliminated on disposals	–	(3,058)	(5,841)	(52)	(409)	–	–	(9,360)
At 31 December 2019	**29**	**5,482**	**159,064**	**43,511**	**10,475**	**378,075**	**-**	**596,636**
CARRYING VALUES								
At 31 December 2019	**8,900**	**5,328**	**136,959**	**6,604**	**2,354**	**15,249**	**19,881**	**195,275**
At 31 December 2018	–	542	132,400	4,897	2,413	79,670	–	219,922

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment (other than property under construction) are depreciated on a straight line basis at the following rates per annum:

Buildings	5%
Leasehold improvements	$33^1/_3$% or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% - 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Vessels	10% - 50%

16. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
As at 1 January 2019			
Carrying amount	–	36,004	36,004
As at 31 December 2019			
Carrying amount	1,368	28,668	30,036
For the year ended 31 December 2019			
Depreciation charge	12	22,274	22,286
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			7,298
Total cash outflow for leases			29,637
Additions to right-of-use assets			16,341

For both years, the Group leases offices premises for its operations. Lease contracts are entered into for fixed term of 1 year to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained the land use right certificates for all leasehold lands in the PRC except for leasehold lands with carrying amount of HK$967,000 in which the Group is in the process of obtaining.

17. INTANGIBLE ASSETS

	Construction licenses HK$'000 (Note a)	Service concession arrangement HK$'000 (Notes b & c)	Total HK$'000
COST			
At 1 January 2018	32,858	40,125	72,983
Exchange realignment	–	(2,018)	(2,018)
At 31 December 2018	32,858	38,107	70,965
Exchange realignment	–	(1,577)	(1,577)
Acquisition of a subsidiary (note 48(b))	–	51,504	51,504
At 31 December 2019	**32,858**	**88,034**	**120,892**
AMORTISATION			
At 1 January 2018	–	10,132	10,132
Exchange realignment	–	(510)	(510)
Charge for the year	–	1,385	1,385
At 31 December 2018	–	11,007	11,007
Exchange realignment	–	(205)	(205)
Charge for the year	–	1,797	1,797
At 31 December 2019	**–**	**12,599**	**12,599**
CARRYING VALUES			
At 31 December 2019	**32,858**	**75,435**	**108,293**
At 31 December 2018	32,858	27,100	59,958

Notes:

(a) The amount represents the fair value of the construction licenses (with indefinite useful lives) held by a wholly-owned subsidiary, Build King Construction Limited (the "Acquired Subsidiary"), as at the date it was acquired by the Group in 2005.

The construction licenses are granted by the Works Branch, Development Bureau of the Hong Kong Special Administrative Region (the "HKSAR") to the Acquired Subsidiary through which the Acquired Subsidiary is eligible to undertake government construction contracts of all five categories of public works, namely port works, site formation, road and drainage, water works and buildings with no limitation in contract sum. The construction licenses basically have no legal life but are renewable every year as long as the Acquired Subsidiary is able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of the HKSAR throughout the relevant period.

Various studies including sensitivity analysis and market trends have been carried out by the management of the Group, which supports that the construction licenses have no foreseeable limit to the period over which the construction licenses are expected to generate net cash inflow for the Group. As a result, the construction licenses are considered by the management of the Group as having an indefinite useful life because it is expected to contribute net cash inflow indefinitely. The construction licenses will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars regarding the impairment testing on construction licenses are disclosed in note 19.

17. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(b) A subsidiary of the Company, Wuxi Qianhui Sewage Treatment Co., Ltd. ("Wuxi Qianhui"), entered into a service concession arrangement with the local government whereby Wuxi Qianhui is required to build the infrastructure of a sewage treatment plant phase II (see note 22 for details of sewage treatment plant phase I) and is granted an exclusive operating right for provision of sewage treatment services to the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province of the PRC for a term of 30 years.

Pursuant to the service concession arrangement contract, Wuxi Qianhui is responsible for the construction of sewage treatment plant phase II and entitled to operate the sewage treatment plant phase II upon completion for a specified concession period by charging users of the public service, which amounts are contingent on the extent that the public uses the service. At the end of the operating period, Wuxi Qianhui is required to transfer the sewage treatment plant phase II to the local government. As such, the arrangement is accounted for as a service concession arrangement and the right to charge the users of the public service is recognised as intangible asset. The Group estimates the fair value of the intangible asset to be equal to the construction costs plus certain margin. Amortisation of the intangible asset will be provided for over the operating period on a straight line basis when the sewage treatment commences its operation of 30 years.

The first stage of the construction of the sewage treatment plant phase II comprising construction works and equipment acquisition and installation had been completed and put into operation in 2010.

The sewage treatment plant phase II had been further developed in second stage pursuant to the service concession arrangement contracts which includes purchase and installation of sewage treatment equipment and various construction works had been put into operation in 2013.

(c) A subsidiary of the Company, Tianjin Wai Kee Earth Investment Co., Ltd ("Tianjin Wai Kee Earth"), entered into a service concession arrangement with the local government in 2018 whereby Tianjin Wai Kee Earth is required to build the infrastructure of a steam fuel supply plant and is granted an exclusive operating right for provision of steam fuel supply services to the industrial users in Yanchi Industrial Park at Gaotai District, Zhangye City, Gansu Province of the PRC for a term of 30 years.

Pursuant to the service concession arrangement contract, Tianjin Wai Kee Earth is responsible for the construction of steam fuel supply plant and entitled to operate the steam fuel supply plant upon completion for a specified concession period by charging users of the public service, which amounts are contingent on the extent that the public uses the service. At the end of the operating period, Tianjin Wai Kee Earth is required to transfer the steam fuel supply plant to the local government. As such, the arrangement is accounted for as a service concession arrangement and the right to charge the users of the public service is recognised as intangible asset. The Group estimates the fair value of the intangible asset to be equal to the construction costs plus certain margin. Amortisation of the intangible asset will be provided for over the operating period on a straight line basis when the steam fuel supply commences its operation of 30 years.

The construction of the steam fuel supply plant comprising construction works and equipment acquisition and installation had been completed and put into operation in 2019.

18. GOODWILL

The amount represents goodwill arising on the reverse acquisition of the Company in 2004. Particulars regarding impairment testing on goodwill are disclosed in note 19.

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purpose of impairment testing of goodwill arising on the reverse acquisition of the Company in 2004, goodwill has been allocated to the group of underlying CGU which represents the Company and its subsidiaries in existence at the time of reverse acquisition of the Company in 2004.

For the purpose of impairment testing, intangible assets with indefinite useful lives set out in note 17 have been allocated to a CGU, a subsidiary, acquired in 2005, which is included in Hong Kong segment and holds the construction licenses granted by the Works Branch, Development Bureau of the HKSAR and through which it is eligible to undertake government construction contracts for all five categories of public works with no limitation in contract sum.

The recoverable amounts of the above groups of CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. All value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, a discount rate of 10% (2018: 10%) and a growth rate of 0% (2018: 0%). Cash flow projections during the budget period for the CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

At the end of the reporting period, the management of the Group determined that there is no impairment of any of its CGUs containing goodwill and intangible assets.

20. INTERESTS IN JOINT VENTURES/OBLIGATIONS IN EXCESS OF INTERESTS IN JOINT VENTURES

	2019 **HK$'000**	2018 HK$'000
Cost of investment in unlisted joint ventures	**40,956**	46,176
Share of post-acquisition profits and other comprehensive income, net of dividends received	**37,623**	28,500
	78,579	74,676
Loans to joint ventures (note)	**72,397**	72,397
	150,976	147,073
Included in:		
Non-current assets	**151,003**	151,926
Non-current liabilities	**(27)**	(4,853)
	150,976	147,073

Note: The loans to joint ventures are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, the loans are considered as part of the Group's net investments in the joint ventures.

20. INTERESTS IN JOINT VENTURES/OBLIGATIONS IN EXCESS OF INTERESTS IN JOINT VENTURES (Continued)

At 31 December 2019, the Group has contractual obligations to share the net liabilities of certain joint ventures amounting to HK$27,000 (2018: HK$4,853,000).

Details of each of the Group's joint ventures at 31 December 2019 and 2018 are as follows:

Name of joint venture	Form of business structure	Place of registration/ incorporation/ operation	Attributable equity interest to the Group		Proportion of voting rights held by the Group		Principal activities
			2019	2018	**2019**	2018	
			%	%	**%**	%	
德州恒源熱力有限公司 ("Dezhou Heng Yuan") (note a)	Incorporated	PRC	**49**	49	**50**	50	Central heating
Sunny Harvest Corporation Limited ("Sunny Harvest") (note b)	Incorporated	Hong Kong	**50**	50	**50**	50	Provision of transportation services
Lion Trade Global Limited ("Lion Trade") (note c)	Incorporated	BVI	**30**	30	**50**	50	Investment holding
Tianjin Wai Kee Earth Investment Co., Ltd ("Tianjin Wai Kee Earth") (note d)	Incorporated	PRC	**–**	46	**–**	50	Steam fuel supply

20. INTERESTS IN JOINT VENTURES/OBLIGATIONS IN EXCESS OF INTERESTS IN JOINT VENTURES (Continued)

Notes:

(a) In 2016, the Group acquired 49% equity interest in Dezhou Heng Yuan from certain independent third parties at a consideration of Renminbi ("RMB") 34,710,000 (approximately HK$40,956,000). Dezhou Heng Yuan is a limited liability company incorporated in the PRC and is granted an exclusive right to supply heat to the west of Jianhe in Dezhou Economic Development Zone.

(b) In 2016, the Group acquired a total of 50% equity interest in Sunny Harvest from an independent third party at a consideration of HK$50. Sunny Harvest is a limited liability company incorporated in Hong Kong and is engaged in the provision of transportation services. In 2016, the Group provided shareholder's loan of HK$10,050,000 to Sunny Harvest. In 2017, the Group has further provided shareholder's loans of HK$13,547,000 and HK$2,000,000 to Sunny Harvest.

(c) Lion Trade was formed by the Group together with a wholly owned subsidiary of Wai Kee in July 2017 with initial paid up capital of United States dollars ("US$") 100. The Group holds 30% equity interest in Lion Trade. In October 2017, shareholders' approval was obtained for the Group to provide shareholder's loan of US$15,000,000 (equivalent to HK$117,000,000) to Lion Trade to invest in a joint venture, which was jointly established with an independent third party and holds a residential property in the United States for rental and capital appreciation purpose. At 31 December 2019 and 2018, the Group has provided shareholder's loan of US$6,000,000 (equivalent to HK$46,800,000) to Lion Trade. The Group and Wai Kee jointly control over Lion Trade because unanimous consent from both joint venture partners is required to make decisions in the Board of Directors under the Articles of Association of Lion Trade.

(d) Tianjin Wai Kee Earth was established by the Group together with two independent third parties in September 2018 with initial paid up capital of RMB10,000,000 (equivalent to HK$11,347,000). Tianjin Wai Kee Earth is a limited liability company incorporated in the PRC and is engaged in the steam fuel supply and related services, the Group and independent third parties jointly control over Tianjin Wai Kee Earth because unanimous consent from the two joint venture partners is required to make decisions in the board of directors of Tianjin Wai Kee Earth. As at 31 December 2018, the Group held 46% equity interest in Tianjin Wai Kee Earth. On 19 April 2019, Tianjin Wai Kee Earth increased its registered capital to RMB50,000,000 and according the Group's equity interest in Tianjin Wai Kee Earth, the Group has further contributed RMB18,400,000 (equivalent to approximately HK$20,315,000) to Tianjin Wai Kee Earth. On 21 October 2019, the Group agreed with the other two joint venture partners to further increase the registered capital of Tianjin Wai Kee Earth to RMB156,500,000 (equivalent to approximately HK$176,800,000) and the registered capital of Tianjin Wai Kee Earth attributable to the Group is increased to RMB124,600,000 (equivalent to approximately HK$140,800,000). Accordingly, the Group held 79.62% of equity interest in Tianjin Wai Kee Earth. Together with the revised Articles of Association of Tianjin Wai Kee Earth, all the major financial and operating decisions require simple majority of votes. Three out of five directors of Tianjin Wai Kee Earth are appointed by the Group. As a result, Tianjin Wai Kee Earth ceased to be a joint venture and become a subsidiary of the Company. For details, please refer to note 48.

20. INTERESTS IN JOINT VENTURES/OBLIGATIONS IN EXCESS OF INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information in respect of the Group's major joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

All joint ventures are accounted for using the equity method in these consolidated financial statements.

Dezhou Heng Yuan

	2019 HK$'000	2018 HK$'000
Current assets	**68,531**	74,720
Non-current assets	**129,624**	133,152
Current liabilities	**(41,226)**	(39,597)
Non-current liabilities	**(24,060)**	(33,326)

	2019 HK$'000	2018 HK$'000
Revenue	**57,418**	59,560
Profit for the year	**27,500**	22,916
Total comprehensive income for the year	**27,500**	22,916
The above profit for the year includes the following:		
Depreciation and amortisation	**(6,218)**	(8,616)
Interest income	**25**	40
Income tax expense	**(76)**	(13)

20. INTERESTS IN JOINT VENTURES/OBLIGATIONS IN EXCESS OF INTERESTS IN JOINT VENTURES (Continued)

Dezhou Heng Yuan (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2019 **HK$'000**	2018 HK$'000
Net assets of Dezhou Heng Yuan	**132,869**	134,949
Proportion of the Group's ownership interests in Dezhou Heng Yuan	**49%**	49%
Carrying amount of the Group's interests in Dezhou Heng Yuan	**65,106**	66,125

Aggregate information of joint ventures that are not individually material.

	2019 **HK$'000**	2018 HK$'000
The Group's share of profit and total comprehensive income	**8,878**	5,271
Aggregate carrying amount of the Group's interests in these joint ventures	**13,473**	8,551

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	2019 **HK$'000**	2018 HK$'000
Cost of investment in unlisted associates	**10,330**	10,330
Share of post-acquisition losses and other comprehensive expenses	**(18,820)**	(16,879)
	(8,490)	(6,549)
Included in:		
Non-current assets	**5,663**	7,245
Non-current liabilities	**(14,153)**	(13,794)
	(8,490)	(6,549)

At 31 December 2019, the Group has contractual obligations to share the net liabilities of certain associates amounting to HK$14,153,000 (2018: HK$13,794,000).

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Continued)

Details of each of the Group's associates as at 31 December 2019 and 2018 are as follows:

Name of associate	Form of entity	Place of incorporation/ operation	Proportion of nominal value of issued ordinary capital held indirectly by the Company		Proportion of voting rights held by the Group		Principal activities
			2019	2018	**2019**	2018	
			%	%	**%**	%	
Hong Kong Landfill Restoration Group Limited ("Hong Kong Landfill")	Incorporated	Hong Kong	**34.5**	34.5	**34.5**	34.5	Civil engineering
Genetron Engineering Company Limited ("Genetron Engineering")	Incorporated	Hong Kong	**30**	30	**30**	30	Civil engineering
B Bim Creation Limited	Incorporated	Hong Kong	**30**	30	**30**	30	Consultancy service

Summarised financial information of material associates

Summarised financial information in respect of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

All associates are accounted for using the equity method in these consolidated financial statements.

Hong Kong Landfill

	2019	2018
	HK$'000	HK$'000
Current assets	**40,463**	34,287
Non-current assets	**37,305**	36,465
Current liabilities	**(106,074)**	(98,340)

	2019	2018
	HK$'000	HK$'000
Revenue	**47,585**	26,965
(Loss) profit for the year	**(718)**	1,466
Total comprehensive (expense) income for the year	**(718)**	1,466

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Continued)

Hong Kong Landfill (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the obligations in excess of interests in the associate recognised in the consolidated financial statements:

	2019 **HK$'000**	2018 HK$'000
Net liabilities of Hong Kong Landfill	**(28,306)**	(27,588)
Proportion of the Group's ownership interests in Hong Kong Landfill	**50%**	50%
Carrying amount of the Group's obligations in excess of interests in Hong Kong Landfill	**(14,153)**	(13,794)

Genetron Engineering

	2019 **HK$'000**	2018 HK$'000
Current assets	**16,678**	27,435
Non-current assets	**1,733**	2,074
Current liabilities	**(6,258)**	(9,899)

	2019 **HK$'000**	2018 HK$'000
Revenue	**37,702**	31,066
Loss for the year	**(7,457)**	(6,951)
Total comprehensive expense for the year	**(7,457)**	(6,951)

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Continued)

Genetron Engineering (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associate recognised in the consolidated financial statements:

	2019 **HK$'000**	2018 HK$'000
Net assets of Genetron Engineering	**12,153**	19,610
Proportion of the Group's ownership interests in Genetron Engineering	**30%**	30%
Carrying amount of the Group's interests in Genetron Engineering	**3,646**	5,883

Aggregate information of associate that is not individually material.

	2019 **HK$'000**	2018 HK$'000
The Group's share of profit and total comprehensive income	**655**	162
Aggregate carrying amount of the Group's interests in the associate	**2,017**	1,362

22. OTHER FINANCIAL ASSET AT AMORTISED COST

Wuxi Qianhui entered into a service concession arrangement with the local government whereby Wuxi Qianhui is required to build the infrastructure of a sewage treatment plant phase I and is granted exclusive operating rights for provision of sewage treatment services to the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province of the PRC for a term of 30 years.

At the end of the operating period, Wuxi Qianhui is required to transfer the sewage treatment plant to the local government. Wuxi Qianhui commenced the construction in 2005 and completed in 2006. The sewage treatment plant phase I had been put into operation commencing from 2007.

Under the service concession arrangement, the local government of Qian Qiao Zhen guarantees a minimum volume of sewage to be treated by the plant with a fixed predetermined rate per tons of sewage. The agreed price will be reviewed annually. Therefore, the service concession arrangement is classified as financial assets. The fair value of the consideration receivable for the construction services rendered under the service concession arrangement is recognised as other financial asset carrying effective interest rate of 2.61% (2018: 2.61%) per annum and repayable over the service concession period of 30 years.

Details of the impairment assessment are set out in note 42.

23. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Uninstalled construction materials	**33,452**	58,146

The cost of inventories recognised as an expense during the year is HK$713,852,000 (2018: HK$607,125,000).

24. DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	**217,112**	236,903
61 to 90 days	**–**	845
Over 90 days	**22,394**	18,321
	239,506	256,069
Bills receivables	**20,733**	6,773
Other debtors, deposits and prepayments	**154,670**	108,201
	414,909	371,043

As at 1 January 2018, trade receivables from contracts with customers amounted to HK$214,595,000.

As at 31 December 2019, Tianjin Wai Kee Earth, a subsidiary of the Group, advanced a loan to an independent third party in the amount of RMB50,000,000 (equivalent to HK$55,875,000). The loan is interest bearing at 12% fixed rate per annum and will be fully repaid before 31 December 2021, therefore the amount is classified as non-current.

The Group allows an average credit period of 60 days to its trade customers.

Details of impairment assessment are set out in note 42.

25. CONTRACT ASSETS

	2019 HK$'000	2018 HK$'000
Analysed as current:		
Unbilled revenue of construction contracts (note a)	**1,573,075**	1,171,490
Retention receivables of construction contracts (note b)	**562,509**	501,260
	2,135,584	1,672,750
Retention receivables of construction contracts		
Due within one year	**194,721**	303,200
Due more than one year	**367,788**	198,060
	562,509	501,260

As at 1 January 2018, contract assets amounted to HK$1,342,656,000.

Notes:

(a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. For retention receivables in respect of construction contracts the due dates are usually one year after completion of the construction work.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of the impairment assessment are set out in note 42.

26. AMOUNTS DUE FROM ASSOCIATES/OTHER PARTNERS OF JOINT OPERATIONS

The amounts are unsecured, interest-free and repayable on demand.

Details of the impairment assessment are set out in note 42.

27. LOANS TO A JOINT VENTURE

The amounts represented loans to Tianjin Wai Kee Earth and its subsidiary which were unsecured, interest bearing fixed at 4.5% per annum and repayable on demand as at 31 December 2018.

Details of the impairment assessment as at 31 December 2018 are set out in note 42.

28. FINANCIAL ASSETS AT FVTPL

	2019	2018
	HK$'000	HK$'000
Financial assets mandatorily measured at FVTPL:		
Listed securities in Hong Kong	**48,550**	46,790
Financial assets designated at FVTPL:		
Unlisted securities in United States of America ("USA") (Note)	**8,005**	7,833
	56,555	54,623
Analysed for reporting purposes as:		
Current assets	**56,555**	54,623

Note: The unlisted securities represent investment in unlisted equity securities issued by a private entity incorporated in the USA. It has been acquired principally for the purpose of selling in the near term, thus classified as held for trading. The unlisted equity securities are available for trading at the USA's Over the Counter ("OTC") market. The unlisted securities are revalued according to the available quoted OTC price at 31 December 2019. As at 31 December 2018, the directors of the Company considered that the carrying amount of unlisted securities in USA approximated to their fair value as the acquisition of unlisted investment was closed to year end.

29. PLEDGED BANK DEPOSITS/TIME DEPOSITS WITH ORIGINAL MATURITY OF NOT LESS THAN THREE MONTHS/BANK BALANCES AND CASH

Bank deposits of the Group amounting to HK$64,170,000 (2018: HK$2,336,000) are pledged to banks for securing the banking facilities granted to the Group. The pledged bank deposits carry interest at market rates which range from 0.002% to 2.8% (2018: 0.13%) per annum.

As at 31 December 2019, time deposits of HK$76,782,000 (2018: HK$284,400,000) with original maturity of not less than three months carry interest at market rates which range from 2.35% to 2.5% (2018: 0.7% to 2.55%) per annum.

As at 31 December 2019, bank balances and cash include the time deposits of HK$409,300,000 (2018: HK$135,000,000) with original maturity of three months or less, bank balances and cash carry interest at market rates which range from 0.002% to 2.6% (2018: 0.13% to 2.7%) per annum.

Details of the impairment assessment are set out in note 42.

30. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**226,538**	130,116
61 to 90 days	**95,433**	18,035
Over 90 days	**65,358**	42,933
	387,329	191,084
Retention payables	**434,822**	368,066
Accrued project costs	**1,751,318**	1,545,509
Other creditors and accrued charges	**88,139**	89,910
	2,661,608	2,194,569
Retention payables:		
Repayable within one year	**154,626**	207,503
Repayable more than one year	**280,196**	160,563
	434,822	368,066

For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

31. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Advances from customers of construction contracts, current	**779,716**	566,355

As at 1 January 2018, contract liabilities amounted to HK$410,053,000.

Contract liabilities of the Group, which are expected to be settled within the Group's normal operating cycle, are classified as current.

Revenue from construction contracts recognised during the year ended 31 December 2019 that was included in the contract liabilities at the beginning of the year was HK$285,325,000 (2018: HK$288,003,000).

31. CONTRACT LIABILITIES (Continued)

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

Construction contracts

In recognising the construction revenue, the Group adjusts the amount of payment received for the effect of the time value of money of the goods and services transferred to the customers. In certain circumstances, the adjustment will result the amount of payment received in excess of the revenue recognised to date. Such difference will be recorded as contract liabilities.

32. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	20,839
Within a period of more than one year but not more than two years	7,985
Within a period of more than two years but not more than five years	204
	29,028
Less: Amount due for settlement within 12 months shown under current liabilities	(20,839)
Amount due for settlement after 12 months shown under non-current liabilities	8,189

During the year ended 31 December 2019, the Group entered into new lease agreements for the use of leased properties for two years. On the lease commencement, the Group recognised HK$14,938,000 of right-of-use assets and lease liabilities.

33. AMOUNT(S) DUE TO AN INTERMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/ A JOINT VENTURE/OTHER PARTNERS OF JOINT OPERATIONS/NON-CONTROLLING INTERESTS

The amounts are unsecured, interest-free and repayable on demand.

34. AMOUNT DUE TO AN ASSOCIATE

The current amount due to an associate is unsecured, interest-free and repayable on demand.

The non-current amount due to an associate is unsecured, interest-free and has an agreed repayment terms which is not repayable within twelve months from the end of the reporting period and the balance is therefore shown as non-current liabilities. The non-current amount is carried at amortised cost using effective interest of 5.4% (2018: 5.4%) per annum.

35. BANK LOANS

	2019 HK$'000	2018 HK$'000
The maturity of the bank loans that based on repayment schedule of respective loan agreements is as follows:		
Within one year	**134,491**	197,927
In the second year	**104,290**	53,473
In the third to fifth year inclusive	**–**	2,000
	238,781	253,400
Less: Amount due within one year shown under current liabilities	**(238,781)**	(253,400)
Amounts shown under non-current liabilities	**–**	–

	2019 HK$'000	2018 HK$'000
Secured bank loans	**64,156**	71,000
Unsecured bank loans	**174,625**	182,400
	238,781	253,400

At the end of the reporting period, all bank loans are variable rate borrowings which carry interest rate ranging from 2.93% to 5.53% (2018: 2.70% to 5.20%) per annum. All bank loans carry interest rate which is repriced every month.

As at 31 December 2019, the Group has bank loans in the amount of HK$174,625,000 (2018: HK$253,400,000) contain a repayable on demand clause. Accordingly, the related bank loans that are repayable more than one year after the end of reporting period with aggregate carrying amount of HK$104,290,000 (2018: HK$55,473,000) have been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK$1,013,624,000 (2018: HK$553,007,000).

36. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2018, 31 December 2018 and 31 December 2019	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2018, 31 December 2018 and 31 December 2019	1,241,877,992	124,188

37. CONVERTIBLE PREFERENCE SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Convertible preference shares of HK$0.01 each		
At 1 January 2018, 31 December 2018 and 31 December 2019	3,000,000,000	30,000
Issued and fully paid:		
Convertible preference shares of HK$0.01 each		
At 1 January 2018, 31 December 2018 and 31 December 2019	–	–

The preference shares entitled the holders thereof the right to convert their preference shares into fully-paid ordinary shares of the Company at any time after the date of issuance of the preference shares but before the seventh anniversary, into such number of fully-paid ordinary shares to be determined by the issue price of preference shares divided by the conversion price of HK$0.1 per ordinary share.

Holders of the preference shares were entitled to receive dividends at the rate of 2% per annum at its issue price. The holders of the preference shares were entitled to receive dividends prior to and in preference to the holders of the ordinary shares.

The holder of each preference share did not have any voting rights. The preference shares were non-redeemable and were not be listed on any stock exchange.

38. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group represent fair value of intangible assets arising from the acquisition of a subsidiary during the year ended 31 December 2005. There is no movement of balance during each of the two years ended 31 December 2019 and 2018.

At the end of the reporting period, the Group has unutilised tax losses carried forward to offset future profits, the utilisation of which will expire in the following years:

	2019	2018
	HK$'000	HK$'000
Tax losses:		
Carried forward indefinitely	**444,818**	487,497

No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

39. BONDS

On 5 January 2015 and 28 October 2015, Build King Construction Limited, a wholly owned subsidiary of the Company as the issuer and the Company as guarantor have entered into a placing agreement with a placing agent, an independent third party for the purposes of arranging placees for the issue of bonds in denomination of HK$1,000,000 each up to an aggregate principal amount of HK$100,000,000 and HK$50,000,000 respectively. The bonds will be matured at the date immediately following five years after the first issue of the bonds and carry coupon interest of 7% per annum, accrued daily on a 365 days basis that is payable semi-annually in arrears on every 1 January and 1 July of each calendar year, up to but excluding the maturity date of the bonds. At 31 December 2019, bonds with the total amount of HK$127,400,000 (2018: HK$127,400,000), net of issue expenses, are issued. Such expenses will be amortised over the life of the bonds by charging the expenses to the profit or loss using effective interest rate of 7.60% per annum and increasing the net carrying amount of the bonds with the corresponding amount.

	2019	2018
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Non-current	**13,909**	129,219
Current	**115,829**	–
	129,738	129,219

40. JOINT OPERATIONS

At 31 December 2019 and 2018, the Group had interests in the following principal joint operations:

Name of joint operation	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group 2019 %	2018 %	Principal activities
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering
China State-Build King Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering
Chun Wo-Leader Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
CRBC-Kaden Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
CRBC-CEC-Kaden Joint Venture	Unincorporated	Hong Kong	**32.5**	32.5	Civil engineering
Kaden-Chun Wo Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
Kier-Kaden-OSSA Joint Venture	Unincorporated	Hong Kong	**35**	35	Civil engineering
Kier-Laing O'Rourke - Kaden Joint Venture	Unincorporated	Hong Kong	**15**	15	Civil engineering
Samsung - Build King Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering
Leader Marine - Yoon & Plac Joint Venture	Unincorporated	Hong Kong	**50**	50	Civil engineering
CRBC-Build King Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering
Build King-Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
Build King - SCT Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
Build King - SKEC Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
Build King - SKEC Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
Build King - Kum Shing Joint Venture	Unincorporated	Hong Kong	**65**	65	Civil engineering
Build King - Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**70**	–	Civil engineering

The above table lists the joint operations of the Group which, in the opinion of the directors, principally affect the results for the year or constitute a substantial portion of the assets and liabilities of the Group. To give details of other joint operations would, in the opinion of the directors, result in particulars of excessive length.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debts and equity balance.

The capital structure of the Group consists of net debts, which includes the bank loans and bonds disclosed in notes 35 and 39, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the management of the Group assesses the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with the capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The Group's overall strategy remains unchanged from prior year.

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at FVTPL	**56,555**	54,623
Financial assets at amortised cost	**2,541,145**	2,058,060
	2,597,700	2,112,683
Financial liabilities		
Amortised cost	**3,080,740**	2,632,723

(b) Financial risk management objectives and policies

The Group's major financial instruments include other financial asset at amortised cost, trade and other debtors, amounts due from associates and other partners of joint operations, financial assets at FVTPL, loans to joint ventures, pledged bank deposits, time deposits with original maturity of not less than three months, bank balances and cash, creditors and accrued charges, amounts due to an intermediate holding company, fellow subsidiaries, a joint venture, an associate, other partners of joint operations and non-controlling interests, bank loans and bonds. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

42. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances (note 29) and variable rate bank loans (see note 35 for details of these borrowings). Although the Group is also exposed to fair value interest rate risk in relation to fixed rate bonds (note 39), the Group's policy to keep its borrowings at floating rate of interests would minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank loans.

For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2018: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2018: 100 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease/increase by HK$2,388,000 (2018: HK$2,534,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank loans.

(ii) Other price risk

The Group is exposed to equity and debt security price risk through its investments in financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. The Group's other price risk is mainly concentrated on equity and debt instruments operating in infrastructure industry sector quoted in the Stock Exchange.

42. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Other price risk (Continued)

Other price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% (2018: 5%) higher/lower while all other variables were held constant, the profit for the year ended 31 December 2019 would increase/decrease by HK$2,828,000 (2018: HK$2,731,000) as a result of the changes in fair value of financial assets at FVTPL.

Currency risk

The Group is exposed to currency risk as certain financial assets at FVTPL, pledged bank deposits and bank balances are denominated in foreign currencies, principally denominated in US$ and RMB, which are different from the Group's functional currency. However the Group's exposure to currency risk is minimal as the exchange rate of HK$ is pegged with US$ and the movement of RMB/HK$ is not expected to be fluctuated significantly until next reporting period.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currencies should the needs arise.

Credit risk management and impairment assessment

Apart from the trade receivable from the two (2018: two) largest customers, the Group does not have significant risk exposure to any single counterparty at 31 December 2019.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The default risk of the two largest customers should be low as they have good reputation and financially sound.

The Group has concentration of credit risk as 65% (2018: 52%) of the total trade receivables was due from the Group's two largest customers.

Amounts due from associates, other partners of joint operations, loans to joint ventures

The credit risk of amounts due from associates, other partners of joint operations, loans to joint ventures are managed through an internal process. The Group actively monitors the outstanding amount owed by each related party and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Group closely monitors the financial performance of associates, other partners of joint operations, loans to joint ventures which mainly engage in the construction service in Hong Kong. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

42. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management and impairment assessment (Continued)

Other financial asset at amortised cost and other debtors

The credit risk of other financial assets and other debtors is managed through an internal process. The Group closely monitor the outstanding amounts of other financial asset at amortised costs and other debtors and identifies any credit risk in a timely manner in order to reduce the risk of a credit related loss. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

Pledged bank deposits, time deposits with original maturity of not less than three months and bank balances

The credit risk for pledged bank deposits, time deposits with original maturity of not less than three months and bank balances is limited because the counterparties are banks or financial institutions with high credit ratings. The Group assessed 12m ECL for pledged bank deposits, time deposits with original maturity of not less than three months and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits, time deposits with original maturity of not less than three months and bank balances is considered to be insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

42. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2019 Gross carrying amount HK$'000	2018 Gross carrying amount HK$'000
Financial assets at amortised cost						
Loans to joint ventures	20 & 27	N/A	Low risk (Note 1)	12m ECL	**72,397**	94,417
Other financial assets at amortised cost	22	N/A	Low risk (Note 1)	12m ECL	**36,144**	38,654
Amounts due from associates	26	N/A	Low risk (Note 1)	12m ECL	**8,050**	7,699
Amounts due from other partners of joint operations	26	N/A	Low risk (Note 1)	12m ECL	**176,910**	212,994
			Loss (Note 1)	Lifetime ECL (credit-impaired)	**27,315**	–
Other debtors and deposits	24	N/A	Low risk (Note 1)	12m ECL	**179,466**	71,195
Debtors	24	N/A	Low risk (Note 2)	Lifetime ECL	**239,506**	256,069
Pledged bank deposits	29	Baa1 to Aa3 (2018: A1 to Aa3)	N/A	12m ECL	**64,170**	2,336
Time deposits with original maturity of not less than three months	29	A2 to A1 (2018: A1 to Aa3)	N/A	12m ECL	**76,782**	284,400
Bank balances	29	Baa3 to Aa2	N/A	12m ECL	**1,684,910**	1,090,296
Other items:						
Contract assets	25	N/A	Low risk (Note 2)	Lifetime ECL	**2,135,584**	1,672,750

* The gross carrying amounts disclosed above include the relevant interest receivables which presented in other receivables.

Notes:

1. For the purposes of internal credit risk management, the Group uses the financial information of the joint ventures, associates and other partners of joint operations and the past-due information of other debtors to assess whether credit risk has increased significantly since initial recognition. The related companies and other partners of joint operations are considered by management to have sound financial position and do not have any past-due amounts, except for an amount of due from other partner of a joint operation of HK$27,315,000 which is credit-impaired. The balances of other debtors and deposits are not past due.

2. For trade debtors and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The trade debtors and contract assets are assessed for ECL individually.

42. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management and impairment assessment (Continued)

For the assessment of lifetime ECL by management, the estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. No impairment allowance was made on trade debtors, contract assets and other financial assets at the end of each year as the historical default rates of debtors are low.

The Group's credit risk on pledged bank deposits, time deposits and bank balances are limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

The credit risk of other debtors and deposits is managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group reviews the recoverable amount of these other debtors and deposits at the end of each reporting period.

For loans to joint ventures, amounts due from associates and amounts due from other partners of joint operations, the management of the Group makes individual assessment on the recoverability of each balance based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. During the year ended 31 December 2019, impairment allowance of HK$27,315,000 (2018: nil) was made on credit-impaired amount due from other partner of a joint operation.

The following tables show reconciliation of loss allowance that has been recognised for amount due from other partner of a joint operation:

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2018 and 2019	–
New financial assets originated	27,315
As at 31 December 2019	**27,315**

Liquidity risk

The Group's liquidity position and its compliance with lending covenants is monitored closely by the management of the Company, to ensure that the Group maintains sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and long term. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

42. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand or 3 months or less	3 - 6 months	6 -12 months	1 - 3 years	Over 3 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2019								
Non-interest bearing	**-**	**2,409,674**	**1,080**	**18,559**	**215,948**	**71,986**	**2,717,247**	**2,712,221**
Fixed interest rate instruments	**7.60**	**68,606**	**11,143**	**40,224**	**14,618**	**-**	**134,591**	**129,738**
Variable interest rate instruments	**5.98**	**203,785**	**36,324**	**-**	**-**	**-**	**240,109**	**238,781**
		2,682,065	**48,547**	**58,783**	**230,566**	**71,986**	**3,091,947**	**3,080,740**
Lease liabilities	**3.5**	**6,198**	**6,223**	**9,030**	**8,329**	**-**	**29,780**	**29,028**
2018								
Non-interest bearing	–	2,000,284	25,588	60,477	111,374	58,032	2,255,755	2,250,104
Fixed interest rate instruments	7.60	–	4,550	4,550	134,591	–	143,691	129,219
Variable interest rate instruments	4.63	253,400	–	–	–	–	253,400	253,400
		2,253,684	30,138	65,027	245,965	58,032	2,652,846	2,632,723

42. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or 3 months or less" time band in the above maturity analysis. As at 31 December 2019, the aggregate carrying amounts of these bank borrowings amounted to HK$174,625,000 (2018: HK$253,400,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within three years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details are set out in respective loan agreements as detailed below:

	Less than 3 months HK$'000	More than 3 months but less than 6 months HK$'000	More than 6 months but less than 1 year HK$'000	More than 1 year but less than 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2019	**24,004**	**12,135**	**37,750**	**106,040**	**179,929**	**174,625**
At 31 December 2018	140,753	28,002	34,442	57,071	260,268	253,400

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The investments held for trading of the Group are measured at fair value at recurring basis, by reference to market bid price in active market and classified under Level 1.

The fair values of the financial assets and financial liabilities that are not measured at fair value on a recurring basis have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

43. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**55,855**	3,370

44. OPERATING LEASE COMMITMENTS

The Group as lessee

	2018 HK$'000
Operating lease rentals in respect of land and buildings	26,984

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000
Within one year	27,166
In the second to fifth year inclusive	26,109
	53,275

At 31 December 2018, operating lease payments represented rentals payable by the Group for certain of its office premises. Leases were negotiated for terms ranging from one to three years and rentals were fixed at the time of entering the respective leases.

45. RETIREMENT BENEFITS SCHEMES

The Group has two MPF Schemes and state-managed retirement schemes for all eligible employees in Hong Kong and PRC. The MPF Schemes are registered with the Mandatory Provident Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance"). The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by the MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinance, the Group also provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The amount charged to profit or loss of HK$39,231,000 (2018: HK$35,330,000) represents contributions paid or payable to the retirement benefits schemes by the Group at the rates specified in the rules of the MPF Schemes reduced by the aforesaid amount of forfeited benefits in respect of the current accounting period.

46. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

	2019	2018
	HK$'000	HK$'000
Fellow subsidiaries		
Land plant hire income (Note a)	**44**	119
Purchase of construction materials (Note b)	**73,103**	83,454
Construction contract revenue (Note b)	**52,383**	59,994
An associate of ultimate holding company		
Construction contract revenue (Note b)	**1,105,439**	461,848

Details of the balances with associates, joint ventures, other partners of joint operations, an intermediate holding company, fellow subsidiaries and non-controlling interests are disclosed in the consolidated statement of financial position and respective notes.

Included in the contract assets is an amounts due from a fellow subsidiary of HK$12,989,000 (2018: HK$13,496,000).

Balances with an associate of ultimate holding company are included respectively in contract assets of HK$240,730,000 (2018: HK$116,153,000) and contract liabilities of HK$381,000 (2018: HK$105,000).

46. RELATED PARTY TRANSACTIONS (Continued)

Notes:

(a) Transactions are fully exempted continuing connected transactions under Rule 14A.76(1) of the Listing Rules.

(b) Transactions constitute connected transaction or continuing connected transaction and the Company has fully complied with the relevant requirements under Chapter 14A of the Listing Rules.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2019 HK$'000	2018 HK$'000
Short-term employee benefits	**65,432**	55,815
Post-employment benefits	**1,959**	2,070
	67,391	57,885

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans HK$'000 (Note 35)	Bonds HK$'000 (Note 39)	Lease liabilities HK$'000 (Note 32)	Dividend payable HK$'000	Amount due to an intermediate holding company HK$'000 (Note 33)	Amount due to an associate HK$'000 (Note 34)	Amount due to a joint venture HK$'000 (Note 33)	Amounts due to non-controlling interests HK$'000 (Note 33)	Total HK$'000
At 1 January 2018	235,821	128,700	–	–	16,466	20,281	1,142	3,094	405,504
Financing cash flows	7,329	(9,101)	–	(37,256)	2,425	–	–	–	(36,603)
Interest expenses	10,250	9,620	–	–	–	597	–	–	20,467
Dividend declared	–	–	–	37,256	–	–	–	–	37,256
At 31 December 2018	253,400	129,219	–	–	18,891	20,878	1,142	3,094	426,624
Adjustment upon application of HKFRS 16	–	–	36,004	–	–	–	–	–	36,004
As at 1 January 2019 (restated)	**253,400**	**129,219**	**36,004**	**-**	**18,891**	**20,878**	**1,142**	**3,094**	**462,628**
Financing cash flows	**(86,883)**	**(9,101)**	**(22,339)**	**(59,143)**	**(3,239)**	**-**	**-**	**-**	**(180,705)**
Interest expenses	**8,108**	**9,620**	**425**	**-**	**-**	**625**	**-**	**-**	**18,778**
New leases entered	**-**	**-**	**14,938**	**-**	**-**	**-**	**-**	**-**	**14,938**
Acquisition of a subsidiary (Note 48)	**65,258**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65,258**
Exchange adjustments	**(1,102)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,102)**
Dividend declared	**-**	**-**	**-**	**59,143**	**-**	**-**	**-**	**-**	**59,143**
At 31 December 2019	**238,781**	**129,738**	**29,028**	**-**	**15,652**	**21,503**	**1,142**	**3,094**	**438,938**

48. ACQUISITION OF SUBSIDIARIES

(a) As one of the partner for Hsin Chong- Build King Joint Venture (the "Joint Venture"), Hsin Chong Construction Company Limited ("Hsin Chong") was in financial difficulties, pursuant to the joint venture agreement between Hsin Chong and the Group, the Group exercised their right on 13 December 2018, of which subsequently be upheld by court order dated 13 June 2019, to exclude Hsin Chong from further participation and management of the Joint Venture and took over Hsin Chong interests in the Joint Venture. As the Group has taken over the 65% interests in the Joint Venture previously held by Hsin Chong and has control over all the relevant activities of the Joint Venture, the Joint Venture accordingly become wholly-owned subsidiary on the date of exclusion.

The acquisition was accounted for using the purchase method. Acquisition-related costs had been excluded from the cost of the above acquisition. The costs were insignificant and recognised as an expense within the administrative expense in the consolidated statement of profit or loss.

Assets acquired and liabilities assumed at the acquisition date:

	HK$'000
Property, plant and equipment	925
Contract assets	4,605
Debtors, deposits and prepayments	2,443
Tax recoverable	4,507
Bank balances and cash	133,161
Contract liabilities	(109,366)
Creditors and accrued charges	(35,907)
Net assets	368

Gain on bargain purchase arising from the acquisition:

	HK$'000
Cash consideration paid	–
Less: net assets acquired by the Group at the acquisition date	(368)
Gain on bargain purchase arising from the acquisition	(368)

The fair value of the Joint Venture's identifiable assets and liabilities had been assessed by the management of the Group and it considered that the fair value of debtors, deposits and prepayments at the date of acquisition amounted to HK$2,443,000, approximated to gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considered that the contractual cash flows not expected to be collected was insignificant and the gain on bargain purchase arising from acquisition of HK$368,000 was credited to the Group as other income.

48. ACQUISITION OF SUBSIDIARIES (Continued)

(a) (Continued)

Net cash inflow on acquisition:

	HK$'000
Cash consideration paid	–
Less: cash and cash equivalent balances acquired	(133,161)
	133,161

Included in the profit for the year ended 31 December 2019 was profit of HK$55,240,000 attributable to the additional business generated by the Joint Venture. Revenue for the year ended 31 December 2019 contributed by the Joint Venture was HK$1,283,937,000.

(b) On 21 October 2019, the Group agreed with the other two joint venture partners of Tianjin Wai Kee Earth to further increase the registered capital of Tianjin Wai Kee Earth to RMB156,500,000 (equivalent to approximately HK$176,800,000) and the registered capital of Tianjin Wai Kee Earth attributable to the Group is increased to RMB124,600,000 (equivalent to approximately HK$140,800,000). Accordingly, the Group held 79.62% equity interest in Tianjin Wai Kee Earth. Pursuant to the revised Articles of Association of Tianjin Wai Kee Earth, all the major financial and operating decisions require simple majority of votes. Three out of five directors of Tianjin Wai Kee Earth are appointed by the Group. As the Group controls over 50% of the voting powers in the board of directors of Tianjin Wai Kee Earth which give the Group the current ability to direct the relevant activities, therefore, Tianjin Wai Kee Earth and its subsidiaries are deemed to be acquired by the Group and become a non-wholly owned subsidiary of the Group under HKFRS 10 and their results, assets and liabilities are consolidated with those of the Group. The amount of goodwill arising as a result of the acquisition was HK$924,000.

Deemed consideration transferred

	HK$'000
Interest in joint venture	24,271

Acquisition-related costs had been excluded from the consideration transferred. The costs were insignificant and recognised as an expense within the administrative expenses line item in the consolidated statement of profit or loss.

48. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	13,658
Intangible assets	51,504
Right-of-use assets	1,403
Inventories	414
Debtors, deposits and prepayments	89,414
Bank balances and cash	5,325
Creditors and accrued charges	(19,842)
Loans from a joint ventures partner	(47,772)
Bank loans	(65,258)
	28,846

The fair value of Tianjin Wai Kee Earth's identifiable assets and liabilities has been assessed by the management of the Group and it considered that the fair value of the debtors, deposits and prepayment at the date of acquisition amounted to HK$89,414,000, approximated to gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considered that contractual cash flows not expected to be collected was insignificant.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	24,271
Add: non-controlling interests (Note)	5,499
Less: net assets acquired	(28,846)
Goodwill arising on acquisition	924

Note: The non-controlling interests (20.38%) in Tianjin Wai Kee Earth recognised at the acquisition date was measured by reference to the proportionate shares of respective recognised amounts of net assets of relevant subsidiaries and amounted to HK$5,499,000.

Goodwill arose in the acquisition of Tianjin Wai Kee Earth because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development of Tianjin Wai Kee Earth. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

48. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

Net cash inflow on acquisition of Tianjin Wai Kee Earth

	HK$'000
Cash consideration paid	–
Less: cash and cash equivalents balances acquired	(5,325)
	5,325

Included in the profit for the year is HK$86,000 attributable to the additional business generated by Tianjin Wai Kee Earth. Revenue for the year includes HK$5,896,000 generated from Tianjin Wai Kee Earth.

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been HK$7,622,754,000, and profit for the year of the Group would have been HK$294,684,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

At the end of the reporting period, the management of the Group recognises an impairment loss of HK$924,000 in relation to goodwill arising on the acquisition of Tianjin Nai Kee Earth which is included in administrative expenses.

49. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 16 December 2019, the Group entered into a sale and purchase agreements to acquire of its 30% equity interest in Build King Interior & Construction Limited ("BKIC"), from an independent third party at a consideration of HK$300,000. The consideration was satisfied by way of cash. The difference between the consideration and the carrying value of the additional interest acquired by the Group was recognised in equity as capital reserve. Immediately after the acquisition, BKIC became a wholly-owned subsidiary of the Group. BKIC is engaged in fitting out, improvement and alteration works for buildings.

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 **HK$'000**	2018 HK$'000
Non-current asset		
Unlisted investments in subsidiaries	**60,000**	60,000
Current assets		
Amounts due from subsidiaries	**256,059**	199,659
Bank balances and cash	**1,266**	521
	257,325	200,180
Current liabilities		
Other payable	**361**	–
Amount due to an intermediate holding company	**2,514**	2,514
Amounts due to subsidiaries	**175,601**	118,372
	178,476	120,886
Net current assets	**78,849**	79,294
Total assets less current liabilities	**138,849**	139,294
Capital and reserves		
Ordinary share capital	**124,188**	124,188
Reserves	**14,661**	15,106
Total equity	**138,849**	139,294

Movement in reserves

	Share premium HK$'000	**Contributed surplus** HK$'000 (Note)	**Other reserve** HK$'000 (Note)	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2018	14,186	419,212	115	(418,153)	15,360
Profit and total comprehensive income for the year	–	–	–	37,002	37,002
Dividend paid	–	–	–	(37,256)	(37,256)
At 31 December 2018	**14,186**	**419,212**	**115**	**(418,407)**	**15,106**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**54,198**	**54,198**
Dividend paid	**–**	**–**	**–**	**(54,643)**	**(54,643)**
At 31 December 2019	**14,186**	**419,212**	**115**	**(418,852)**	**14,661**

Note: The contributed surplus and other reserve represent adjustments in share capital on the reverse acquisition of the Company in 2004.

51. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid/ registered ordinary share capital	Proportion of nominal value of issued ordinary share capital held by the Group 2019 %	2018 %	Principal activities
Allied Wise Limited	Hong Kong	Hong Kong	HK$2	**100**	100	Investment holding
Amazing Reward Group Limited	BVI	Hong Kong	US$1,000,000	**100**	100	Investment holding
Titan Foundation Limited	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Civil engineering
Build King Construction Limited ("BKCL")	United Kingdom	Hong Kong	GBP16,072,500	**100**	100	Construction and civil engineering
Build King Civil Engineering Limited	Hong Kong	Hong Kong	HK$75,200,000 Ordinary shares	**100**	100	Civil engineering
			HK$24,000,000 Non-voting deferred shares	**100**	100	
Build King Management Limited	Hong Kong	Hong Kong	HK$2	**100**	100	Provision of administrative and management services to group companies
Leader Marine Contractors Limited	Hong Kong	Hong Kong	HK$200,000	**100**	100	Marine engineering and provision of transportation services
Leader Marine Cont. L.L.C.	Sharjah, United Arab Emirates ("U.A.E.")	U.A.E.	Dh300,000	**100**	100	First class contracting/ specialised in marine construction
Profound Success Limited	BVI	Hong Kong	US$1	**100**	100	Investment holding
Top Tactic Holdings Limited	BVI	BVI	US$1	**100**	100	Investment holding
Wai Kee China Construction Company Limited	Hong Kong	PRC	HK$10,000,000	**100**	100	Civil engineering

51. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid/ registered ordinary share capital	Proportion of nominal value of issued ordinary share capital held by the Group 2019 %	2018 %	Principal activities
Wai Kee China Infrastructure Limited	Hong Kong	PRC	HK$1	**100**	100	Investment holding
Build King (Zens) Engineering Limited	Hong Kong	Hong Kong	HK$56,000,002 Ordinary shares	**100**	100	Civil engineering
			HK$14,800,000 Non-voting deferred shares	**100**	100	
			HK$5,200,000 Non-voting deferred shares (note a)	**–**	–	
Wisdom Aim Investments Limited	Hong Kong	Hong Kong	HK$1	**100**	100	Provision of secretarial and nominee services to group companies
Wuxi Qianhui Sewage Treatment Co., Ltd. (note b)	PRC	PRC	US$9,000,000	**95.6**	95.6	Sewage treatment
Build King Interior & Construction Limited	Hong Kong	Hong Kong	HK$1,000,000	**100**	70	Fitting out, improvement and alteration works for buildings
惠記環保工程(上海)有限公司 (note c)	PRC	PRC	US$800,000	**100**	100	Environmental engineering
Tianjin Wai Kee Earth (note b)	PRC	PRC	RMB156,500,000	**79.62**	–	Steam fuel supply

51. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the company. On a winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the company only after the distribution of substantial amounts as specified in the Articles of Association to holders of ordinary shares of the company.

(b) The company is a co-operative joint venture registered in the PRC.

(c) The company is a foreign owned enterprise registered in the PRC.

Except for Top Tactic Holdings Limited, all subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results of the year or constitute a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for BKCL which has issued bonds (note 39), none of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

In the opinion of the directors of the Company, there are no subsidiaries that have non-controlling interest individually which are material to the Group at the end of each reporting period. Therefore, no information is disclosed for these non-wholly owned subsidiaries.

RESULTS

	Year ended 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Group revenue	4,571,629	4,871,491	5,986,382	6,305,348	**7,568,461**
Share of revenue of joint ventures	–	13,381	34,933	75,314	**109,126**
	4,571,629	4,884,872	6,021,315	6,380,662	**7,677,587**
Group revenue	4,571,629	4,871,491	5,986,382	6,305,348	**7,568,461**
Operating profit	105,341	183,853	266,899	538,224	**374,166**
Share of results of joint ventures	–	7,512	8,654	16,319	**22,351**
Share of results of associates	360	569	519	(1,190)	**(1,941)**
Finance costs	(8,635)	(13,857)	(18,950)	(20,467)	**(18,778)**
Profit before tax	97,066	178,077	257,122	532,886	**375,798**
Income tax expense	(2,884)	(28,531)	(70,048)	(119,128)	**(78,153)**
Profit for the year	94,182	149,546	187,074	413,758	**297,645**

FINANCIAL POSITION

	At 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Total assets	2,614,565	3,081,557	3,739,800	4,296,230	**5,269,270**
Total liabilities	(2,192,221)	(2,534,727)	(3,027,240)	(3,351,645)	**(4,084,336)**
Net assets	422,344	546,830	712,560	944,585	**1,184,934**

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zen Wei Peu, Derek
(Chairman, Chief Executive Officer and Managing Director)
Chang Kam Chuen, Desmond

Non-executive Directors

David Howard Gem
Chan Chi Hung, Anthony

Independent Non-executive Directors

Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
Lo Yiu Ching, Dantes

AUDIT COMMITTEE

Ho Tai Wai, David *(Chairman)*
Ling Lee Ching Man, Eleanor
Lo Yiu Ching, Dantes

NOMINATION COMMITTEE

Lo Yiu Ching, Dantes *(Chairman)*
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
Zen Wei Peu, Derek

REMUNERATION COMMITTEE

Ling Lee Ching Man, Eleanor *(Chairwoman)*
Ho Tai Wai, David
Lo Yiu Ching, Dantes
Zen Wei Peu, Derek

COMPANY SECRETARY

Chang Kam Chuen, Desmond

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
Church Street
2 Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 601-605A, 6th Floor, Tower B
Manulife Financial Centre
223 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

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WEBSITE

www.buildking.hk