Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNUAL REPORT 2019

CONTENTS

Financial Highlights

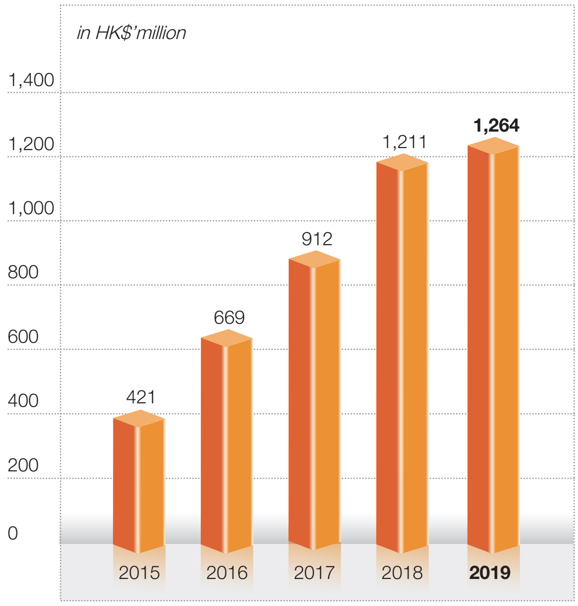
	Year ended 31st December,	
	2019	2018
	HK$'million	*HK$'million*
Revenue	**7,904**	6,736
Profit for the year	**1,388**	1,384
Profit attributable to owners of the Company	**1,264**	1,211
	HK$	*HK$*
Basic earnings per share	**1.59**	1.53
	HK cents	*HK cents*
Dividends per share	**32.0**	31.0
Return on equity attributable to owners of the Company	**14.9%**	15.5%

	At 31st December,	
	2019	2018
	HK$'million	*HK$'million*
Total assets	**14,352**	12,868
Total liabilities	**(5,345)**	(4,675)
Non-controlling interests	**(495)**	(406)
Equity attributable to owners of the Company	**8,512**	7,787
	HK$	*HK$*
Equity attributable to owners of the Company per share	**10.73**	9.82

Financial Highlights

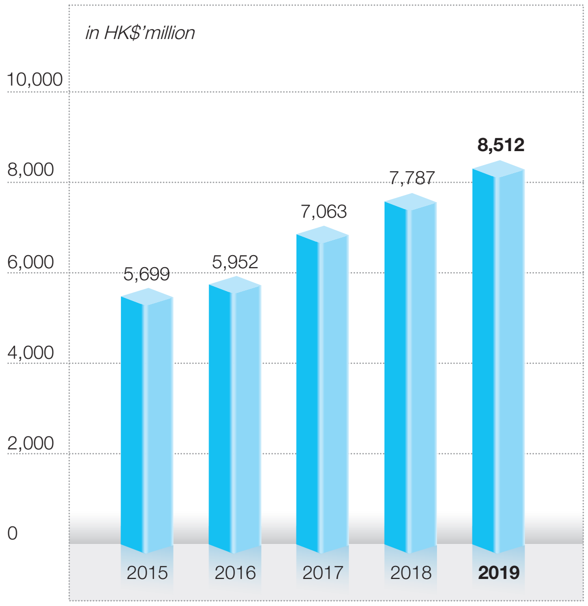
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Year ended 31st December,



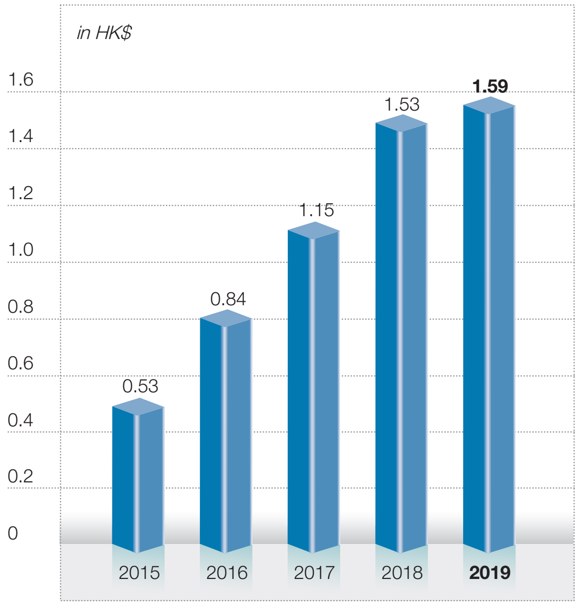
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

At 31st December,



BASIC EARNINGS PER SHARE

Year ended 31st December,



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE

At 31st December,

Zen Wei Pao, William
Chairman

Dear shareholders,

The board of directors (the "Board") of the Company announces that the Group's audited revenue for the year ended 31st December, 2019 was HK$7,904 million (2018: HK$6,736 million), generating an audited consolidated profit attributable to owners of the Company of HK$1,264 million (2018: HK$1,211 million), an increase of 4% as compared with that of 2018.

At the forthcoming annual general meeting to be held on 22nd May, 2020, the Board will recommend the payment of a final dividend of HK24.0 cents (2018: HK23.4 cents) per share.

PROPERTY DEVELOPMENT

BUSINESS REVIEW

Property Development and Investment, Toll Road, Investment and Asset Management

For the year ended 31st December, 2019, the Group shared a profit of HK$1,287 million (2018: HK$1,255 million) from Road King Infrastructure Limited ("Road King"), an associate of the Group. As of the date of this report, the Group holds 42.62% interest in Road King.

During the year ended 31st December, 2019, the Group purchased 1,690,000 (2018: 6,851,000) ordinary shares in Road King at an aggregate consideration below the additional net assets value shared by the Group and hence recognised an aggregate discount of HK$18 million (2018: HK$49 million) on acquisition of additional interest in Road King. During the year ended 31st December, 2018, Road King issued 1,200,000 ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option schemes of Road King. As the shares were issued at an exercise price lower than the net assets value per share of Road King, the Group recorded an aggregate loss of HK$7 million on deemed disposal of partial interest in Road King in 2018. As a result, the net effect of the aforesaid transactions increased the Group's interest in Road King by 0.23% (2018: 0.85%).

For the year ended 31st December, 2019, Road King recorded an audited profit attributable to its owners of HK$3,028 million (2018: HK$2,988 million), an increase of 1% as compared with that of 2018.

In 2019, Road King closely followed the market trend and adhered to the operating principle of ensuring a balance between profitability and sales volume, its operation team concerted their efforts and drove property sales of the year to RMB42,765 million, representing an increase of 24% as compared with that of 2018.

In 2019, the property market in Mainland China remained fluctuated significantly and the government continued to deepen and widen its austerity measures. Road King seized the market opportunities and totally acquired 15 pieces of land with an aggregate floor area of 1,490,000 sqm throughout the year. At the same time, three existing projects in Hong Kong are operating normally, construction works are in progress as scheduled. At 31st December, 2019, Road King's land reserves was approximately 7,350,000 sqm.

TOLL ROAD

BUSINESS REVIEW (Cont'd)

Property Development and Investment, Toll Road, Investment and Asset Management (Cont'd)

The total traffic volume of Road King's expressway projects in Mainland China was 95 million vehicles with an average daily traffic volume of 259,956 vehicles; toll revenue was about RMB3,162 million in 2019, representing a slight increase of 3% as compared with that of 2018. In 2019, Road King actively explored business opportunities for new expressway projects, and completed the acquisition of 40% equity interests of two expressways in Java, Indonesia in December, representing a breakthrough in overseas expressway investment and injecting new impetus in the development of expressway business of Road King.

In 2019, Road King continued to consolidate the businesses of investment and asset management segment, including its property fund, cultural, tourist and commercial, and entertainment, content development and supply businesses. This segment (including joint venture and associate projects) achieved sales of RMB2,803 million, including the contracted sales of RMB2,568 million and outstanding subscribed sales of RMB235 million.

There is outbreak of a novel coronavirus epidemic since early 2020, posting more uncertainties on the economic and market prospects. Both Mainland China and Hong Kong are facing a greater pressure of economic downturn, and various industries including the property market, capital market and transportation are negatively affected. Since 17th February, 2020, the PRC government has implemented a toll-free policy for all toll roads and such policy is expected to have adverse impact on the performance of Road King's toll road business in 2020. Nevertheless, Road King will maintain a prudent and positive attitude and continue to work in a pragmatic manner to take on the challenges arising from changes in the market. In addition, Road King will also continue to explore business related opportunities, strive to increase toll road assets, optimise the land reserve portfolio and seek for more collaboration opportunities with business partners for further development.

CONSTRUCTION

BUSINESS REVIEW (Cont'd)

Construction, Sewage Treatment and Steam Fuel

For the year ended 31st December, 2019, the Group shared a profit of HK$168 million (2018: HK$232 million) from Build King Holdings Limited ("Build King"). As of the date of this report, the Group holds 56.76% interest in Build King.

For the year ended 31st December, 2019, Build King recorded revenue of HK$7,568 million (2018: HK$6,305 million) and an audited profit attributable to its owners of HK$296 million (2018: HK$412 million), a decrease of 28% as compared with that of 2018. This comprises profit of HK$305 million (2018: HK$407 million) from construction, sewage treatment and steam fuel operations and loss of HK$9 million (2018: gain of HK$5 million) from investment in securities.

The increase of turnover was in line with Build King 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 Build King ("Build King Annual Report 2018"), the profit of 2018 was exceptional, but the Build King management did expect such profitability would not sustain. Despite deteriorating economy and ever competitive market, Build King 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, Build King continued to win new projects by leveraging on its better than average performance scores of current projects so that it can maintain a reasonable margin for the new projects. Since the issue of Build King Annual Report 2018, Build King has managed to secure twenty-two 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. 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 building division registered a record-high turnover of HK$3.5 billion in 2019, mainly attributable to the substantial works of some projects. With the award of new building projects over HK$4 billion, the management of Build King are confident with the prospect of the building division in long term.

For the environmental infrastructure projects in the PRC, during 2019, Build King made further investment in existing projects as well as acquired new ventures to broaden its 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, Build King finally agreed 80% increment of sewage treatment fees with the local authorities to compensate for its 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 Build King's profit will increase significantly. In October 2019, Build King 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 supply steam fuel to factories in a designated industrial park for 30 years. Build King expects the investment in these two plants will be paid back within five to six years. Should their financial performances be in line with Build King's plan, Build King will increase its investment in similar project in the coming years. Lastly, the centralised heat supply in Dezhou run smoothly and produced same annual profit as prior years.

CONSTRUCTION MATERIALS

BUSINESS REVIEW (Cont'd)

Construction Materials

For the year ended 31st December, 2019, the construction materials division recorded revenue of HK$459 million (2018: HK$587 million) and a net loss of HK$73 million (2018: HK$98 million).

The reduction in loss for the construction materials division as compared with that of 2018 was mainly due to reduction in amortisation of intangible assets and depreciation of property, plant and equipment resulting from the impairment losses of those assets provided in 2018.

Although the operation at Tin Wan ceased in March 2019, costs for demolishing concrete batching facilities and rental of land at Tin Wan during the demolishing period were incurred in the second and third quarters of 2019. As the difficult market conditions of concrete business continues, the concrete prices remained at low levels resulting in very low profit margins. The thin profit margins are unable to absorb the operating costs and fixed costs of concrete batching facilities at Lam Tei Quarry and the newly rented batching facility at Yau Tong which started operation in April 2019.

For asphalt business, despite significant amount of impairment loss was provided in 2018, slight loss was still recorded in 2019 mainly due to the significant drop in sales volume of asphalt in the second half of 2019. During 2019, the replenishment of order book is much slower than expected as large infrastructure projects were delayed. Hence, co-operation with another asphalt operator was made in January 2020 to establish alliance for sharing the operating costs of asphalt production plant at Lam Tei Quarry.

The construction materials division has been facing difficult market conditions and severe competition. Delay of mega infrastructure projects in Hong Kong affects the market demands for concrete and asphalt. As a result of keen competition, the market prices of concrete and asphalt remain at low levels. Unless the concrete and asphalt prices rebound significantly, the performance of construction materials division will hardly be improved. The management continues to adopt prudent cost control measures and is committed to providing high quality of services to our customers in order to strengthen competitiveness.

Quarrying

For the year ended 31st December, 2019, the quarrying division recorded revenue of HK$167 million (2018: HK$185 million) and a net loss of HK$17 million (2018: HK$14 million).

The quarrying division recorded higher net loss than that of last year. Although the market prices of aggregates rose during the year resulting from the decline in aggregates supply from Mainland China to Hong Kong, the selling prices remained at low levels for aggregates supply contracts committed with customers in previous years. Also, the production capacity of the existing crushing facilities at Lam Tei Quarry limited the production volume of aggregates to secure additional sales volume with higher prices. Hence, the thin profit margin generated from sales was unable to cover the substantial amount of operation costs, which included the amortisation of extraction right of rock reserve and rehabilitation costs for Lam Tei Quarry, and fixed overheads at Lam Tei Quarry.

Following the closure of the concrete batching facilities at Tin Wan at the end of March 2019 and the commencement of aggregates supply to Yau Tong concrete batching facility from the outside supplier in April 2019, the operation at Niu Tou Island discontinued.

The establishment of the new crushing facility with double production capacity at Lam Tei Quarry is headed toward its final completion stage as well as in final stage of fulfillment of the environmental rules and regulations which is expected to be completed in the first half of 2020 and full swing of production will start thereafter. The management has also been exercising cost control measures to minimize the production cost of aggregates.

QUARRYING

BUSINESS REVIEW (Cont'd)

Impairment Loss of Lam Tei Quarry

Having considered the drop in the demand and the competitive pricing of concrete, asphalt and aggregates in recent years, the management has performed impairment assessment on the carrying amounts of property, plant and equipment, and the intangible assets (representing the extraction right of rock reserve and the rehabilitation costs to be incurred) for Lam Tei Quarry during the year ended 31st December, 2019 by reference to the valuation prepared by an independent external valuer. For the purpose of impairment assessment, assets of Lam Tei Quarry have been allocated to three individual cash generating units ("CGUs"), i.e. quarrying, concrete and asphalt CGUs, and the recoverable amounts of these CGUs have been determined based on the value in use calculation. The calculation uses cash flow projections based on financial budgets covering the remaining contract period of Lam Tei Quarry and discounted at a discount rate of 10.99% (2018: 10.59%) to calculate the present value. Other key assumptions for the value in use calculation relate to the estimation of the prices and budgeted gross margins of aggregates, concrete and asphalt, and the volume of rock reserve to be extracted for the remaining contract period. Based on the impairment assessment, the management considers that the recoverable amounts of these assets of CGUs are less than their total carrying amounts, therefore total impairment losses of HK$76 million (2018: HK$205 million), comprising HK$35 million (2018: HK$32 million) in respect of property, plant and equipment and HK$41 million (2018: HK$173 million) in respect of intangible assets, was recognised in profit or loss for the year ended 31st December, 2019.

Property Funds

The Group holds 34.6% interest in Grand China Cayman Investors III, Limited ("Grand China Fund") which indirectly holds 39.9% interest in a US company ("US Company I"). Following the disposals of two residential rental properties in 2016 and another two residential rental properties in 2017, the remaining five residential rental properties in Houston were disposed of by US Company I in 2018. Cash distributions of net sales proceeds were made in the second half year of 2018 and the first half year of 2019. For the year ended 31st December, 2019, the Group shared profit of HK$10 million and received cash distribution of US$1.3 million from Grand China Fund.

The Group holds 10% interest in Grand China Overseas Investment Fund, Ltd. and Grand China Overseas Investment Management Co., Ltd. (collectively "GCOI Fund"). GCOI Fund is a fund of funds which in turn invested in a number of sub-funds. Each sub-fund focuses on a unique property project in the USA. On 4th March, 2019, the Group entered into an agreement to dispose of its entire interest in GCOI Fund to the major shareholder of GCOI Fund at the consideration of US$5.8 million and gain on change in fair value of HK$11 million for the investment in GCOI Fund with reference to the consideration to be received was recognised in profit or loss for the year ended 31st December, 2018. For the year ended 31st December, 2019, the Group received cash distribution of US$0.2 million and sales proceeds of US$5.8 million.

The Group holds 30% effective interest in the Sunnyvale project by investment in a US investment company ("US Company II") which in turn made capital contribution to another US company (the "Project Company") for the development of 3-storey townhouses on three lots of land in Sunnyvale. In 2017, the Project Company sold one of the three lots of land. From 2017 onward, 314 townhouses on the remaining two lots of land have been gradually built and sold. At 31st December, 2019, all 314 townhouses were sold, of which 312 townhouses were closed and only 2 townhouses were yet to be closed. For the year ended 31st December, 2019, revaluation surplus of HK$19 million for the investment in US Company II was recognised as gain on change in fair value in profit or loss.

Lion Trade Global Limited ("Lion Trade"), which is owned 70% by a wholly owned subsidiary of the Company and 30% by a wholly owned subsidiary of Build King, indirectly holds 75% interest in Wisdom H6 LLC ("JV Fund I") and 34.35% interest in Estates at Fountain Lake LLC ("JV Fund II"), both of which are US joint venture companies. JV Fund I holds a 4-storey residential rental property in Houston and JV Fund II holds a 3-storey residential rental property in Stafford of Texas. In December 2019, the occupancy rates of these two residential properties were around 94.9% and 95.1% respectively. For the year ended 31st December, 2019, Lion Trade shared profit of HK$18 million and received cash distribution of US$0.3 million from these two US joint venture companies.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, total borrowings decreased from HK$1,219 million to HK$1,186 million, which included bonds with carrying amounts of HK$130 million (2018: HK$129 million) carrying fixed coupon interest of 7% per annum and HK$110 million (2018: HK$91 million) carrying no interest (2018: fixed coupon interest of 5% per annum) respectively, with the maturity profile summarised as follows:

	31st December,	
	2019	2018
	HK$'million	*HK$'million*
Within one year	**576**	272
In the second year	**363**	486
In the third to fifth year inclusive	**247**	370
Over five years	**–**	91
	1,186	1,219
Classified under:		
Current liabilities *(note)*	**680**	327
Non-current liabilities	**506**	892
	1,186	1,219

Note: At 31st December, 2019, bank loans that are repayable over one year after the end of the reporting period but contain a repayment on demand clause with an aggregate carrying amount of HK$104 million (2018: HK$55 million) have been classified as current liabilities.

During the year, the Group had no financial instruments for hedging purpose. At 31st December, 2019, apart from the bonds described above, the Group had no fixed-rate borrowings.

At 31st December, 2019, total amount of the Group's time deposits, bank balances and cash was HK$2,202 million (2018: HK$1,813 million), of which bank deposits of Build King amounting to HK$64 million (2018: HK$2 million) were pledged to banks to secure certain banking facilities granted to Build King. In addition, the Group has available unutilised banking facilities of HK$1,389 million (2018: HK$1,331 million).

For the year ended 31st December, 2019, the Group recorded finance costs of HK$75 million (2018: HK$76 million).

FINANCIAL REVIEW (Cont'd)

Liquidity and Financial Resources (Cont'd)

At 31st December, 2019, included in the financial assets at fair value through profit or loss, there were investments in unlisted convertible bonds of HK$26 million (2018: HK$38 million) and unlisted equity securities of HK$13 million (2018: HK$8 million), both of which were issued by a private entity engaged in manufacture and sale of pharmaceutical products in USA, and investment in equity securities listed in Hong Kong of HK$49 million (2018: HK$47 million). For the year ended 31st December, 2019, the Group recorded a net loss (net amount of change in fair value, dividend income, interest income and withholding tax) of HK$16 million (2018: net gain of HK$5 million) from these investments, of which net loss of HK$9 million (2018: net gain of HK$5 million) was derived from the securities invested by Build King.

The Group's borrowings, investments, time deposits and bank balances are principally denominated in Hong Kong dollar, Renminbi and United States dollar. As a result, the Group is exposed to the currency risks for fluctuation in exchange rates of Renminbi and United States dollar. However, there is no significant exposure to foreign exchange rate fluctuations during the year. The Group will continue to monitor its exposure to the currency risks closely.

Capital Structure and Gearing Ratio

At 31st December, 2019, the equity attributable to owners of the Company amounted to HK$8,512 million, representing HK$10.73 per share (2018: HK$7,787 million, representing HK$9.82 per share).

At 31st December, 2019, the gearing ratio, representing the ratio of total borrowings to equity attributable to owners of the Company, was 13.9% (2018: 15.7%) and the net gearing ratio, representing the ratio of net borrowings (total borrowings less time deposits, bank balances and cash) to equity attributable to owners of the Company, was –11.9% (2018: –7.6%) as a result of total amount of time deposits, bank balances and cash exceeding total borrowings amount.

Pledge of Assets

At 31st December, 2019, apart from the bank deposits pledged to secure certain banking facilities granted to the Group, the shares of certain subsidiaries of the Company were also pledged to secure certain bank loans and banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

At 31st December, 2019, the Group committed capital expenditure contracted for but not provided in the Group's consolidated financial statements of HK$56 million (2018: HK$3 million) in respect of acquisition of property, plant and equipment. At 31st December, 2019, the Group had no contingent liabilities.

FUTURE OUTLOOK

The order book on hand of the Group's construction, sewage treatment and steam fuel division is about two and a half years' current turnover so that the division is able to maintain its cautious tendering approach in the short term. Nevertheless, as the economy in Hong Kong is in downturn and the construction industry is competitive, the division is still facing challenging environment in the long run. The division will seek investment opportunities in environmental infrastructure projects in the PRC that can produce steady income to smoothen the cyclical nature of construction industry.

The management has noted that the government containment measures as well as the response of the general public and private sector in response to the outbreak of the novel coronavirus has had an impact on the Group's operations, including delays or slow down on construction works and the need to put in place enhanced health monitoring and other measures at the production sites of construction materials division and quarry division. The Group has taken steps to reduce interruption to the operations of all the Group's business segments.

As the new crushing facility with double production capacity will come on line at Lam Tei Quarry in the first half of 2020, management is securing increased aggregates sales at higher prices, taking advantage of the uptrend of market prices for aggregates, with the aim of improving the performance of the quarrying division.

For construction materials division, there is no sign of improvements in prices and market demand of concrete and asphalt. The operators of concrete and asphalt industries continue to face extremely challenging time in 2020. The Group would continue implementing cost control measures to strengthen our competitiveness.

The performance of the property funds in 2019 was in line with budget. It is expected that the Sunnyvale project will provide profit contribution and cash distribution to the Group in 2020. The Group continues to closely monitor the performance of the property funds.

We will keep seeking with cautious approach for investment opportunities that create synergy for the Group to enhance the sustainable growth of the Group.

APPRECIATION

The Board would like to take this opportunity to extend its heartiest thanks to our shareholders, business partners, directors and our loyal and dedicated staff.

William Zen Wei Pao
Chairman

Hong Kong, 23rd March, 2020

EXECUTIVE DIRECTORS

ZEN Wei Pao, William, age 72, is the Chairman of the Company and has been with the Group since 1971. He was appointed as an Executive Director in July 1992, a member of the Remuneration Committee of the Company in April 2005 and the Chairman of the Nomination Committee of the Company in February 2012. He is also the Co-Chairman of Road King, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He holds a Bachelor of Science Degree from The Chinese University of Hong Kong and a Master of Business Administration Degree from Asia International Open University (Macau). He also attended Executive Education Program at Harvard University and Stanford Executive Program at Stanford University. He is a member of both the Hong Kong Institution of Engineers and the Institute of Quarrying, the United Kingdom ("UK"). He has over 45 years of experience in civil engineering industry. Mr. Zen is responsible for the overall strategic planning and corporate marketing and development of the Group. He is the brother of Mr. Zen Wei Peu, Derek.

ZEN Wei Peu, Derek, age 67, is the Vice Chairman and Chief Executive Officer of the Company and has been with the Group for over 35 years. He was appointed as an Executive Director in July 1992, a member of the Remuneration Committee of the Company in April 2005 and a member of the Nomination Committee of the Company in February 2012. He is also the Chairman of Build King and the Co-Chairman of Road King, both of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also a director of Emmaus Life Sciences, Inc., whose shares are traded on the OTC Market in USA. He holds a Bachelor of Science Degree in Engineering from The University of Hong Kong and a Master Degree of Business Administration from The Chinese University of Hong Kong and is a member of both the Institution of Civil Engineers and the Hong Kong Institution of Engineers and a fellow member of the Institute of Quarrying, UK. He was the Honorary Treasurer of Hong Kong Construction Association. He has over 45 years of experience in civil engineering. Mr. Zen is responsible for the overall management of the Group and oversees the operations of the Group. He is the brother of Mr. Zen Wei Pao, William.

CHIU Wai Yee, Anriena, age 56, was appointed as an Executive Director in June 2005. She joined the Group in April 1995. She is the Company Secretary of the Company. She holds a Bachelor of Administrative Studies Degree and a Master Degree of Professional Accounting. Miss Chiu is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She has extensive experience in company secretarial field. Miss Chiu is responsible for the construction materials division of the Group, the personnel and administration department and secretarial department of the Company.

NON-EXECUTIVE DIRECTORS

CHENG Chi Ming, Brian, age 37, was appointed as a Non-executive Director in February 2013. He holds a Bachelor of Science degree from Babson College in Massachusetts, U.S.A. Mr. Cheng is presently an executive director of NWS Holdings Limited ("NWS", a substantial shareholder of the Company and the shares of whose are listed on the Main Board of The Stock Exchange of Hong Kong Limited). He is also a director of certain subsidiaries of NWS. He is the Chairman and a non-executive director of Integrated Waste Solutions Group Holdings Limited and a non-executive director of Haitong International Securities Group Limited, both of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also the Chairman of Goshawk Aviation Limited and a director of SUEZ NWS Limited, PBA International Pte. Ltd. and a number of companies in Mainland China. He is currently a member of the Thirteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of The People's Republic of China. Prior to joining NWS, Mr. Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. He was a non-executive director of Beijing Capital International Airport Company Limited (resigned on 2nd February, 2018) and Leyou Technologies Holdings Limited (resigned on 5th June, 2019), both of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

HO Gilbert Chi Hang, age 43, was appointed as a Non-executive Director on 31st December, 2018. He was appointed as an executive director of NWS (together with its subsidiaries, "NWS Group") on 9th July, 2018 and is also a member of the Executive Committee of NWS. Joined in January 2018, he is also a director of certain subsidiaries of the NWS Group and is responsible for overseeing the business development and mergers and acquisitions affairs, and certain businesses of the NWS Group. Mr. Ho has extensive experience in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand and retail management. Prior to joining the NWS Group, Mr. Ho was a director and/or senior executive in several Hong Kong listed public companies. He was the senior investment director of New World Development Company Limited, the substantial shareholder of NWS and a company listed on The Stock Exchange of Hong Kong Limited, and an executive director of New World Strategic Investment Limited. He was also a partner of an international law firm Fried, Frank, Harris, Shriver & Jacobson LLP. Mr. Ho is an independent non-executive director of Kam Hing International Holdings Limited, Hailiang International Holdings Limited and Asia Allied Infrastructure Holdings Limited and a non-executive director of Shougang Concord International Enterprises Company Limited, all being companies listed on The Stock Exchange of Hong Kong Limited. He was an executive director of HMV Digital China Group Limited (now known as China Creative Digital Entertainment Limited) (resigned on 28th June, 2017) and an executive director and the chief executive officer of AID Partners Technology Holdings Limited (now known as AID Life Science Holdings Limited) (resigned on 1st January, 2018), both being companies listed on The Stock Exchange of Hong Kong Limited. Mr. Ho is a committee member of the Chinese People's Political Consultative Conference of Shenyang, a standing committee member of the Youth Federation of Inner Mongolia and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and was admitted as a solicitor in New South Wales, Australia and England and Wales and as a solicitor and barrister in the High Court of Australia. He is also a fellow member of CPA Australia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Che Ming, Steve, age 69, was appointed as an Independent Non-executive Director in July 1992. He was appointed as a member of the Audit Committee of the Company in July 1998, a member of the Remuneration Committee of the Company in April 2005 and a member of the Nomination Committee of the Company in February 2012. During the period from September 2001 to the first quarter of 2005, he served as the Chairman of the Audit Committee of the Company. He is a solicitor, Notary Public, China Appointed Attesting Officer and a member of The Chartered Institute of Arbitrators. He holds a Bachelor of Social Science Degree in Economics from The Chinese University of Hong Kong and a Doctorate Degree in Civil Laws from The Renmin University of China.

WAN Siu Kau, Samuel, age 68, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in September 2001. He was appointed as the Chairman of the Remuneration Committee of the Company in April 2005 and a member of the Nomination Committee of the Company in February 2012. He holds a Master Degree of Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Business Administration and Accounting from The University of Hong Kong. He started his executive search career in 1988 and was previously Managing Partner and Vice Chairman of Amrop Hever, a global executive search firm. Prior to this, he was the managing director of Norman Broadbent's Hong Kong and China offices and was among the first generation of recruiters to establish a search practice in China. Earlier, he worked for Bank of America and Banque Nationale de Paris on both the human resources and business side.

WONG Man Chung, Francis, age 55, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in August 2004. He was appointed as the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company in April 2005, as well as a member of the Nomination Committee of the Company in February 2012. Mr. Wong holds a Master Degree in Management conferred by Guangzhou Jinan University of China. He is a Certified Public Accountant (Practising) and has over 25 years of experience in the profession of accounting. He is a fellow member of the Association of Chartered Certified Accountants, UK, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, and the Society of Chinese Accountants and Auditors, Hong Kong as well as a certified tax adviser of the Taxation Institute of Hong Kong. Mr. Wong is an non-executive Chairman of Union Alpha CPA Limited and a non-executive director of Union Alpha CAAP Certified Public Accountants Limited, which are professional accounting firms, and a founding director and member of Francis M. C. Wong Charitable Foundation Limited, a charitable institution. Prior to that, he worked for an international accounting firm for 6 years and The Hong Kong Securities Clearing Company Limited for 2 years. Mr. Wong is currently an independent non-executive director, the Chairman of the audit committee and a member or the Chairman of the nomination committee and/or remuneration committee of China Oriental Group Company Limited, Digital China Holdings Limited, Greenheart Group Limited, Hilong Holding Limited, Integrated Waste Solutions Group Holdings Limited, IntelliCentrics Global Holdings Ltd., Qeeka Home (Cayman) Inc. and Shanghai Dongzheng Automotive Finance Co., Ltd., all of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director and a member of the strategy and investment committee of GCL-Poly Energy Holdings Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was an independent non-executive director of China New Higher Education Group Limited (resigned on 6th December, 2019) and Kunming Dianchi Water Treatment Co., Ltd. (resigned on 17th August, 2018), whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

AU Wai Man, Raymond, age 57, joined the Group in November 1999 and is the General Manager of the construction materials division of the Group. Mr. Au holds a bachelor's degree in Civil Engineering and a postgraduate diploma in Project Management. He has over 30 years of experience in both civil engineering and building construction in Hong Kong.

CHANG Kam Chuen, Desmond, age 54, joined the Group in May 1997 and is now an executive director and the Company Secretary of Build King. 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 Build King.

CHEUNG Kwan Man, Edmond, age 64, joined the Group in August 1994 and is the Group Financial Controller responsible for the financial management and the accounting department of the Group. He is also a director of Grandeur Building Material (Holdings) Limited and Faith Oriental Investment Limited. Mr. Cheung holds a Master Degree of Business Administration from Heriot-Watt University, UK. He is a fellow member of the Association of Chartered Certified Accountants, UK, a member of the Hong Kong Institute of Certified Public Accountants, Chartered Professional Accountants of Canada and the Certified General Accountants' Association of Canada, as well as a full member of American Institute of Certified Public Accountants. He has extensive experience in auditing, accounting and financial management.

CHEUNG Lik, Leo, age 43, joined the Group in January 2018. He is a director of WK Fund Management Limited responsible for the securities investment department of the Group. Mr. Cheung holds a Bachelor of Business Administration from The Hong Kong University of Science and Technology, a Master of Banking and Finance from Metropolitan University, UK and a Diploma in Financial Risk Management (FRM). Mr. Cheung has over 15 years of experience in financial industry.

CHEUNG Siu Lun, age 69, joined the Group in 2006. 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. Mr. Cheung is responsible for Build King's business development.

DAN Kai Yin, Pauline, age 57, joined the Group in January 2019 and is the Chief Investment Officer of WK Fund Management Limited. Ms. Dan holds a Master of Business Administration Degree in Finance from California State University, Los Angeles and Bachelor's Degree in Economics from University of California, Los Angeles. She also holds CFA designation. Ms. Dan has over 25 years of experience in the investment field, managing capital for various multinational institutions.

SENIOR MANAGEMENT (Cont'd)

KWOK Chi Ko, Enmale, age 63, 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. Mr. Kwok is responsible for Build King's contract administration and commercial management for all building and construction related businesses.

LEE Man Wai, age 59, 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. Mr. Lee is responsible for Build King's tendering activities.

LIU Sing Pang, Simon, age 58, 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. Mr. Liu is responsible for Build King's civil engineering operation in Hong Kong.

LUI Yau Chun, Paul, age 59, has been working with the Group since 1998. 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. Mr. Lui is responsible for Build King's civil and marine engineering operation in Hong Kong.

MOK Hon Wa, Kenneth, age 56, 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. Mr. Mok is responsible for Build King's building operation in Hong Kong.

SO Yiu Wing, Wilfred, age 45, 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. Mr. So is responsible for Build King's civil engineering operation in Hong Kong.

SENIOR MANAGEMENT (Cont'd)

TSUI Wai Tim, age 57, is a Director of Faith Oriental Investment Limited, Excel Concrete Limited and Excel Asphalt Limited. He is responsible for the construction materials division of the Group. Mr. Tsui is a chartered and registered professional engineer and a fellow of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, the Hong Kong Institute of Construction Managers and the Hong Kong Institution of Highways and Transportation, and a member of the Hong Kong Institute of Real Estate Administrators and the Chartered Institute of Logistics and Transport. Mr. Tsui is a Council Member and former Vice President of the Hong Kong Construction Association, a former Member of the Pneumoconiosis Compensation Fund Board, a Member of the Occupational Safety & Health Council and a former Chairman of the Building Division of The Hong Kong Institution of Engineers. Prior to joining the Group, he has over 35 years of experience in various types of investment projects, property development, property management, large-scale civil engineering, building and foundation projects in Hong Kong, China and overseas.

YAM Tin Chun, Martin, age 59, joined the Group in July 2007 as Internal Audit Manager of the Company and Build King. Mr. Yam holds a Master Degree of Business Administration from Manchester Business School and a Bachelor Degree in Laws from Peking University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a Certified Information System Auditor, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has over 25 years of experience in internal audit. Consistent with ensuring the independence and integrity of the internal audit functions, Mr. Yam directly reports to Mr. Zen Wei Pao, William, the Chairman of the Company, and the Audit Committee Chairmen of the Company and Build King.

YEOW Chin Lan, Denis, age 49, joined the Group in September 1999 and is the Financial Controller of Build King. 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. Mr. Yeow is responsible for the financial management and accounting of Build King.

YIU Cheuk Hung, Kenneth, age 54, 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. Mr. Yiu is responsible for Build King's building operation in Hong Kong.

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, principal associates and joint ventures are set out in notes 54, 21 and 22 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2019, the five largest customers of the Group together accounted for approximately 75% of the Group's revenue, with the largest customer accounted for approximately 48%, and the five largest suppliers of the Group together represented approximately 12% 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 31st December, 2019, two Directors of the Company had interest in Road King as disclosed under the section heading "Directors' Interests and Short Positions" in this report. In addition, Mr. Zen Wei Peu, Derek, a Director of the Company, 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 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 as mentioned in the preceding paragraph.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2019 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 73 and 74 respectively.

An interim dividend of HK8.0 cents per share was paid to shareholders during the year.

The Directors recommend the payment of a final dividend of HK24.0 cents per share for the year ended 31st December, 2019 to shareholders whose names appear in the register of members of the Company on Friday, 29th May, 2020. The amount of dividends paid for the year is set out in note 14 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, 7th July, 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 22nd May, 2020, the register of members of the Company will be closed from Tuesday, 19th May, 2020 to Friday, 22nd 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 Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 18th 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, 29th May, 2020. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 28th May, 2020 to Friday, 29th 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 Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 27th May, 2020.

BUSINESS REVIEW

The business review of the Group for the year ended 31st December, 2019 is set out in the sections headed "Financial Highlights" on pages 2 to 3, "Chairman's Statement" on pages 4 to 17, "Corporate Governance Report" on pages 38 to 51, "Consolidated Financial Statements" on pages 73 to 194 and "Financial Summary" on page 195. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 43 and 45 to the consolidated financial statements respectively.

During the year, there was no movement in the share capital and share options of the Company.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 77 to 78.

DISTRIBUTABLE RESERVES OF THE COMPANY

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is also available for distribution to the shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus, if:

(a) it is, or would after the above payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than its liabilities.

The reserves of the Company which were available for distribution to the shareholders at 31st December, 2019 were approximately HK$1,407,120,000.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

FINANCIAL SUMMARY

A summary of the results and of the financial position of the Group for the past five financial years is set out on page 195.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Zen Wei Pao, William *(Chairman)*
Zen Wei Peu, Derek *(Vice Chairman and Chief Executive Officer)*
Chiu Wai Yee, Anriena

Non-executive Directors:

Cheng Chi Ming, Brian
Ho Gilbert Chi Hang

Independent Non-executive Directors:

Wong Che Ming, Steve
Wan Siu Kau, Samuel
Wong Man Chung, Francis

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Zen Wei Pao, William, Mr. Cheng Chi Ming, Brian and Mr. Wan Siu Kau, Samuel 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 received confirmation of independence from Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel and Mr. Wong Man Chung, Francis, being the Independent Non-executive Directors in respect of the year ended 31st December, 2019, pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31st December, 2019, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(I) The Company

Interests in shares

Name of Director	Capacity/ Nature of interest	Number of shares held Long position *(note)*	Number of shares held Short position	Percentage of the issued ordinary share capital
				%
Zen Wei Pao, William	Personal	205,681,843	–	25.93
Zen Wei Peu, Derek	Personal	203,857,078	–	25.70
Wong Che Ming, Steve	Personal	900,000	–	0.11

Note:

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

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations

Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long position		Number of shares held Short position	Percentage of the issued share capital	
						%	
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000	*(note 1)*	–	0.11	*(note 2)*
	Wai Kee (Zens) Construction & Transportation Company Limited *(note 4)*	Personal	2,000,000	*(note 1)*	–	10.00	
	Wai Luen Stone Products Limited	Personal	30,000	*(note 1)*	–	37.50	
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	123,725,228	*(note 1)*	–	9.96	
	Road King Infrastructure Limited	Personal	24,649,000	*(notes 1 & 3)*	–	3.29	
	Wai Kee (Zens) Construction & Transportation Company Limited *(note 4)*	Personal	2,000,000	*(note 1)*	–	10.00	
	Wai Luen Stone Products Limited	Personal	30,000	*(note 1)*	–	37.50	
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	1,116,000	*(note 1)*	–	0.09	
	Road King Infrastructure Limited	Personal	205,000	*(note 1)*	–	0.03	
Wong Che Ming, Steve	Build King Holdings Limited	Personal	407,448	*(note 1)*	–	0.03	

Notes:

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

2. As at 31st December, 2019, the issued share capital of Build King was 1,241,877,992 shares. Accordingly, the percentage has been adjusted.

3. Included in the balance, 1,000,000 Road King shares are held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

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

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (Cont'd)

Interests in debentures

Name of Director	Name of company	Capacity/ Nature of interest	Type of debenture	Principal amount held
Zen Wei Peu, Derek	RKI Overseas Finance 2017 (A) Limited *(note 1)*	Personal	US$300 million 7% senior guaranteed perpetual capital securities	US$800,000 *(notes 2 & 3)*
Ho Gilbert Chi Hang	RKI Overseas Finance 2017 (A) Limited *(note 1)*	Personal	US$300 million 7% senior guaranteed perpetual capital securities	US$200,000 *(note 2)*

Notes:

1. This company is a wholly owned subsidiary of Road King Infrastructure Limited.

2. Long position.

3. The principal amount of US$400,000 of US$300 million 7% senior guaranteed perpetual capital securities is held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

SHARE OPTIONS

(I) The Company

A share option scheme (the "Share Option Scheme") was adopted by the Company at the annual general meeting held on 15th May, 2012. No options have been granted under the Share Option Scheme since its adoption.

(II) Associated Corporation

The share option scheme was adopted by Road King on 8th May, 2013 ("Road King Share Option Scheme"). As at 31st December, 2019, Road King has granted 3,500,000 share options under Road King Share Option Scheme to two existing Directors of the Company, all share options granted to those Directors have been exercised.

Save as disclosed above, none of the Directors nor 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

Other than the share option schemes as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company 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 indemnified and secured harmless out of the assets and profits of the Company and/or its subsidiaries from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

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

COMPETING INTERESTS

During the year and up to the date of this report, the following Directors had interest in the business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed under the Listing Rules:

Name of Director	Name of entity	Competing business	Nature of interest
Zen Wei Pao, William	CMP Investment Group Limited	Property development in the PRC	Director and shareholder
Cheng Chi Ming, Brian	NWS Holdings Limited group of companies	Construction, sewage treatment, toll road and infrastructure	Director
Ho Gilbert Chi Hang	NWS Holdings Limited group of companies	Construction, sewage treatment, toll road and infrastructure	Director

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2019, so far as is known to any Director of the Company, the following persons (other than Directors of the Company) have interests or short positions in the shares and 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 pursuant to section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares held Long position *(note 1)*	Number of shares held Short position	Percentage of the issued ordinary share capital
				%
Cheng Yu Tung Family (Holdings) Limited *(note 2)*	Corporate	182,268,000	–	22.98
Cheng Yu Tung Family (Holdings II) Limited *(note 3)*	Corporate	182,268,000	–	22.98
Chow Tai Fook Capital Limited *(note 4)*	Corporate	182,268,000	–	22.98
Chow Tai Fook (Holding) Limited *(note 5)*	Corporate	182,268,000	–	22.98
Chow Tai Fook Enterprises Limited *(note 6)*	Corporate	182,268,000	–	22.98
New World Development Company Limited *(note 7)*	Corporate	182,268,000	–	22.98
NWS Holdings Limited *(note 8)*	Corporate	182,268,000	–	22.98
NWS Service Management Limited (incorporated in the Cayman Islands) *(note 9)*	Corporate	182,268,000	–	22.98
NWS Service Management Limited (incorporated in the British Virgin Islands) *(note 10)*	Corporate	182,268,000	–	22.98
Vast Earn Group Limited *(note 11)*	Beneficial owner	182,268,000	–	22.98

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Cont'd)

Notes:

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

2. Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.

3. Cheng Yu Tung Family (Holdings II) Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.

4. Chow Tai Fook Capital Limited is deemed to be interested in the shares through its interests in its subsidiary, namely Chow Tai Fook (Holding) Limited.

5. Chow Tai Fook (Holding) Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.

6. Chow Tai Fook Enterprises Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.

7. New World Development Company Limited is deemed to be interested in the shares through its interests in its subsidiary, namely NWS Holdings Limited.

8. NWS Holdings Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the Cayman Islands). Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are executive directors of NWS Holdings Limited.

9. NWS Service Management Limited (incorporated in the Cayman Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the British Virgin Islands). Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are directors of NWS Service Management Limited (incorporated in the Cayman Islands).

10. NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited. Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are directors of NWS Service Management Limited (incorporated in the British Virgin Islands).

11. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands). Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are directors of Vast Earn Group Limited.

Save as disclosed above, no other person (other than Directors of the Company) has 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.

DISCLOSURES PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

(1) On 12th October, 2017, the Company confirmed its acceptance of a facility letter (the "Facility Letter") issued by a bank in respect of a term loan facility of up to HK$273 million (the "Banking Facility") with the final maturity date falling 3 years from the date of the bank's receipt of the Company's acceptance of the Facility Letter. Throughout the life of the Banking Facility, Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek should collectively maintain at least 43% shareholding interest in the Company and maintain management control in the Company.

(2) On 2nd November, 2018, Wai Kee Finance Limited, a wholly owned subsidiary of the Company, as borrower, the Company as guarantor and a bank as lender entered into a facility agreement in respect of HK$760 million term loan facility (the "Facility") with final maturity date falling on 42 months from the first utilisation date of the Facility. Throughout the life of the Facility, (i) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek should be executive directors of the Company; and (ii) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek collectively own (directly or indirectly) at least 40% of beneficial shareholding interest in the issued share capital of the Company.

Save as disclosed above, as at 31st December, 2019 and up to the date of this report, the Company did not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

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
Wong Man Chung, Francis	Mr. Wong has resigned as an independent non-executive director of China New Higher Education Group Limited (Stock Code: 2001) with effect from 6th December, 2019. He has been appointed as an independent non-executive director of IntelliCentrics Global Holdings Ltd. (Stock Code: 6819) and Shanghai Dongzheng Automotive Finance Co., Ltd. (Stock Code: 2718) with effect from 23rd January, 2020 and 24th February, 2020 respectively.

CONNECTED TRANSACTIONS

Continuing Connected Transaction

(i) Business Services Agreement with NWD

On 4th December, 2015, the Company entered into a business services agreement (the "2016 Business Services Agreement") with New World Development Company Limited ("NWD", which is a connected person of the Company by virtue of its being a substantial shareholder of the Company) for provision of services covering construction, maintenance, and project management related services including provision of services as main contractor, project manager, consultant and sub-contractor for a variety of works including superstructure, foundation, civil engineering, port and infrastructure facilities, maintenance, construction and interior decoration and other related services (the "Services") which may from time to time be provided by the Company and its subsidiaries (collectively the "Group") to NWD and its subsidiaries during the term of the 2016 Business Services Agreement which had an initial term of three years.

In light of the expiry of the term of the 2016 Business Services Agreement on 31st December, 2018 and to ensure compliance with Chapter 14A of the Listing Rules, on 26th October, 2018, the Company entered into a new business services agreement (the "2019 Business Services Agreement") with NWD for provision of the Services which may from time to time be provided by the Group to NWD and its subsidiaries during the term of the 2019 Business Services Agreement.

The 2019 Business Services Agreement has an initial term of three years from 1st January, 2019. Subject to re-compliance with the requirements of the applicable Listing Rules and other applicable laws and regulations at the relevant time or, alternatively, any waivers obtained from the strict compliance with such requirements, upon expiry of the initial term or subsequent renewal term, the 2019 Business Services Agreement is automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules) unless a party under the 2019 Business Services Agreement gives a 30 days' prior written notice to the other party to terminate the 2019 Business Services Agreement.

Annual caps, being the maximum aggregate value of transactions undertaken by members of the Group under the 2019 Business Services Agreement for each financial year, are as follows:

	Financial year ending 31st December,		
	2019 *HK$'million*	**2020** *HK$'million*	**2021** *HK$'million*
Annual caps	300	450	450

For the financial year ended 31st December, 2019, the relevant maximum aggregate value of the transactions was approximately HK$183,035,000 and the transaction is disclosed in note 51 to the consolidated financial statements.

The continuing connected transaction contemplated under the 2019 Business Services Agreement was announced by the Company in its announcement dated 26th October, 2018 and approved by independent shareholders at the special general meeting of the Company held on 12th December, 2018.

CONNECTED TRANSACTIONS (Cont'd)

Continuing Connected Transaction (Cont'd)

(ii) Framework Agreement with Quon Hing Concrete Company Limited

On 10th May, 2019, the Company and Quon Hing Concrete Company Limited ("Quon Hing", which is a connected person of the Company by virtue of its being a company owned as to 50% by NWS Holdings Limited, a substantial shareholder of the Company) entered into the Framework Agreement in relation to the sale of ready mixed concrete ("Concrete") and aggregate by the Group to Quon Hing during the term of the Framework Agreement.

The Framework Agreement has an initial term of three years from 1st January, 2019. Subject to re-compliance with the requirements of the applicable Listing Rules and other applicable laws and regulations at the relevant time or, alternatively, any waivers obtained from the strict compliance with such requirements, upon expiry of the initial term or subsequent renewal term, the Framework Agreement is automatically renewed for a successive period of three (3) years thereafter (or such other period permitted under the Listing Rules) unless a party under the Framework Agreement gives a 30 days' prior written notice to the other party to terminate the Framework Agreement.

The annual caps for the sale of Concrete and aggregates by the Group to Quon Hing for each financial year are as follows:

	Financial year ending 31st December,		
	2019 *HK$'million*	**2020** *HK$'million*	**2021** *HK$'million*
Annual caps	104	177	184

For the financial year ended 31st December, 2019, the relevant maximum aggregate value of the transactions was approximately HK$32,734,000 and the transaction is disclosed in note 51 to the consolidated financial statements.

The continuing connected transaction contemplated under the Framework Agreement was announced by the Company in its announcement dated 10th May, 2019. As the applicable percentage ratios (as defined in the Listing Rules) in respect of each of the annual caps for the transactions under the Framework Agreement are less than 5% and each of the annual caps exceeds HK$3,000,000, the Framework Agreement is subject to the reporting, annual review and announcement requirements but exempt from circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS (Cont'd)

Continuing Connected Transaction (Cont'd)

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

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

(b) on normal commercial terms; and

(c) 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.

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 during the year ended 31st December, 2019.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

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 approximately HK$205,000.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2019, the Group had 2,364 employees (not include contract/temporary employees) (2018: 2,143 employees), of which 2,308 (2018: 2,080) were located in Hong Kong, 55 (2018: 62) were located in the PRC and 1 (2018: 1) was located in UAE. For the year ended 31st December, 2019, the Group's total staff costs were HK$1,271 million (2018: HK$1,202 million).

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.

The emoluments of executive directors and senior management are determined by the Remuneration Committee with reference to salaries paid by comparable companies, their responsibilities, employment conditions and prevailing market conditions.

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 Pao, William
Chairman

Hong Kong, 23rd March, 2020

CORPORATE GOVERNANCE CODE

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 risk management and 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.

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 eight Directors including three 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 Pao, William *(Chairman)*	Cheng Chi Ming, Brian	Wong Che Ming, Steve
Zen Wei Peu, Derek *(Vice Chairman and Chief Executive Officer)*	Ho Gilbert Chi Hang	Wan Siu Kau, Samuel
Chiu Wai Yee, Anriena		Wong Man Chung, Francis

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, other than the Chairman, Mr. Zen Wei Pao, William, and the Vice Chairman and Chief Executive Officer, Mr. Zen Wei Peu, Derek, who are brothers.

THE BOARD (Cont'd)

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/her 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, risk management and internal control, 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.

THE BOARD (Cont'd)

Role and Delegation (Cont'd)

In order to enhance efficiency, the Board has delegated the Chief Executive Officer the day-to-day leadership and management of the Group. Management of the Group, on the other hand, is responsible for day-to-day operations of the Group under the supervision of the Chief Executive Officer.

The Board also ensures that 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 disclosures 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, all of which have been documented and communicated to the Directors and employees via Employees' Handbooks and internal memorandum to ensure good corporate governance practices and high standard of business conducts and ethics of the Group. The effectiveness of these policies is reviewed on a regular basis.

THE BOARD (Cont'd)

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 21st 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 21st May, 2019
Executive Directors					
Zen Wei Pao, William *(Chairman)*	5/5	–	2/2	2/2	1
Zen Wei Peu, Derek *(Vice Chairman and Chief Executive Officer)*	5/5	–	2/2	2/2	1
Chiu Wai Yee, Anriena	5/5	–	–	–	1
Non-executive Directors					
Cheng Chi Ming, Brian	4/5	–	–	–	1
Ho Gilbert Chi Hang	5/5	–	–	–	1
Independent Non-executive Directors					
Wong Che Ming, Steve	5/5	4/4	2/2	2/2	0
Wan Siu Kau, Samuel	5/5	4/4	2/2	2/2	1
Wong Man Chung, Francis	5/5	4/4	2/2	2/2	1

Note:

"-" Not applicable

Notice of a regular Board meeting 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 meetings (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.

THE BOARD (Cont'd)

Board Meetings (Cont'd)

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 the 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 is given to newly appointed Director and a comprehensive induction package including the statutory and regulatory obligations of a director of a listed company is also 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 course to the Directors and management.

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 1st January, 2019 to 31st December, 2019 are summarized as follows:

Name of Director	Type of continuous professional development
Executive Directors	
Zen Wei Pao, William	A,B,C
Zen Wei Peu, Derek	A,B,C
Chiu Wai Yee, Anriena	B,C
Non-executive Directors	
Cheng Chi Ming, Brian	B,C
Ho Gilbert Chi Hang	B,C
Independent Non-executive Directors	
Wong Che Ming, Steve	B,C
Wan Siu Kau, Samuel	B,C
Wong Man Chung, Francis	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.

THE BOARD (Cont'd)

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.

Chairman and Chief Executive Officer

The Chairman is Mr. Zen Wei Pao, William. The Chief Executive Officer is Mr. Zen Wei Peu, Derek.

To ensure a balance of power and authority, the positions of the Chairman and the Chief Executive Officer are clearly set out in writing and are separate.

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.

The Chief Executive Officer is responsible for implementing the Board's approved strategies and policies, and supervising the day-to-day operations.

Detailed duties and responsibilities of the Chairman and the Chief Executive Officer are available on the website of the Company.

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 1998 and currently comprises three members, namely Mr. Wong Man Chung, Francis (Chairman of the Audit Committee), Dr. Wong Che Ming, Steve and Mr. Wan Siu Kau, Samuel, 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.

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31st 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 31st December, 2018 and 2019, and the interim results of the Group for the six months ended 30th 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 31st 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;

BOARD COMMITTEES (Cont'd)

Audit Committee (Cont'd)

Summary of Work Done (Cont'd)

- 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 five members, namely Mr. Zen Wei Pao, William (Chairman of the Nomination Committee), Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel, Mr. Wong Man Chung, Francis and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek, being Executive Directors, all other members are Independent Non-executive Directors.

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.

BOARD COMMITTEES (Cont'd)

Nomination Committee (Cont'd)

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31st 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;
- Assessment of the independence of the Independent Non-executive Directors;
- 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.

Remuneration Committee

Composition

The Remuneration Committee was formed in 2005 and currently comprises five members, namely Mr. Wan Siu Kau, Samuel (Chairman of the Remuneration Committee), Dr. Wong Che Ming, Steve, Mr. Wong Man Chung, Francis, Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek, being Executive Directors, all other members are Independent Non-executive Directors.

BOARD COMMITTEES (Cont'd)

Remuneration Committee (Cont'd)

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 all Executive Directors and 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 31st December, 2019 and up to the date of this report:

- Review and approval of the Company's remuneration policy for 2019 and 2020;
- Approval of year end bonus of Executive Directors for 2018 and 2019;
- Approval of emoluments of Executive Directors (where Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek abstained from voting in determining their own remuneration) and senior management;
- Approval of 2019 and 2020 salary adjustment; and
- Recommendations on remuneration of Non-executive Directors (including Independent Non-executive Directors).

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 determines his/her own remuneration.

The remuneration of a Director is determined with reference to his/her duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of Directors for the year ended 31st December, 2019 are set out in note 11 to the consolidated financial statements of this annual report. The emoluments paid to senior management for the year ended 31st December, 2019 were within the following bands:

	Number of Senior Management
Up to HK$2,000,000	4
HK$2,000,001 to HK$3,000,000	3
HK$3,000,001 to HK$4,000,000	1
HK$4,000,001 to HK$5,000,000	5
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 31st 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 inside 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 inside 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 31st December, 2019 are as follows:

Type of services	**Fee paid/ payable** HK$
Audit	3,679,000
Non-audit services	
Interim review	1,140,000
Other services	1,007,000
Total	5,826,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding its reporting responsibilities is set out in the Independent Auditor's Report on pages 66 to 72 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 31st 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, but not absolute, assurance 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 a semi-annual basis, which in turn reports to the Board.

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.

The Company presents this Environmental, Social and Governance Report (the "ESG Report") for the year ended 31st December, 2019 ("Reporting Period"), in accordance with Appendix 27 – Environmental, Social and Governance Reporting Guide of the Listing Rules.

This Report covers the Company's principal businesses in quarrying and construction material production in Hong Kong, which are the Company's main operations in which it has direct management control, excluding those managed by its listed subsidiary which is reported separately in its annual report.

To achieve sustainable development of the Company, we commit:

1. To enhance and promote the environmental protection in our operation activities by operating a conforming environmental management system and implementing environmental protection measures and practices;

2. to provide a safe and healthy workplace and providing career prospects through structured training and learning programmes to our employees as we recognize people is an asset to the Company; and

3. to foster strong relationships with the Community in the neighborhood of our business activities.

The Board of the Company has the overall responsibility for the Company's ESG strategy and reporting. Our management is responsible for monitoring and managing ESG-related issues and risks and the effectiveness of the ESG management systems. The management personnel leading our various business activities, in conjunction with their respective staff, have for the purposes of this Report identified the following material ESG issues:

ESG Aspects	HKEx ESG Reporting Guide Requirements	Section
A. Environmental		
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.	ENVIRONMENTAL Environmental Policy – Compliance

ESG Aspects	HKEx ESG Reporting Guide Requirements	Section
Aspect A1	**Emissions**	
Emissions	1. Air Pollution 2. Waste Water Discharge 3. Waste Management 4. Greenhouse Gas Emission	ENVIRONMENTAL Emissions
Aspect A2	**Use of Resources**	
Resources	1. Use of Energy 2. Use of water	ENVIRONMENTAL Use of Resources
Aspect A3	**Environmental and Natural Resources**	
Environmental & Natural Resources	1. Noise Pollution 2. Landscape and Visual	ENVIRONMENTAL Environment and Natural Resources
B. Social		
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, health and safety, development and training, labour standards, supply chain management, product responsibility, data privacy, anti-corrupt practices and community investment.	SOCIAL Employment, Health and Safety, Labour, Product, Data and Anti-Corruption Policies – Compliance

ESG Aspects	HKEx ESG Reporting Guide Requirements	Section
Aspect B1	**Employment**	
Employment	Employment Practices and Equal Opportunity	SOCIAL Employment
Aspect B2	**Health and Safety**	
Health and Safety	Workplace Health and Safety	SOCIAL Health and Safety
Aspect B3	**Development and Training**	
Development and Training	Staff Development and Training	SOCIAL Development and Training
Aspect B4	**Labour Standards**	
Labour Standards	Anti-Child and Forced Labour	SOCIAL Labour Standards
Aspect B5	**Supply Chain Management**	
Supply Chain Management	Management of suppliers of raw materials and other resources to achieve sustainable outcome	SOCIAL Supply Chain Management
Aspect B6	**Product Responsibility**	
Product Responsibility	Products and Services Quality Assurance to achieve Customer satisfaction and Protection of Data	SOCIAL – Product Responsibility – Data Privacy
Aspect B7	**Anti-Corruption**	
Anti-Corruption	Preventative measures taken and practices implemented to prevent corrupt practices	SOCIAL Anti-Corruption
Aspect B8	**Community Investment**	
Community Investment	Supporting the Community and proactive engagement to foster harmonious existence	SOCIAL Community Investment

With reference to the ESG Guide of Stock Exchange and the above identified ESG issues, the various aspects are presented in detail below.

A. ENVIRONMENTAL

Environmental Policy – Compliance

The Company has established an Environmental Policy which is communicated to our employees, under which we aim to:

1. work with our customers, sub-contractors and community groups to minimize nuisance to the public and to comply with all relevant contractual obligations and statutory requirements; and

2. ensure that every employee is appraised of and takes an active role in compliance with all relevant environmental legislations including but not limited to laws and regulations for air, water, noise and waste, through the provision of information, training and resources in sustainable development, including the conservation of natural resources, optimization of energy efficiency and development of green procurement and technologies.

To achieve our objectives, we work towards conforming with the requirements of ISO 14001:2015 – Environmental Management Systems. We implement an environmental management system which enables the monitoring of environmental performance, and the identification of significant environmental aspects that can be influenced by us.

We have not identified any material non-compliance of environmental laws and regulations during the Reporting Period.

A1 Emissions

A1.1 Air Pollution

In our production activities, dust and exhaust gases are generated from vehicle movements and production machinery during operations. All our plant and machinery, including stationary machinery and non-road mobile machinery, comply with the requirements of the Air Pollution Control Ordinance in limiting the amount of air emission.

To minimize dust generation, we implement dust suppression measures at our production sites, including the following measure:

1. Installation of effective adequate water sprayers for dust suppression on the stockpiles and whenever the plants are in operation;

2. Maintenance of high standard of housekeeping. Any deposit or mud shall not be accumulated on the haul roads or inside the plant;

3. Hard paving all haul roads which are kept moist adequately by water spraying at least once every two hours; installation of effective vehicle cleaning facility to operate to thoroughly wash down muddy materials from the vehicle body and wheels before vehicles leave the site;

A. ENVIRONMENTAL (Cont'd)

Environmental Policy – Compliance (Cont'd)

A1 Emissions (Cont'd)

A1.1 Air Pollution (Cont'd)

4. Coverage of trucks carrying crushed and screened products with tarpaulin sheet before leaving the premises; and

5. Daily use of water tank trucks and street washing vehicles for dust suppression both in public and site areas.

To control the amount of air pollutant emission from transportation activities, we give due consideration to the environmental performance of the vehicles before purchase. We therefore give preference to the purchase of vehicles complying with international environmental standards (e.g. the European Emission Standard) and we perform regular inspection and maintenance on our vehicles.

We generate respirable suspended particulates and nitrogen oxides at our production sites and during the transportation of materials in the course of our quarrying activities and concrete production.

To monitor the air pollution level, we measure the 24-hour average of the concentration of ambient respirable suspended particulates at the specified site locations at least once every 6 calendar days, and employ external environmental consultants to undertake regular inspection and report on various environmental aspects of the production sites, including air quality.

Those external consultancy reports have shown that the concentrations of respirable suspended particulates and nitrogen oxides produced by operations are below the Emission Limit, as stated in the Specified Processes Licenses issued by the Environmental Protection Department.

A1.2 Waste Water Discharge

Most of the water we use is consumed in our dust suppression measures and washing. In order to minimize the impact of sewage discharge to the surrounding environment, all washing water is collected, stored and recycled instead of being discharged outside the plant boundary.

To the extent that there is excessive water accumulation on site during the rainy season, we retain an external licensed collector to collect excess water for recycling purposes.

A. ENVIRONMENTAL (Cont'd)

Environmental Policy – Compliance (Cont'd)

A1 Emissions (Cont'd)

A1.2 Waste Water Discharge (Cont'd)

We implement measures in limiting waste water discharge which includes the following:

1. Recycling and reuse of the waste water generated from the washing down of vehicles, drum mixers, wheel washing facilities, and dust suppression activities within the site;

2. Ensuring that removal facilities are functioning properly all the times and silt and grit deposited removed regularly;

3. Reducing water consumption and maximizing the re-use of surface run-off water within the site;

4. Provision of water treatment plant to settle and to filter the runoff properly; and

5. Storage of rain water for further use on site.

A1.3 Waste Management

We have established waste management guidelines to control the disposal and generation of waste. Hazardous waste is segregated through stockpiling and storage at a secure area in identifiable containers for collection by licensed chemical waste collectors.

To enhance reduction of waste disposal, we implement waste management measures, which include:

1. Sorting recyclable materials like metal, paper, plastic, and milled bituminous material on site and deliver to a proper recycling outlet for processing;

2. Strictly following the procedures based in the Trip Ticket System to dispose construction waste;

3. Avoiding the use of timber for temporary works construction; and

4. Providing guidance and instruction on waste management implementation to designated personnel and training on waste management to all site staff.

A. ENVIRONMENTAL (Cont'd)

Environmental Policy – Compliance (Cont'd)

A1 Emissions (Cont'd)

A1.4 Greenhouse Gas Emission

Our business activities generate greenhouse gases. To reduce the greenhouse gas emission, we implement energy and saving measures resources (see "A2 Use of Resources" below) to minimize the consumption of natural resources.

We also monitor the carbon content of our procured raw materials. We use Ground Granulated Blastfurnace Slag ("GGBS") (which is classified as an environmentally friendly construction material) for our concrete production as it requires less energy to produce than traditional Portland cement production and can therefore significantly reduce greenhouse gas emission in concrete manufacturing.

A2 Use of Resources

We seek to improve environmental performance through improvement of the efficiency in the usage of fuel, electricity, and water in production.

We monitor the usage of resources on an ongoing basis and undertake analysis for unusually high usage so that we can implement remedial measures. In addition, we also communicate to employees to implement our resources saving initiatives.

A2.1 Use of Energy

To reduce energy consumption, energy efficient machinery is deployed such as diesel operated machinery meeting the Euro 5 standard. We also perform daily inspection and maintenance on machinery in keeping the optimal performance. To optimize the use of energy supporting transportation, we plan the delivery schedule efficiently in reducing the number of trips required.

Under our Environmental Management System, the use of energy is recorded for monitoring purpose to ensure future usage trends can be estimated and measures taken to reduce the energy used.

A2.2 Use of Water

Water is consumed in dust suppression measures and the production processes. The Company also implements water treatment and recycling facilities to recover water resources. Please refer to the "A1.2 Waste Water Discharge" section above for detailed measure implemented.

A. ENVIRONMENTAL (Cont'd)

Environmental Policy – Compliance (Cont'd)

A3 The Environment and Natural Resources

We monitor our impact to the environment through our Environmental Management System which conforms to the ISO 14001:2015 requirements. Significant risks are assessed and reviewed to ensure we respond to them promptly with appropriate mitigating actions. We are committed to providing adequate and appropriate resources in reducing the adverse impacts to the environment.

A3.1 Noise Pollution

To mitigate the noise nuisance during the production activities, we implement the following to reduce noise intensity:

1. Locating noisy activities and machinery as far away as possible from sensitive receivers; and

2. Purchasing equipment that generates lower noise, and fully enclosing noise sources, such as concrete mixers, conveyors, rock crushers and undertaking regular maintenance of plant and machinery.

A3.2 Landscape and Visual

As we may need to remove trees at our quarrying and concrete manufacturing site, we undertake an environmental impact analysis based on criteria such as the existing site condition, the legal requirements, the contractual and other requirements, the proposed designs and construction methods and potential environmental constraints. Based on such analysis, we formulate appropriate mitigation measures to reduce impact on the environment, such as planting trees or using screen hoardings to provide screening of the production site and reducing light pollution by controlling the amount of external lighting we use.

B. SOCIAL

Employment, Health and Safety, Labour, Product, Data and Anti-Corruption Policies – Compliance

We document our policies and practices on employee recruitment, dismissal, movement, compensation, working hours, rest periods, welfare, and other employment practices.

Similarly, our Health and Safety Policy is designed to provide a healthy and safe working environment of the highest practical standard for all its employees, subcontractors, customers, public and others who may be affected by our operations.

We prohibit child and forced labour in any of our operations.

As we are committed to providing our products and services that consistently meet customer requirements, we adopt international standards on quality control practices.

The Company values the confidentiality of personal and sensitive commercial data. In addition to compliance with the Personal Data (Privacy) Ordinance, we also implement internal control measures to preserve the confidentiality of all our operation data.

We have zero tolerance for corruption, bribery, money-laundering, and any other kind of business fraud and as such all Employees (including management) are required to adhere to conditions in the Company's Code of Conduct and included in the Employee Handbook.

For all the above, we have not identified any material non-compliance to employment laws and regulations, any case of health and safety laws and regulations, any case of child and forced labour laws and regulations, any case of product and service quality laws and regulations, any case in relation to business fraud laws and regulations during the Reporting Period.

B1 Employment

Employment Practices and Equal Opportunity

Recognising that employees are key contributors towards our success, we aim to create a harmonious working environment for our employees through competitive remuneration packages that are structured to be commensurate with individual responsibilities, qualification experience and performance and the provision of adequate development opportunities.

We also recognise that appropriate work-life balance can help reduce the stress to staff and contribute towards increasing their overall productivity. We therefore seek to allow our staff adequate rest by managing their working hours and leave having regard to operation needs and statutory requirements.

We believe in meritocracy and in equal opportunities and diversity in terms of age, sex, nationality, disability and religion. No discrimination is tolerated, and employees are encouraged report on discriminatory practices to the management.

B. SOCIAL (Cont'd)

Employment, Health and Safety, Labour, Product, Data and Anti-Corruption Policies – Compliance (Cont'd)

B2 Health and Safety

Workplace Health and Safety

Occupational Health and Safety is top priority of our operation. In recognising the inherent risk in our daily operation, we conduct regular risk assessment to provide our employees with a healthy and safe working environment.

To this end, we:

1. Specify in writing, managerial responsibilities and accountability for health, safety and welfare of employees, subcontractors and others who may be affected;

2. Provide appropriate safety training and instructions generally and for use of new production methods and equipment; and

3. Monitor compliance with our health and safety systems to ensure compliance with statutory and contractual requirements and consider and implement appropriate improvements to existing systems.

B3 Development and Training

Staff Development and Training

We encourage personal development of our staff and discussion with supervisors on their learning plans. We provide structured training programmes in the form of workshops, talks, seminars, peer learning, and on-the-job coaching for our staff having regard to their positions, job responsibilities and experience, and provide subsidy and authorise leave to support appropriate external professional training.

B4 Labour Standards

Anti-Child and Forced Labour

We prohibit child and forced labour in any of our operations.

B. SOCIAL (Cont'd)

Employment, Health and Safety, Labour, Product, Data and Anti-Corruption Policies – Compliance (Cont'd)

B5 Supply Chain Management

Sustainable Supply Chain

As suppliers have a direct impact on the Company's sustainability performance, we seek to incorporate green practices in our procurement activities, by taking into account in our supplier selection process, their environmental and social performances, such as their choice of raw materials, use of natural resources, product health and safety, employment practices and occupational safety measures. We also monitor their performance periodically and encourage our suppliers and contractors to implement environmental and social measures.

B6 Product Responsibility

B6.1 Products and Services Quality Assurance

We recognise that customer satisfaction and support are essential for our growth and profitability. As we are committed to providing our products and services that consistently meet customer requirements, we adopt international standards on quality control practices, including the ISO 9001:2015 – Quality Management Systems for our quarrying and construction materials manufacturing, and the latest Quality Scheme for the Production and Supply of Concrete (QSPSC): 2014 for the design, manufacture, inspection and delivery of ready mixed concrete, and the latest Quality Management System for Design, Production and Supply of Bituminous Materials: and Provision of Road Paving Services.

We implement quality objectives at operating level (including the deployment of quality control personnel to ensure delivery of products in compliance with the specifications and agreed standards. We regularly review the effectiveness of our quality management systems, seek customer feedback (including through annual customer satisfaction surveys of a representative sample of customers) and attend to customer complaints, so that we can consider and implement appropriate measures for improvement.

B6.2 Data Privacy

The Company values the confidentiality of personal and sensitive commercial data. In addition to compliance with the Personal Data (Privacy) Ordinance, we also implement internal control measures to preserve the confidentiality of our operation data, including information regarding our suppliers, business partners, customers and ourselves. We require in our code of conduct and our terms of employment strict adherence to the Company's data privacy and confidentiality policies.

B. SOCIAL (Cont'd)

Employment, Health and Safety, Labour, Product, Data and Anti-Corruption Policies – Compliance (Cont'd)

B7 Anti-Corruption

Anti-Corruption

We have zero tolerance for corruption, bribery, money-laundering, and any other kind of business fraud. Employees (including management) are required to adhere to reference to the Company's Code of Conduct and Employee Handbook that are designed to eliminate such activities. We also implement internal control procedures to ensure compliance with such requirements and a whistle-blowing channel for the reporting of violation(s).

B8 Community Investment

Supporting the Community

To contribute towards the promotion of harmony and stability of the society, we communicate with non-government entities and charities to understand the needs of our community, participate in community events and make donations to causes that help those who are in need.

During the Reporting Period, The Company has participated in the following community events:

1. Hong Kong and Kowloon Walk for Millions 2019
2. Skip Lunch Day 2019
3. Mooncakes for Charity 2019
4. Corporate and Employee Contribution Program 2019/2020
5. Dress Casual Day 2019
6. Love Teeth Day 2019/2020
7. "Red Twinkle Star" Campaign 2019/2020
8. Small Talks Circles Title Sponsorship 2019/2020

Also, our operations are located at Lam Tei and other locations in Hong Kong. Whenever the scale of the operations is significant, close ties have been established with the local communities through Liaison Committees that hold regular meetings to communicate on range of issues that our activities have on the neighborhood so that if issues of concern arise they are resolved to mutual satisfaction promptly.

PERFORMANCE DATA SUMMARY 2019

	Environment	2019	2018
Environment	***Total Resources Consumption***		
	Electricity (kWh)	**3,841,473**	4,657,158
	Diesel (litres)	**1,882,823**	2,681,737
	Petrol (litres)	**13,972**	14,921
	Water (m^3)	**117,842**	154,325
	Types of Emissions		
	Nitrogen oxides (kg)	**6,392.62**	13,721.84
	Sulphur oxides (kg)	**8.12**	17.14
	Particulate matter (kg)	**462.91**	989.94
	Greenhouse Gases Emissions		
	Total emissions ($kgCO_2e$)	**7,138,380**	9,866,062
	Scope I ($kgCO_2e$)	**4,954,551**	7,044,944
	Scope II ($kgCO_2e$)	**2,114,538**	2,730,325
	Scope III ($kgCO_2e$)	**69,291**	90,743
	Waste		
	Waste Water (tonnes)	**5,572**	4,816
	Hazardous waste (tonnes)	**12.20**	7.8
	Non-hazardous waste (tonnes)	**31,177**	38,655

PERFORMANCE DATA SUMMARY 2019 (Cont'd)

	Employment	2019	2018
Social	***Total Workforce***	**158**	189
	by Age:		
	<30	**13**	20
	30-39	**22**	24
	40-49	**34**	43
	≥50	**89**	102
	by Gender:		
	Female	**29**	29
	Male	**129**	160
	by Professional Profile:		
	Director	**4**	4
	Managerial	**24**	24
	Supervisory	**28**	29
	General	**25**	26
	Operational	**77**	106
	Employee Turnover		
	by Age:		
	<30	**5**	12
	30-39	**7**	14
	40-49	**10**	8
	≥50	**24**	19
	Occupational Health and Safety		
	Work-related injuries	**1**	1
	Work-related fatalities	**0**	0
	Accident Frequency Rate (per 100,000-man hours)	**0.26**	0.22
	Accident Frequency Rate (per 1,000 workers)	**6.33**	5.29
	Training and Development		
	Average Training Hours	**5.85**	4.35
	Percentage of Employees Trained		
	by Professional Profile:		
	Director	**100%**	100%
	Managerial	**85%**	85%
	Supervisory	**100%**	100%
	General	**85%**	85%
	Operational	**100%**	100%

Deloitte. 德勤

TO THE SHAREHOLDERS OF WAI KEE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Wai Kee Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 73 to 194, which comprise the consolidated statement of financial position as at 31st 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 31st 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 matters 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.

Key audit matter	How our audit addressed the key audit matter
Impairment of assets in respect of a quarry site in Hong Kong	
We identified the impairment of assets in respect of a quarry site in Hong Kong as a key audit matter because the estimation of the value in use of the assets in respect of a quarry site in Hong Kong involved significant management judgement with respect to the assumptions used. The management of the Group considers an impairment indicator exists for the assets in respect of a quarry site as the construction materials and quarrying segments incurred segment losses for the year ended 31st December, 2019. The management of the Group prepared discounted cash flow projections for the quarry site based on the financial budget and engaged an independent professional valuer (the "Valuer") to determine the value in use of the assets up to the end of the extraction period in January 2023. During the year ended 31st December, 2019, impairment losses of HK$41,301,000 and HK$34,484,000 in respect of intangible assets and property, plant and equipment, respectively were recognised. As disclosed in note 4, the value in use calculation requires the Group to estimate the future cash flows expected to be generated from the operation of the quarry site with assumptions of the price and budgeted gross margin of concrete, asphalt and quarry products, the volume of rock reserve to be extracted and the discount rate in order to calculate the present value.	Our procedures in relation to the impairment assessment of assets in respect of the quarry site in Hong Kong included: • Assessing the competence, capabilities and objectivity of the Valuer, and checking the qualifications of the Valuer; • Discussing with the Valuer about the methodologies used and the key inputs adopted in the valuation model and assessing the appropriateness of these methodologies and inputs; • Evaluating the management's estimation of the future cash flows expected to be generated from the operation of the quarry site, with assumptions of the price and budgeted gross margin of concrete, asphalt and quarry products, the volume of rock reserve to be extracted and the discount rate, and obtaining the present value of the estimated future cash flows for value in use calculation; • Engaging our valuation specialist to analyse the reasonableness of the discount rate adopted by the Valuer; • Evaluating the sensitivity analysis prepared by the management of the Group around the key assumptions within the discounted cash flow projections to ascertain the extent and likelihood of such changes have been appropriately considered and disclosed; and • Considering whether disclosures in the consolidated financial statements are adequate and appropriate.

KEY AUDIT MATTERS (Cont'd)

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 estimates 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 measures 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$7,488,103,000, which represents 94.7% 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.

KEY AUDIT MATTERS (Cont'd)

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 estimates the amount of lifetime ECL of trade receivables with significant balances and contract assets individually based on the historical default rates, past-due status and financial capability of the individual debtors and the forward-looking information. For the remaining balances of trade receivables, the Group's management uses provision matrix to estimate the amount of lifetime ECL, which is based on the collective credit risk characteristics. The provision matrix is based on the Group's historical loss rates taking into consideration of forward-looking information. As disclosed in notes 27 and 28 to the consolidated financial statements, trade receivables and contract assets of the Group carried at HK$338,456,000 and HK$2,135,584,000, respectively, which represents 2.4% and 14.9% 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 estimates the amount of lifetime ECL of trade receivables and contract assets individually and using provision matrix; • Obtaining the ageing and breakdown of trade receivables and contract assets which are assessed individually, reviewing their history of repayment and the managements' assessment on the financial capability of the debtors and forward-looking information used; • 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; and • For trade receivables assessed by provision matrix based on collective credit risk characteristics for ECL, checking the appropriateness of classification in the provision matrix on a sample basis and assessing the reasonableness of the provision rate taking into consideration of historical loss rates and forward-looking information.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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.

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
23rd March, 2020

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue from goods and services	5	**7,904,105**	6,735,845
Cost of sales		**(7,107,463)**	(5,803,952)
Gross profit		**796,642**	931,893
Other income	7	**63,813**	69,096
Other gains and losses	8	**(94,627)**	(139,581)
Selling and distribution costs		**(86,782)**	(98,290)
Administrative expenses		**(468,243)**	(481,315)
Finance costs	9	**(75,045)**	(76,437)
Share of results of associates		**1,295,071**	1,262,277
Share of results of joint ventures		**35,052**	35,020
Profit before tax	10	**1,465,881**	1,502,663
Income tax expense	13	**(78,259)**	(119,132)
Profit for the year		**1,387,622**	1,383,531
Profit for the year attributable to:			
Owners of the Company		**1,264,484**	1,210,625
Non-controlling interests		**123,138**	172,906
		1,387,622	1,383,531
		HK$	*HK$*
Earnings per share	15		
– Basic		**1.59**	1.53
– Diluted		**N/A**	1.53

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2019

	2019 *HK$'000*	2018 *HK$'000*
Profit for the year	**1,387,622**	1,383,531
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 translation reserves of associates	**(291,362)**	(365,976)
Share of translation reserves of joint ventures	**(658)**	604
Other comprehensive expense for the year	**(295,378)**	(372,616)
Total comprehensive income for the year	**1,092,244**	1,010,915
Total comprehensive income for the year attributable to:		
Owners of the Company	**970,629**	841,128
Non-controlling interests	**121,615**	169,787
	1,092,244	1,010,915

Consolidated Statement of Financial Position

At 31st December, 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	16	**300,436**	307,714
Right-of-use assets	17	**31,537**	–
Intangible assets	18	**224,270**	254,557
Goodwill	19	**29,838**	29,838
Interests in associates	21	**8,053,725**	7,391,059
Interests in joint ventures	22	**276,681**	268,124
Financial assets at fair value through profit or loss ("FVTPL")	24	**60,805**	80,125
Other financial asset at amortised cost	25	**36,144**	38,654
Debtors, deposits and prepayments	27	**55,875**	–
		9,069,311	8,370,071
Current assets			
Inventories	26	**49,706**	97,775
Debtors, deposits and prepayments	27	**572,218**	551,621
Contract assets	28	**2,135,584**	1,672,750
Amounts due from associates	29	**10,089**	11,201
Loans to a joint venture	30	**–**	22,020
Amounts due from other partners of joint operations	29	**176,910**	212,994
Tax recoverable		**6,015**	13,135
Financial assets at FVTPL	24	**87,710**	102,588
Cash held on behalf of customers	31	**42,960**	744
Pledged bank deposits	32	**64,170**	2,336
Time deposits with original maturity of not less than three months	32	**76,782**	284,400
Bank balances and cash	32	**2,061,360**	1,526,070
		5,283,504	4,497,634
Current liabilities			
Creditors and accrued charges	33	**2,899,210**	2,428,595
Contract liabilities	34	**779,716**	566,355
Amount due to an associate	35	**18,791**	17,686
Amounts due to joint ventures	35	**1,142**	1,236
Amounts due to other partners of joint operations	35	**2,152**	2,691
Amounts due to non-controlling shareholders	35	**3,359**	3,359
Lease liabilities	36	**33,769**	–
Tax liabilities		**175,596**	128,738
Bank loans	37	**563,731**	327,250
Bonds	38	**115,829**	–
		4,593,295	3,475,910
Net current assets		**690,209**	1,021,724
Total assets less current liabilities		**9,759,520**	9,391,795

Consolidated Statement of Financial Position

At 31st December, 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Payable for extraction right	*39*	**176,820**	258,227
Provision for rehabilitation costs	*40*	**21,517**	20,354
Deferred tax liabilities	*41*	**5,750**	5,750
Obligations in excess of interests in associates	*21*	**15,511**	14,416
Obligations in excess of interests in joint ventures	*22*	**27**	4,853
Amount due to an associate	*42*	**2,712**	3,192
Lease liabilities	*36*	**23,837**	–
Bank loans	*37*	**382,050**	672,000
Bonds	*38*	**123,925**	219,869
		752,149	1,198,661
Net assets		**9,007,371**	8,193,134
Capital and reserves			
Share capital	*43*	**79,312**	79,312
Share premium and reserves		**8,432,758**	7,707,733
Equity attributable to owners of the Company		**8,512,070**	7,787,045
Non-controlling interests	*44*	**495,301**	406,089
Total equity		**9,007,371**	8,193,134

The consolidated financial statements on pages 73 to 194 were approved and authorised for issue by the Board of Directors on 23rd March, 2020 and are signed on its behalf by:

Zen Wei Pao, William
Chairman

Zen Wei Peu, Derek
Vice Chairman

	Equity attributable to owners of the Company									
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Translation reserve** *HK$'000* *(note 44)*	**Special reserve** *HK$'000* *(note a)*	**Assets revaluation reserve** *HK$'000*	**Other reserve** *HK$'000* *(note b)*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000* *(note 44)*	**Total equity** *HK$'000*
At 1st January, 2018	79,312	731,906	730,515	(29,530)	2,319	(9,704)	5,465,737	6,970,555	260,444	7,230,999
Profit for the year	–	–	–	–	–	–	1,210,625	1,210,625	172,906	1,383,531
Other comprehensive expense for the year	–	–	(369,497)	–	–	–	–	(369,497)	(3,119)	(372,616)
Total comprehensive (expense) income for the year	–	–	(369,497)	–	–	–	1,210,625	841,128	169,787	1,010,915
Sub-total	79,312	731,906	361,018	(29,530)	2,319	(9,704)	6,676,362	7,811,683	430,231	8,241,914
Acquisition of additional interest in a subsidiary	–	–	–	–	–	405	–	405	(7,872)	(7,467)
Partial disposal of interest in a subsidiary of an associate *(note c)*	–	–	(52,831)	–	–	425,160	(158,642)	213,687	–	213,687
Distribution to non-controlling shareholders	–	–	–	–	–	–	–	–	(16,270)	(16,270)
Dividends paid *(note 14)*	–	–	–	–	–	–	(238,730)	(238,730)	–	(238,730)
At 31st December, 2018	79,312	731,906	308,187	(29,530)	2,319	415,861	6,278,990	7,787,045	406,089	8,193,134
Profit for the year	–	–	–	–	–	–	1,264,484	1,264,484	123,138	1,387,622
Other comprehensive expense for the year	–	–	(293,855)	–	–	–	–	(293,855)	(1,523)	(295,378)
Total comprehensive (expense) income for the year	–	–	(293,855)	–	–	–	1,264,484	970,629	121,615	1,092,244
Sub-total	79,312	731,906	14,332	(29,530)	2,319	415,861	7,543,474	8,757,674	527,704	9,285,378
Acquisition of additional interests in subsidiaries *(note d)*	–	–	–	–	–	(602)	–	(602)	(9,781)	(10,383)
Acquisition of subsidiaries *(note 53(b))*	–	–	–	–	–	–	–	–	5,499	5,499
Disposal of partial interest in a subsidiary without losing control	–	–	–	–	–	–	–	–	(2)	(2)
Release upon dissolution of a subsidiary	–	–	–	–	–	(1,484)	1,484	–	–	–
Allotment of shares to non-controlling interests	–	–	–	–	–	–	–	–	6	6
Return of capital contribution to a non-controlling interest by an associate	–	–	–	–	–	–	4,039	4,039	–	4,039
Distribution to non-controlling shareholders	–	–	–	–	–	–	–	–	(28,125)	(28,125)
Dividends paid *(note 14)*	–	–	–	–	–	–	(249,041)	(249,041)	–	(249,041)
At 31st December, 2019	**79,312**	**731,906**	**14,332**	**(29,530)**	**2,319**	**413,775**	**7,299,956**	**8,512,070**	**495,301**	**9,007,371**

Notes:

(a) The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

(b) The other reserve represents (i) the 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 regarding the changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries; and (ii) the share of other reserve of an associate of the Group.

(c) On 2nd August, 2018, a subsidiary of an associate of the Group ("RKE") issued 166,666,667 shares to an independent investor and the subscription price of the shares received by the associate was HK$2,000,000,000. The shareholding of the associate in RKE decreased from 100% to 75%. The associate had transferred from relevant reserves attributable to the shareholders of the associate to non-controlling interests and the adjustment arising from partial disposal of interest in a subsidiary was adjusted to other reserve. The effect on the interest in the associate and relevant reserves of the Group were accounted for accordingly.

(d) During the year ended 31st December, 2019, the Group has paid cash considerations of HK$300,000, HK$1,516,000 and HK$8,567,000 to acquire 30.00%, 0.15% and 49.00% additional interests in three subsidiaries from non-controlling shareholders respectively. The difference between the considerations paid by the Group and attributable equity interests in the subsidiaries was debited to other reserve.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Profit before tax	**1,465,881**	1,502,663
Adjustments for:		
Finance costs	**75,045**	76,437
Share of results of associates	**(1,295,071)**	(1,262,277)
Share of results of joint ventures	**(35,052)**	(35,020)
Dividend income from financial asset at FVTPL	**(3,699)**	(3,367)
Interest income from financial asset at FVTPL	**–**	(1,961)
Interest on other receivables	**(1,486)**	(737)
Interest on bank deposits	**(23,772)**	(10,973)
Interest on amounts due from associates	**(32)**	(224)
Interest on other financial asset at amortised cost	**(975)**	(1,043)
Interest on loans to a joint venture	**(2,361)**	–
Discount on acquisition of additional interest in an associate	**(17,971)**	(49,420)
Loss on deemed disposal of partial interest in an associate	**–**	6,837
Loss (gain) on change in fair value of financial assets at FVTPL, net	**651**	(19,757)
Loss (gain) on disposal of property, plant and equipment, net	**1,885**	(3,505)
Allowance for credit losses recognised (reversed)	**4,249**	(803)
Impairment loss on intangible assets	**41,301**	173,328
Impairment loss on property, plant and equipment	**34,484**	32,098
Impairment loss on right-of-use assets	**28,354**	–
Impairment loss on amount due from other partner of a joint operation	**27,315**	–
Impairment loss on goodwill	**924**	–
Gain on modification of terms of bond	**(21,946)**	–
Gain on bargain purchase arising from acquisition of a subsidiary	**(368)**	–
Gain on disposal of partial interest in a subsidiary	**(2)**	–
Amortisation of intangible assets	**1,797**	1,385
Depreciation of property, plant and equipment	**129,668**	221,783
Depreciation of right-of-use assets	**38,589**	–
Waive of amount due from an associate	**652**	–
Write-down of inventories	**141**	331
Operating cash flows before movements in working capital	**448,201**	625,775
Decrease in other financial asset at amortised cost	**2,510**	4,255
Decrease in inventories	**93,335**	84,187
Decrease in debtors, deposits and prepayments	**8,834**	33,661
Increase in contract assets	**(458,229)**	(330,094)
Increase in creditors and accrued charges	**287,370**	90,837
Increase in contract liabilities	**103,995**	156,302
Cash from operations	**486,016**	664,923
Income taxes paid	**(19,774)**	(36,415)
Net cash from operating activities	**466,242**	628,508

	Notes	2019 HK$'000	2018 HK$'000
Investing activities			
Interest received		**27,331**	12,496
Dividends received from financial asset at FVTPL		**3,699**	3,367
Dividends received from associates		**386,454**	348,766
Dividends received from joint ventures		**17,010**	6,736
Proceeds from disposal of property, plant and equipment		**3,567**	4,459
Purchase of property, plant and equipment		**(155,656)**	(23,566)
Proceeds from disposal of financial assets at FVTPL		**47,952**	–
Return of investment costs from associates		**–**	45,064
Return of capital contribution for financial assets at FVTPL		**–**	2,157
Net cash inflow on acquisition of subsidiaries	*53*	**138,486**	–
Acquisition of interests in associates		**(22,306)**	(101,899)
Acquisition of interests in joint ventures		**–**	(5,270)
Capital contribution to a joint venture	*22(c)*	**(20,315)**	–
Loans to a joint venture		**(92,699)**	(22,020)
Repayments from a joint venture		**66,947**	–
Acquisition of financial assets at FVTPL		**(14,405)**	(46,893)
Repayments from associates		**492**	3,191
Repayments from (advances to) other partners of joint operations		**8,769**	(78,060)
Placement of time deposits with original maturity of not less than three months		**(366,782)**	(326,400)
Withdrawal of time deposits with original maturity of not less than three months		**574,400**	42,000
Placement of pledged bank deposits		**(61,834)**	(2,299)
Net cash from (used in) investing activities		**541,110**	(138,171)
Financing activities			
Interest paid		**(48,734)**	(48,040)
Dividends paid	*14*	**(249,041)**	(238,730)
Acquisition of additional interests in subsidiaries		**(10,383)**	(7,467)
Distributions to non-controlling shareholders		**(28,125)**	(16,270)
(Repayments to) advances from joint ventures		**(49)**	94
Repayments to associates		**–**	(262)
Repayments to other partners of joint operations		**(539)**	(59,019)
New bank loans raised		**142,819**	704,004
Repayments of bank loans		**(260,444)**	(598,825)
Bonds issued		**24,500**	–
Repayments of lease liabilities		**(39,610)**	–
Net cash used in financing activities		**(469,606)**	(264,515)

	2019 *HK$'000*	2018 *HK$'000*
Net increase in cash and cash equivalents	**537,746**	225,822
Cash and cash equivalents at the beginning of the year	**1,526,070**	1,305,972
Effect of foreign exchange rate changes, net	**(2,456)**	(5,724)
Cash and cash equivalents at the end of the year	**2,061,360**	1,526,070
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**2,061,360**	1,526,070

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, principal associates and joint ventures are set out in notes 54, 21 and 22 respectively.

The consolidated financial statements are presented in Hong Kong dollar, which is the functional currency of the Company.

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 new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

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", 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 1st 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.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

2.1 HKFRS 16 "Leases" (Cont'd)

As a lessee

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

At 1st 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") (Cont'd)

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

2.1 HKFRS 16 "Leases" (Cont'd)

As a lessee (Cont'd)

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 lessee's incremental borrowing rate applied is 4.17% per annum.

	At 1st January, 2019
	HK$'000
Operating lease commitments disclosed at 31st December, 2018 *(note 49)*	97,993
Lease liabilities discounted at relevant incremental borrowing rates	90,711
Less: Recognition exemption – short-term leases	(16,211)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 at 1st January, 2019	74,500
Analysed as:	
Current	28,438
Non-current	46,062
	74,500

The carrying amount of right-of-use assets at 1st January, 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating leases of office premises and site areas recognised upon application of HKFRS 16	74,500
Add: Advance lease payments for lease of a site area adjusted to right-of-use assets on transition at 1st January, 2019	2,060
	76,560
By class:	
Leased properties	76,560

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

2.1 HKFRS 16 "Leases" (Cont'd)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified at 1st January, 2019. The application has had no impact on the Group's consolidated statement of financial position at 1st January, 2019. However, effective from 1st January, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The Group had insignificant balances of refundable rental deposits at 1st January, 2019 and 31st December, 2019.

(c) Effective on 1st January, 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the Group's consolidated financial statements for the year ended 31st December, 2019.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

2.1 HKFRS 16 "Leases" (Cont'd)

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

	Carrying amounts previously reported at 31st December, 2018	Adjustments	Carrying amounts under HKFRS 16 at 1st January, 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current asset			
Right-of-use assets	–	76,560	76,560
Current asset			
Debtors, deposits and prepayments	551,621	(2,060)	549,561
Current liability			
Lease liabilities	–	28,438	28,438
Non-current liability			
Lease liabilities	–	46,062	46,062

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

No adjustments have been made, in the application of HKFRS 16 as a lessor, on the Group's consolidated financial statements for the year ended 31st December, 2019.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

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", including the impairment requirements, to long-term interests in an associate or a 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 amounts required by HKAS 28 (i.e. adjustments to the carrying amounts of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

At 31st December, 2019, loans to a joint venture of HK$25,597,000 are considered as long-term interests that, in substance form part of the Group's net investment in the relevant joint venture. 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.

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 1st 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 1st 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 1st 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 1st 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.

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

New and amendments to HKFRSs in issue but not yet effective (Cont'd)

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 1st 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 on the financial performance and position of the Group.

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 1st January, 2020. The application of the amendments is not expected to have significant impact on the financial performance and position of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective (Cont'd)

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 1st 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 1st 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

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 interests.

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 (Cont'd)

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 (Cont'd)

Business combinations (Cont'd)

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 (Cont'd)

Goodwill (Cont'd)

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 (Cont'd)

Revenue from contracts with customers (Cont'd)

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 (Cont'd)

Revenue from contracts with customers (Cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment (other than property under construction) are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Property in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. 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 property under construction less their residual value 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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses, if any.

Amortisation of intangible assets with finite useful lives is recognised on units of production method to reflect the expected pattern of production of the expected future economic benefits embodied in an intangible asset. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets (Cont'd)

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.

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.

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 a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates and joint ventures (Cont'd)

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 assets, 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 (Cont'd)

Investments in associates and joint ventures (Cont'd)

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 transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When a group entity transacts with 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 above).

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.

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 (Cont'd)

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 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 (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (Cont'd)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(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. 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 "other gains and losses" 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, deposits, amounts due from associates and other partners of joint operations, loans to joint ventures, cash held on behalf of customers, pledged bank deposits, time deposits with original maturity of not less than three months and bank balances and cash) and contract assets 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 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 (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

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 12-month 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

(i) Significant increase in credit risk (Cont'd)

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.

(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 of default 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

(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.

(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.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables, and contract assets are each assessed as a separate group. Amounts due from associates, joint ventures and other partners of joint operations are assessed for ECL on an individual basis); and

- Past-due status.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

(v) Measurement and recognition of ECL (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Financial liabilities at amortised cost

Financial liabilities including creditors, amounts due to an associate, joint ventures, other partners of joint operations and non-controlling shareholders, 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

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

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 (Cont'd)

Leases (Cont'd)

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

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 a lessee (prior to 1st January, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

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

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

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.

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 dollar) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 profits 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, 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 profit 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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 they relate 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.

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 used 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.

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 expenses when employees have rendered service entitling them to the contributions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share premium.

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, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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 amounts recognised in the consolidated financial statements 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.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Estimated impairment of assets in respect of a quarry site in Hong Kong

The carrying amounts of intangible assets and property, plant and equipment in respect of a quarry site in Hong Kong amounted to HK$115,978,000 (2018: HK$194,600,000) (net of accumulated impairment losses of HK$214,629,000 (2018: HK$173,328,000)) and HK$91,114,000 (2018: HK$63,080,000) (net of accumulated impairment losses of HK$66,582,000 (2018: HK$32,098,000)) respectively at 31st December, 2019. Determining whether the carrying amounts of these assets can be recovered requires an estimation of the value in use of the CGUs and a suitable discount rate in order to calculate the present value. The value in use calculation requires the Group to estimate the future cash flows expected to be generated from the operation of the quarry site with assumptions of the price and budgeted gross margin of concrete, asphalt and quarry products, the volume of rock reserve to be extracted and the discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, further impairment loss may arise. During the year ended 31st December, 2019, the management considered that the recoverable amounts of the assets are less than their carrying amounts, therefore, impairment losses of HK$41,301,000 (2018: HK$173,328,000) and HK$34,484,000 (2018: HK$32,098,000) have been recognised in profit or loss in respect of the intangible assets and the property, plant and equipment, respectively.

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

Determining the recoverable amount of the intangible assets with indefinite useful lives (i.e. construction licenses) arising from the acquisition of a subsidiary, which is included in the consolidated statement of financial position at 31st December, 2019 at HK$32,858,000 (2018: HK$32,858,000) requires an estimation of the revenue to be generated in future periods from the acquired construction licenses (see note 18). 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 activities indicate such adjustments are appropriate.

Estimated impairment of goodwill

Determining the recoverable amount of goodwill requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. At 31st December, 2019, the carrying amount of goodwill is HK$29,838,000 (2018: HK$29,838,000). Details of the recoverable amount calculation are disclosed in note 20.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Estimated impairment of interest in an associate

Determining the recoverable amount of the Group's interest in Road King Infrastructure Limited ("Road King"), an associate of the Group, requires an estimation of the value in use of the investment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from dividends to be received from Road King and the proceeds on the ultimate disposal of the investment with assumptions of suitable growth rate and discount rate in order to calculate the present value. At 31st December, 2019, the carrying amount of the Group's interest in Road King is HK$8,048,027,000 (2018: HK$7,382,962,000). Details of the recoverable amount calculation are disclosed in note 21.

Estimated impairment of right-of-use assets

The management of the Group considered an impairment indicator exists for the right-of-use assets of a concrete production plant as it incurred operating losses for the year ended 31st December, 2019. The recoverable amount of the right-of-use assets has been determined based on value in use calculation, which requires the Group to estimate the future cash flows expected to be generated from the operation of the concrete production plant with assumptions of the price and budgeted gross margin of concrete and the discount rate in order to calculate the present value. During the year ended 31st December, 2019, impairment loss of HK$28,354,000 has been recognised in profit or loss in respect of the right-of-use assets.

Provision for rehabilitation costs

The provision for rehabilitation costs (see note 40) is based upon the management's estimate on the costs to be incurred for the drainage, landscaping, irrigation system and slope stabilisation work on the quarry site before returning the quarry site to the Government of the Hong Kong Special Administrative Region ("HKSAR") in ready-to-develop status. Where the actual future costs are substantially greater than the estimated costs, material additional rehabilitation costs may arise during the contract period ending in January 2023.

Income tax

At 31st 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$1,076,304,000 (2018: HK$964,979,000) (see note 41) due to unpredictability of future profit streams. The realisability of the unrecognised deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In case 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 (Cont'd)

Measurement of value of construction works

The management measures 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 estimates the revenue and budgeted costs at the commencement of the construction contracts and regularly assesses 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 project 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 with significant balances 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 Group uses provision matrix to calculate ECL for the remaining balances of trade receivables. The provision rates are based on past-due status as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

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 27 and 28 respectively.

5. REVENUE FROM GOODS AND SERVICES

(i) Disaggregation of revenue from contracts with customers

Year ended 31st December, 2019

	Construction, sewage treatment and steam fuel *HK$'000*	Construction materials *HK$'000*	Quarrying *HK$'000*	Consolidated *HK$'000*
Type of goods and services				
Construction contracts	7,488,103	–	–	7,488,103
Sewage treatment plant operation	23,695	–	–	23,695
Steam fuel plant operation	5,896	–	–	5,896
Sale of construction materials	–	328,828	–	328,828
Sale of quarry products	–	–	57,583	57,583
Total	**7,517,694**	**328,828**	**57,583**	**7,904,105**
Geographical markets				
Hong Kong	7,488,103	328,828	57,583	7,874,514
Other regions in the People's Republic of China (the "PRC")	29,591	–	–	29,591
Total	**7,517,694**	**328,828**	**57,583**	**7,904,105**
Timing of revenue recognition				
At a point in time	–	328,828	57,583	386,411
Over time	7,517,694	–	–	7,517,694
Total	**7,517,694**	**328,828**	**57,583**	**7,904,105**

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

	Segment revenue *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue from contracts with customers			
Construction, sewage treatment and steam fuel	7,568,461	(50,767)	7,517,694
Construction materials	459,204	(130,376)	328,828
Quarrying	166,986	(109,403)	57,583
	8,194,651	**(290,546)**	**7,904,105**

5. REVENUE FROM GOODS AND SERVICES (Cont'd)

(i) Disaggregation of revenue from contracts with customers (Cont'd)

Year ended 31st December, 2018

	Construction and sewage treatment *HK$'000*	Construction materials *HK$'000*	Quarrying *HK$'000*	Consolidated *HK$'000*
Type of goods and services				
Construction contracts	6,222,861	–	–	6,222,861
Sewage treatment plant operation	22,493	–	–	22,493
Sale of construction materials	–	428,886	–	428,886
Sale of quarry products	–	–	61,605	61,605
Total	6,245,354	428,886	61,605	6,735,845
Geographical markets				
Hong Kong	6,222,861	428,886	61,605	6,713,352
The PRC	22,493	–	–	22,493
Total	6,245,354	428,886	61,605	6,735,845
Timing of revenue recognition				
At a point in time	–	428,886	61,605	490,491
Over time	6,245,354	–	–	6,245,354
Total	6,245,354	428,886	61,605	6,735,845

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

	Segment revenue *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue from contracts with customers			
Construction and sewage treatment	6,305,348	(59,994)	6,245,354
Construction materials	587,150	(158,264)	428,886
Quarrying	184,678	(123,073)	61,605
	7,077,176	(341,331)	6,735,845

5. REVENUE FROM GOODS AND SERVICES (Cont'd)

(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 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.

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 transfers 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 services. 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 and steam fuel plant services

For sewage treatment and steam fuel plant services for customers, where the Group acts as principal and is primarily responsible for providing the sewage treatment and 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 fees received or receivable from the customers, which is agreed upfront, as its revenue over time and all related sewage treatment and steam fuel costs as its cost of services.

5. REVENUE FROM GOODS AND SERVICES (Cont'd)

(ii) Performance obligations for contracts with customers (Cont'd)

Sales of construction materials and quarry products

The Group sells the construction materials and quarry products produced in Hong Kong to the customers in Hong Kong. Revenue is recognised when control of the goods has been transferred, being at the point when the goods have been delivered to the customers' specified locations. The normal credit term is 30 to 60 days upon delivery. Sales-related warranties associated with the construction materials and quarry products cannot be purchased separately and they serve as assurance that the products sold comply with agreed upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" consistent with its previous accounting treatment.

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

The transaction price allocated to the remaining performance obligations of the construction services (unsatisfied or partially unsatisfied) at 31st 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 and steam fuel plant service income and the sales transactions of construction materials and quarry products are for period less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. This is also the basis upon which the Group is organised. 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:

Construction, sewage treatment and steam fuel
- construction of civil engineering and building projects
- operation of sewage treatment plant
- operation of steam fuel plant

Construction materials
- production and sale of concrete
- production, sale and laying of asphalt

Quarrying
- production and sale of quarry products

Property development and investment, toll road, investment and asset management
- strategic investment in Road King, an associate of the Group

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

The following is an analysis of the segment revenue and profit (loss) for each reportable and operating segment:

Year ended 31st December, 2019

	Segment revenue			
	Gross	Inter-segment elimination	External	Segment profit (loss)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Construction, sewage treatment and steam fuel	**7,568,461**	**(50,767)**	**7,517,694**	**168,248**
Construction materials	**459,204**	**(130,376)**	**328,828**	**(72,934)**
Quarrying	**166,986**	**(109,403)**	**57,583**	**(17,139)**
Property development and investment, toll road, investment and asset management	**–**	**–**	**–**	**1,286,934**
Total	**8,194,651**	**(290,546)**	**7,904,105**	**1,365,109**

Year ended 31st December, 2018

	Segment revenue			
	Gross	Inter-segment elimination	External	Segment profit (loss)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Construction and sewage treatment	6,305,348	(59,994)	6,245,354	231,832
Construction materials	587,150	(158,264)	428,886	(97,687)
Quarrying	184,678	(123,073)	61,605	(13,762)
Property development and investment, toll road, investment and asset management	–	–	–	1,254,825
Total	7,077,176	(341,331)	6,735,845	1,375,208

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

Segment profit (loss) represents profit (loss) after tax and non-controlling interests for each reportable and operating segment and includes other income, other gains and losses, share of results of associates and share of results of joint ventures which are attributable to reportable and operating segments, but excluding corporate income and expenses (including staff costs, other administrative expenses and finance costs), other gains and losses, share of results of associates and share of results of joint ventures which are not attributable to any of the reportable and operating segments and are classified as unallocated items. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Reconciliation of total segment profit to profit attributable to owners of the Company

	2019	2018
	HK$'000	*HK$'000*
Total segment profit	**1,365,109**	1,375,208
Unallocated items		
Other income	**11,764**	31,857
Other gains and losses	**(52,400)**	(144,399)
Administrative expenses	**(45,851)**	(46,127)
Finance costs	**(36,297)**	(33,221)
Share of results of associates	**9,456**	8,607
Share of results of joint ventures	**12,703**	18,704
Income tax expense	**–**	(4)
Profit attributable to owners of the Company	**1,264,484**	1,210,625

Segment assets and liabilities

As the Group's chief operating decision maker reviews the Group's assets and liabilities on a consolidated basis, no assets or liabilities are allocated to the reportable and operating segments. Therefore, no analysis of segment assets and liabilities is presented.

6. SEGMENT INFORMATION (Cont'd)

Other segment information

Amounts included in the measure of segment profit (loss):

Year ended 31st December, 2019

	Construction, sewage treatment and steam fuel HK$'000	Construction materials HK$'000	Quarrying HK$'000	Property development and investment, toll road, investment and asset management HK$'000	Segment total HK$'000	Unallocated HK$'000	Intra-group elimination HK$'000	Consolidated HK$'000
Amortisation of intangible assets *(note)*	(1,797)	–	(37,321)	–	(39,118)	–	–	(39,118)
Depreciation of property, plant and equipment *(note)*	(107,249)	(20,955)	(8,460)	–	(136,664)	(683)	–	(137,347)
Depreciation of right-of-use assets	(22,286)	(11,541)	–	–	(33,827)	(4,762)	–	(38,589)
Impairment loss on intangible assets	–	–	–	–	–	(41,301)	–	(41,301)
Impairment loss on property, plant and equipment	–	–	–	–	–	(34,484)	–	(34,484)
Impairment loss on right-of-use assets	–	–	–	–	–	(28,354)	–	(28,354)
Impairment loss on amount due from other partner of a joint operation	(27,315)	–	–	–	(27,315)	–	–	(27,315)
Impairment loss on goodwill	(924)	–	–	–	(924)	–	–	(924)
Gain on bargain purchase arising from acquisition of a subsidiary	368	–	–	–	368	–	–	368
Allowance for credit losses	–	–	(4,249)	–	(4,249)	–	–	(4,249)
(Loss) gain on disposal of property, plant and equipment, net	(1,946)	61	–	–	(1,885)	–	–	(1,885)
Interest income	20,741	15	34	–	20,790	7,836	–	28,626
Finance costs	(18,778)	(12,799)	(7,171)	–	(38,748)	(36,297)	–	(75,045)
Share of results of associates	(1,941)	–	622	1,286,934	1,285,615	9,456	–	1,295,071
Share of results of joint ventures	22,351	–	(2)	–	22,349	12,703	–	35,052
Income tax expense	(78,153)	–	(106)	–	(78,259)	–	–	(78,259)

6. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

Year ended 31st December, 2018

	Construction and sewage treatment HK$'000	Construction materials HK$'000	Quarrying HK$'000	Property development and investment, toll road, investment and asset management HK$'000	Segment total HK$'000	Unallocated HK$'000	Intra-group elimination HK$'000	Consolidated HK$'000
Amortisation of intangible assets *(note)*	(1,385)	–	(80,085)	–	(81,470)	–	–	(81,470)
Depreciation of property, plant and equipment *(note)*	(188,695)	(27,516)	(11,960)	–	(228,171)	(869)	–	(229,040)
Impairment loss on intangible assets	–	–	–	–	–	(173,328)	–	(173,328)
Impairment loss on property, plant and equipment	–	–	–	–	–	(32,098)	–	(32,098)
Allowance for credit losses reversed	–	803	–	–	803	–	–	803
Gain on disposal of property, plant and equipment, net	327	364	2,756	–	3,447	58	–	3,505
Interest income	6,520	4	502	–	7,026	26,412	(18,500)	14,938
Finance costs	(20,467)	(34,404)	(6,845)	–	(61,716)	(33,221)	18,500	(76,437)
Share of results of associates	(1,190)	–	35	1,254,825	1,253,670	8,607	–	1,262,277
Share of results of joint ventures	16,319	–	(3)	–	16,316	18,704	–	35,020
Income tax expense	(119,128)	–	–	–	(119,128)	(4)	–	(119,132)

Note: Amortisation of intangible assets of HK$37,321,000 (2018: HK$80,085,000) and depreciation of property, plant and equipment of HK$7,679,000 (2018: HK$7,257,000) in quarrying segment were capitalised in inventories.

Geographical information

The Group's operations are mainly located in Hong Kong (country of domicile) and the PRC.

The Group's revenue from external customers by geographical location of the customers and information about its non-current assets (note) by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets *(note)*	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**7,874,514**	6,713,352	**8,533,360**	7,981,378
The PRC	**29,591**	22,493	**197,147**	98,478
Others	**–**	–	**185,980**	171,436
	7,904,105	6,735,845	**8,916,487**	8,251,292

Note: Non-current assets include all non-current assets except financial instruments.

6. SEGMENT INFORMATION (Cont'd)

Information about customers

Revenue from two (2018: two) customers of the construction, sewage treatment and steam fuel segment located in Hong Kong of the corresponding year contributing over 10% of the Group's revenue.

	2019 HK$'000	2018 HK$'000
Customer A	**3,785,532**	2,299,268
Customer B	**N/A**[1]	760,104
Customer C	**1,088,056**	N/A[1]
	4,873,588	3,059,372

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Other income includes:		
Dividend income from financial asset at FVTPL	**3,699**	3,367
Interest income from financial asset at FVTPL	**–**	1,961
Interest on other receivables	**1,486**	737
Interest on bank deposits	**23,772**	10,973
Interest on amounts due from associates	**32**	224
Interest on other financial asset at amortised cost	**975**	1,043
Interest on loans to a joint venture	**2,361**	–
Government subsidy	**30**	589
Operation fee income	**23,415**	35,469
PRC value-added tax refund	**1,233**	1,278
Rental income from land and buildings	**569**	837
Rental income from plant and machinery	**2,661**	2,630
Allowance for credit losses reversed	**–**	803
Service income from associates	**70**	120

8. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Discount on acquisition of additional interest in an associate *(note a)*	**17,971**	49,420
Loss on deemed disposal of partial interest in an associate *(note b)*	**–**	(6,837)
(Loss) gain on change in fair value of financial assets at FVTPL, net	**(651)**	19,757
(Loss) gain on disposal of property, plant and equipment, net	**(1,885)**	3,505
Impairment loss on intangible assets *(note 18(b))*	**(41,301)**	(173,328)
Impairment loss on property, plant and equipment *(note 18(b))*	**(34,484)**	(32,098)
Impairment loss on right-of-use assets *(note 17)*	**(28,354)**	–
Impairment loss on amount due from other partner of a joint operation	**(27,315)**	–
Impairment loss on goodwill *(note 53(b))*	**(924)**	–
Gain on modification of terms of bond *(note 38)*	**21,946**	–
Gain on bargain purchase arising from acquisition of a subsidiary *(note 53(a))*	**368**	–
Gain on disposal of partial interest in a subsidiary	**2**	–
	(94,627)	(139,581)

Notes:

(a) During the year ended 31st December, 2019, the Group purchased 1,690,000 (2018: 6,851,000) ordinary shares in Road King at an aggregate consideration of HK$22,306,000 (2018: HK$96,299,000) which was below the additional net assets value shared by the Group. As a result, the Group's interest in Road King increased in aggregate by 0.23% (2018: 0.91%) resulting in an aggregate discount of HK$17,971,000 (2018: HK$49,420,000) on acquisition of additional interest in Road King.

(b) During the year ended 31st December, 2018, Road King issued 1,200,000 ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option scheme of Road King. As a result, the Group's interest in Road King was reduced in aggregate by 0.06%. As the shares were issued at the exercise price of HK$7.13 per share, which was lower than the net assets value per share of Road King, the Group recognised an aggregate loss of HK$6,837,000 on deemed disposal of partial interest in Road King.

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank loans	**39,633**	38,939
Interest on bonds	**9,620**	14,152
Interest on lease liabilities	**2,176**	–
Imputed interest on bonds	**4,605**	–
Imputed interest on payable for extraction right	**16,345**	20,453
Imputed interest on provision for rehabilitation costs	**2,041**	2,296
Imputed interest on non-current interest-free amount due to an associate	**625**	597
	75,045	76,437

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration		
Current year	**3,679**	3,537
(Over)underprovision in prior year	**(7)**	342
	3,672	3,879
Allowance for credit losses	**4,249**	–
Amortisation of intangible assets *(note)*	**39,118**	81,470
Depreciation of property, plant and equipment *(note)*	**137,347**	229,040
Depreciation of right-of-use assets	**38,589**	–
Exchange loss, net	**5,205**	5
Hire charges for plant and machinery	**280,490**	169,972
Share of income tax expense of associates (included in share of results of associates)	**1,310,229**	2,416,687
Staff costs		
Directors' remuneration *(note 11)*	**39,638**	43,528
Other staff costs	**1,188,906**	1,118,720
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$985,000 (2018: HK$1,555,000)	**42,787**	39,379
	1,271,331	1,201,627
Write-down of inventories	**141**	331

Note: Amortisation of intangible assets of HK$37,321,000 (2018: HK$80,085,000) and depreciation of property, plant and equipment of HK$7,679,000 (2018: HK$7,257,000) were capitalised in inventories.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

The remuneration paid or payable to each of the eight (2018: nine) directors including the Chief Executive Officer were as follows:

Year ended 31st December, 2019

	Fee *HK$'000*	Salary and other benefits *HK$'000*	Performance related incentive payments *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:					
Zen Wei Pao, William	–	405	1,265	40	1,710
Zen Wei Peu, Derek	–	2,217	29,694	688	32,599
Chiu Wai Yee, Anriena	–	2,377	931	234	3,542
	–	4,999	31,890	962	37,851
Non-executive directors:					
Cheng Chi Ming, Brian	287	–	–	–	287
Ho Gilbert Chi Hang	120	–	–	–	120
	407	–	–	–	407
Independent non-executive directors:					
Wong Che Ming, Steve	448	–	–	–	448
Wan Siu Kau, Samuel	466	–	–	–	466
Wong Man Chung, Francis	466	–	–	–	466
	1,380	–	–	–	1,380
	1,787	4,999	31,890	962	39,638

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION (Cont'd)

Year ended 31st December, 2018

	Fee *HK$'000*	Salary and other benefits *HK$'000*	Performance related incentive payments *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:					
Zen Wei Pao, William	–	388	1,211	39	1,638
Zen Wei Peu, Derek	–	2,116	33,853	661	36,630
Chiu Wai Yee, Anriena	–	2,249	741	221	3,211
	–	4,753	35,805	921	41,479
Non-executive directors:					
Tsang Yam Pui *(note)*	465	–	–	–	465
Cheng Chi Ming, Brian	273	–	–	–	273
Ho Gilbert Chi Hang *(note)*	–	–	–	–	–
	738	–	–	–	738
Independent non-executive directors:					
Wong Che Ming, Steve	426	–	–	–	426
Wan Siu Kau, Samuel	444	–	–	–	444
Wong Man Chung, Francis	441	–	–	–	441
	1,311	–	–	–	1,311
	2,049	4,753	35,805	921	43,528

Note: Mr. Tsang Yam Pui had resigned as a non-executive director of the Company with effect from 31st December, 2018 and Mr. Ho Gilbert Chi Hang had been appointed as a non-executive director of the Company with effect from 31st December, 2018.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION (Cont'd)

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

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.

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

The performance related incentive payment is determined by reference to the profit of the Group or individual performance of the directors for the year.

There was no arrangement under which a director 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 years.

12. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals included one director (2018: one director) set out in note 11. The emoluments of the remaining four (2018: four) highest paid individuals are as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Salary and other benefits	**21,485**	16,246
Retirement benefits scheme contributions	**969**	968
	22,454	17,214

The emoluments were within the following bands:

	Number of employees	
	2019	2018
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**–**	2
HK$4,500,001 to HK$5,000,000	**1**	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**	–

13. 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	**3,824**	10,798
The PRC	**37**	13
	3,861	10,811
	78,259	119,132

On 21st 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 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable 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. Accordingly, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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.

13. INCOME TAX EXPENSE (Cont'd)

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

	2019	2018
	HK$'000	*HK$'000*
Profit before tax	**1,465,881**	1,502,663
Income tax expense at the applicable rate of 16.5% (2018: 16.5%)	**241,870**	247,939
Tax effect of expenses not deductible for tax purpose	**42,552**	48,139
Tax effect of income not taxable for tax purpose	**(19,972)**	(16,790)
Underprovision in prior years	**3,861**	10,811
Tax effect of tax losses not recognised	**55,553**	41,519
Tax effect of utilisation of tax losses previously not recognised	**(30,552)**	(16,947)
Tax effect of share of results of associates	**(213,687)**	(208,276)
Tax effect of share of results of joint ventures	**(5,784)**	(5,778)
Effect of different rates for subsidiaries operating in other jurisdictions	**345**	456
Others	**4,073**	18,059
Income tax expense	**78,259**	119,132

14. DIVIDENDS

Dividends paid and recognised as distributions during the year:

	2019	2018
	HK$'000	*HK$'000*
2018 final dividend – HK23.4 cents per share (2018: 2017 final dividend – HK22.5 cents per share)	**185,591**	178,453
2019 interim dividend – HK8.0 cents per share (2018: 2018 interim dividend – HK7.6 cents per share)	**63,450**	60,277
	249,041	238,730

A final dividend for the year ended 31st December, 2019 of HK24.0 cents (2018: HK23.4 cents) per ordinary share amounting to HK$190,350,000 (2018: HK$185,591,000) has been proposed by the board of directors of the Company (the "Board") and is subject to approval by the shareholders in the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

15. EARNINGS PER SHARE

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

	2019 **HK$'000**	2018 HK$'000
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**1,264,484**	1,210,625
Effect of dilutive potential ordinary shares:		
Decrease in share of profit of an associate arising from assumed exercise of share options issued by that associate *(note)*	**–**	(253)
Earnings for the purpose of diluted earnings per share	**1,264,484**	1,210,372

	2019	2018
Number of ordinary shares for the purposes of basic and diluted earnings per share	**793,124,034**	793,124,034

Note: The associate has no dilutive potential ordinary shares in issue during the current year.

16. PROPERTY, PLANT AND EQUIPMENT

	Property under construction HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Total HK$'000
COSTS								
At 1st January, 2018	–	12,746	13,417	541,603	48,364	93,007	385,801	1,094,938
Exchange realignment	–	–	–	–	(41)	(34)	–	(75)
Additions	–	–	–	20,422	2,440	1,212	1,111	25,185
Disposals	–	(133)	–	(52,851)	(1,530)	(4,545)	–	(59,059)
At 31st December, 2018	–	12,613	13,417	509,174	49,233	89,640	386,912	1,060,989
Exchange realignment	(220)	–	–	–	(15)	(22)	–	(257)
Additions	110,779	6,860	6,473	20,242	3,650	1,240	6,412	155,656
Acquisition of subsidiaries *(note 53)*	13,039	–	–	62	761	721	–	14,583
Transfer	(23,013)	2,069	–	20,410	534	–	–	–
Disposals	–	–	(4,833)	(15,672)	(174)	(1,061)	–	(21,740)
At 31st December, 2019	100,585	21,542	15,057	534,216	53,989	90,518	393,324	1,209,231
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2018	–	7,193	10,387	275,221	41,341	62,324	153,839	550,305
Exchange realignment	–	–	–	–	(38)	(25)	–	(63)
Provided for the year	–	1,285	2,097	59,153	3,533	9,569	153,403	229,040
Impairment loss	–	–	–	32,098	–	–	–	32,098
Eliminated on disposals	–	(133)	–	(52,851)	(1,470)	(3,651)	–	(58,105)
At 31st December, 2018	–	8,345	12,484	313,621	43,366	68,217	307,242	753,275
Exchange realignment	–	–	–	–	(13)	(10)	–	(23)
Provided for the year	–	712	2,003	51,550	3,646	8,603	70,833	137,347
Impairment loss	19,631	1,989	–	12,390	246	228	–	34,484
Eliminated on disposals	–	–	(4,833)	(10,408)	(128)	(919)	–	(16,288)
At 31st December, 2019	19,631	11,046	9,654	367,153	47,117	76,119	378,075	908,795
CARRYING VALUES								
At 31st December, 2019	**80,954**	**10,496**	**5,403**	**167,063**	**6,872**	**14,399**	**15,249**	**300,436**
At 31st December, 2018	–	4,268	933	195,553	5,867	21,423	79,670	307,714

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment (other than property under construction) are depreciated on a straight-line basis and after taking into account of their estimated residual value at the following rates per annum:

Buildings	Over the shorter of the terms of the relevant leases or 20 – 30 years
Leasehold improvements	$33^{1}/_{3}$% or over the terms of the relevant leases, whichever is shorter
Plant and machinery	Over 11 months to 10 years
Furniture, fixtures and equipment	25%
Motor vehicles	$16^{2}/_{3}$% – 25%
Vessels	10% – 50%

The buildings are located in Hong Kong and the PRC.

The details of impairment on property, plant and equipment are set out in note 18(b).

17. RIGHT-OF-USE ASSETS

	Leasehold land *HK$'000*	Leased properties *HK$'000*	Total *HK$'000*
At 1st January, 2019			
Carrying value	–	76,560	76,560
At 31st December, 2019			
Carrying value	**1,368**	**30,169**	**31,537**
For the year ended 31st December, 2019			
Depreciation charge	12	38,577	38,589
Impairment loss	–	28,354	28,354
Expense relating to short-term leases with lease terms end within 12 months of the date of initial application of HKFRS 16			32,282
Total cash outflow for leases			71,892
Additions to right-of-use assets			20,540
Additions to right-of-use assets (arising from acquisition of a subsidiary) *(note 53(b))*			1,403

The Group leases offices premises and site areas 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. RIGHT-OF-USE ASSETS (Cont'd)

The management of the Group considered an impairment indicator exists for the right-of-use assets of a concrete production plant as it incurred operating losses for the year ended 31st December, 2019. The recoverable amount of the right-of-use assets has been determined based on value in use calculation. During the year ended 31st December, 2019, impairment loss of HK$28,354,000 has been recognised in profit or loss in respect of the right-of-use assets.

18. INTANGIBLE ASSETS

	Construction licenses *HK$'000* *(note a)*	Extraction right of rock reserve *HK$'000* *(note b)*	Rehabilitation costs for quarry site *HK$'000* *(note b)*	Service concession arrangements *HK$'000* *(notes c & d)*	Total *HK$'000*
COSTS					
At 1st January, 2018	32,858	535,728	26,889	40,125	635,600
Exchange realignment	–	–	–	(2,018)	(2,018)
At 31st December, 2018	32,858	535,728	26,889	38,107	633,582
Exchange realignment	–	–	–	(1,577)	(1,577)
Acquisition of a subsidiary *(note 53(b))*	–	–	–	51,504	51,504
At 31st December, 2019	32,858	535,728	26,889	88,034	683,509
AMORTISATION AND IMPAIRMENT					
At 1st January, 2018	–	109,127	5,477	10,132	124,736
Exchange realignment	–	–	–	(509)	(509)
Charge for the year	–	76,258	3,827	1,385	81,470
Impairment loss	–	165,044	8,284	–	173,328
At 31st December, 2018	–	350,429	17,588	11,008	379,025
Exchange realignment	–	–	–	(205)	(205)
Charge for the year	–	35,537	1,784	1,797	39,118
Impairment loss	–	39,327	1,974	–	41,301
At 31st December, 2019	–	425,293	21,346	12,600	459,239
CARRYING VALUES					
At 31st December, 2019	**32,858**	**110,435**	**5,543**	**75,434**	**224,270**
At 31st December, 2018	32,858	185,299	9,301	27,099	254,557

18. INTANGIBLE ASSETS (Cont'd)

Notes:

(a) The amount represents the fair value of the construction licenses (with indefinite useful lives) held by Build King Construction Limited ("BKCL") acquired by the Group in 2005 (the "Acquired Subsidiary").

The construction licenses are granted by the Works Branch, Development Bureau of 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 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 indefinite useful lives because they are expected to contribute net cash inflow indefinitely. The construction licenses will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Details regarding the impairment testing on construction licenses are disclosed in note 20.

(b) The amounts represent the carrying amounts of the extraction right of rock reserve and the rehabilitation costs to be incurred in a quarry site in Hong Kong acquired by Faith Oriental Investment Limited ("Faith Oriental"), a wholly owned subsidiary of the Company, under the contract entered into with the Government of HKSAR during the year ended 31st December, 2015.

Pursuant to the contract, Faith Oriental has to pay to the Government of HKSAR, grantor of the extraction right of rock reserve in the quarry site, a total consideration of HK$653,888,000 by 14 equal semi-annual instalments with the first instalment paid in April 2016 and to complete the rehabilitation work before the expiry of the contract period in January 2023. The carrying amounts of the extraction right of rock reserve and the rehabilitation costs for quarry site are the present value of the total consideration discounted at the rate of 5.63% per annum throughout the contract period less accumulated amortisation and accumulated impairment losses and the present value of estimated total cost to be incurred for rehabilitation work in the quarry site discounted at the rate of 7.60% per annum throughout the contract period less accumulated amortisation and accumulated impairment losses respectively.

Amortisation is calculated by applying the ratio of actual extracted volume of rock compared to the total estimated volume of rock reserve over the remaining contract period to the carrying amounts of the assets. The estimated volume of rock reserve and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The management of the Group have performed impairment assessment on the extraction right of rock reserve and the rehabilitation costs for the quarry site during the year ended 31st December, 2019 by reference to the valuation prepared by an independent external valuer. For the purpose of impairment assessment, assets have been allocated to three individual CGUs i.e., concrete, asphalt and quarrying CGUs and the recoverable amounts of these CGUs have been determined based on the value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering the remaining contract period of the extraction right and a discount rate of 10.99% (2018: 10.59%). Other key assumptions for the value in use calculation relate to the estimation of the prices and budgeted gross margin of concrete, asphalt and quarry products and the volume of rock reserve to be extracted.

Due to the drop in the demand and the competitive pricing of concrete, asphalt and quarry products in the market in recent year, segment losses have been incurred on the Group's construction materials and quarrying segments and triggered the impairment provision. Based on the impairment assessment of the Group, the management considered that the total recoverable amounts of the intangible assets, comprising extraction right of rock reserve and rehabilitation costs for quarry site, and property, plant and equipment of these CGUs are less than their carrying amounts, therefore impairment losses of HK$41,301,000 (2018: HK$173,328,000) and HK$34,484,000 (2018: HK$32,098,000) in respect of intangible assets and property, plant and equipment were recognised in profit or loss for the year ended 31st December, 2019.

18. INTANGIBLE ASSETS (Cont'd)

Notes: (Cont'd)

(c) Wuxi Qianhui Sewage Treatment Co., Ltd. ("Wuxi Qianhui"), a subsidiary of the Company, 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 25 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 an 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 operation period of 30 years on a straight-line basis when the sewage treatment plant phase II commences its operation.

The first stage of 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 and which had been put into operation in 2013.

(d) Tianjin Wai Kee Earth Investment Co., Ltd ("Tianjin Wai Kee Earth"), a subsidiary of the Company, 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 an 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 of 30 years on a straight line basis when the steam fuel supply plant commences its operation.

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.

19. GOODWILL

The amount represents goodwill arising on the reverse acquisition of Build King Holdings Limited ("Build King") and its subsidiaries in 2004. Particulars regarding the impairment testing on goodwill are disclosed in note 20.

20. 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 Build King and its subsidiaries in 2004 as set out in note 19, goodwill has been allocated to the group of underlying CGUs which represents Build King and its subsidiaries in existence at the time of reverse acquisition of Build King and its subsidiaries in 2004 and is included in construction, sewage treatment and steam fuel segment.

For the purpose of impairment testing, intangible assets with indefinite useful lives as set out in note 18(a) have been allocated to a CGU, a subsidiary acquired in 2005, which is included in construction, sewage treatment and steam fuel segment and holds the construction licenses granted by the Works Branch, Development Bureau of 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 and 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 with indefinite useful lives.

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

	2019 *HK$'000*	2018 *HK$'000*
Cost of investments in associates		
Listed in Hong Kong *(note a)*	**1,889,273**	1,866,967
Unlisted	**15,090**	15,090
	1,904,363	1,882,057
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	**6,133,851**	5,494,586
	8,038,214	7,376,643
Represented by:		
Interests in associates	**8,053,725**	7,391,059
Obligations in excess of interests in associates *(note b)*	**(15,511)**	(14,416)
	8,038,214	7,376,643
Fair value of listed investments	**4,821,980**	4,434,344

Notes:

(a) Included in the cost of investment in the associate listed in Hong Kong, there is goodwill of HK$30,964,000 (2018: HK$30,964,000) arising on acquisition of additional interest in the associate during the year ended 31st December, 2007.

(b) The Group has contractual obligations to share the net liabilities of certain associates.

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Cont'd)

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

Name of associate	Form of business structure	Place of incorporation/ operation	Effective interest held by the Company		Proportion of voting rights held by the Group		Principal activities
			2019	2018	**2019**	2018	
			%	%	**%**	%	
B Bim Creation Limited	Incorporated	Hong Kong	**17.03** *(note a)*	16.98 *(note a)*	**30**	30	Consultancy services
Genetron Engineering Company Limited	Incorporated	Hong Kong	**17.03** *(note a)*	16.98 *(note a)*	**30**	30	Civil engineering
Grand China Cayman Investors III, Limited	Incorporated	Cayman Islands	**34.6**	34.6	**34.6**	34.6	Investment in rental properties in the United States of America (the "USA")
Hong Kong Landfill Restoration Group Limited	Incorporated	Hong Kong	**19.58** *(note a)*	19.53 *(note a)*	**34.5**	34.5	Civil engineering
Road King Infrastructure Limited *(note b)*	Incorporated	Bermuda	**42.62**	42.39	**42.62**	42.39	Property development, development, operation and management of toll roads, and investment and asset management

Notes:

(a) The Company holds the effective interest in the associate through Build King.

(b) The shares of Road King are listed on the Main Board of the Stock Exchange.

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

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Cont'd)

At 31st December, 2019, the carrying amount of the Group's interest in Road King of HK$8,048,027,000 (2018: HK$7,382,962,000) was higher than its fair value of HK$4,821,980,000 (2018: HK$4,434,344,000). The management of the Group carried out impairment assessment on the entire carrying amount of its interest in Road King (including goodwill) as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its entire carrying amount. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to arise from dividends to be received from Road King and the proceeds on the ultimate disposal of the investment. The key assumptions included dividend growth rate and use of 10% (2018: 10%) to discount the cash flow projections to net present value. Based on the assessment, the recoverable amount of the Group's interest in Road King exceeded its entire carrying amount. Hence, no impairment against the Group's interest in Road King is considered necessary.

Summarised financial information of material associate

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

All associates are accounted for using the equity method in the Group's consolidated financial statements.

Road King is engaged in property development, development, operation and management of toll roads, and investment and asset management.

	2019	2018
	HK$'000	*HK$'000*
Current assets	**64,923,667**	54,366,851
Non-current assets	**25,758,960**	24,584,852
Current liabilities	**(39,096,002)**	(43,077,073)
Non-current liabilities	**(23,022,608)**	(11,107,188)
Net assets	**28,564,017**	24,767,442
Equity attributable to owners of the associate	**18,866,049**	17,398,063
Perpetual capital securities	**6,961,919**	4,632,638
Non-controlling interests	**2,736,049**	2,736,741
Total equity	**28,564,017**	24,767,442
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**13,238,530**	10,673,126
Current financial liabilities (excluding trade and other payables and provisions)	**(14,388,830)**	(11,708,474)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(21,822,290)**	(10,183,873)

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Cont'd)

Summarised financial information of material associate (Cont'd)

	2019 HK$'000	2018 HK$'000
Revenue	**21,494,796**	22,365,223
Profit for the year	**3,676,626**	3,698,603
Other comprehensive expense for the year	**(767,495)**	(936,353)
Total comprehensive income for the year	**2,909,131**	2,762,250
Dividends received from the associate by the Group during the year	**374,823**	337,494
The above profit for the year includes the following income (expenses):		
Interest income	**492,564**	778,753
Depreciation	**(56,412)**	(30,911)
Finance costs	**(916,766)**	(683,774)
Income tax expense	**(3,083,321)**	(5,798,453)

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

	2019 HK$'000	2018 HK$'000
Net assets attributable to owners of the associate	**18,866,049**	17,398,063
Proportion of the Group's ownership interest in the associate	**42.62%**	42.39%
	8,040,710	7,375,039
Goodwill	**30,964**	30,964
Others	**(23,647)**	(23,041)
Carrying amount of the Group's interest in the associate	**8,048,027**	7,382,962

Aggregate information of associates that are not individually material

	2019 HK$'000	2018 HK$'000
The Group's share of profit and total comprehensive income	**8,137**	7,452

There is no unrecognised share of losses of associates for both years.

22. 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	**186,036**	191,306
Share of post-acquisition profits and other comprehensive income, net of dividends received	**65,021**	46,368
	251,057	237,674
Loans to a joint venture *(note a)*	**25,597**	25,597
	276,654	263,271
Represented by:		
Interests in joint ventures	**276,681**	268,124
Obligations in excess of interests in joint ventures *(note b)*	**(27)**	(4,853)
	276,654	263,271

Notes:

(a) The loans to a joint venture are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the loans are considered as part of the Group's net investments in the joint venture.

(b) The Group has contractual obligations to share net liabilities of certain joint ventures.

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

Name of joint venture	Form of business structure	Place of incorporation/ operation	Effective interest held by the Company		Proportion of voting rights held by the Group		Principal activities
			2019 %	2018 %	**2019 %**	2018 %	
Estates at Fountain Lake LLC *(note a)*	Incorporated	USA	**29.89**	29.88	**33.3**	33.3	Investment in rental properties in the USA
Sunny Harvest Corporation Limited	Incorporated	Hong Kong	**28.38** *(note b)*	28.31 *(note b)*	**50**	50	Provision of transportation services
Tianjin Wai Kee Earth Investment Co., Ltd *(note c)*	Incorporated	PRC	**–**	26.04 *(note b)*	**–**	50	Steam fuel supply
Wisdom H6 LLC *(note d)*	Incorporated	USA	**65.27**	65.24	**66.7**	66.7	Investment in rental properties in the USA
德州恒源熱力有限公司 ("Dezhou Heng Yuan")	Incorporated	PRC	**27.81** *(note b)*	27.74 *(note b)*	**50**	50	Central heating

22. INTERESTS IN JOINT VENTURES/OBLIGATIONS IN EXCESS OF INTERESTS IN JOINT VENTURES (Cont'd)

Notes:

(a) Prosperous Power US LLC ("Prosperous Power"), a wholly owned subsidiary of Lion Trade Global Limited ("Lion Trade"), which in turn is owned indirectly as to 70% by a wholly owned subsidiary of the Company and 30% by a wholly owned subsidiary of Build King, holds 34.35% equity interest in Estates at Fountain Lake LLC. Estates at Fountain Lake LLC is a limited liability company incorporated in the USA and is engaged in the investment in rental properties in the USA.

(b) The Company holds the effective interest in the joint venture through Build King. Under the joint venture agreement, the entity is jointly controlled by Build King and the other joint venture partner. Therefore, the entity is classified as a joint venture.

(c) Tianjin Wai Kee Earth was formed by Build King 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. Build King and the independent third parties jointly control over Tianjin Wai Kee Earth because unanimous consent from all joint venture partners is required to make decisions in the board of directors of Tianjin Wai Kee Earth. At 31st December, 2018, Build King held 46% equity interest in Tianjin Wai Kee Earth. On 19th April, 2019, Tianjin Wai Kee Earth increased its registered capital to RMB50,000,000 and according to Build King's equity interest in Tianjin Wai Kee Earth, Build King has further contributed RMB18,400,000 (equivalent to approximately HK$20,315,000) to Tianjin Wai Kee Earth. On 21st October, 2019, Build King 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 Build King is increased to RMB124,600,000 (equivalent to approximately HK$140,800,000). Accordingly, Build King 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 Build King. As a result, Tianjin Wai Kee Earth ceased to be a joint venture and become a subsidiary of Build King. For details, please refer to note 53(b).

(d) Prosperous Power holds 75% equity interest in Wisdom H6 LLC. Wisdom H6 LLC is a limited liability company incorporated in the USA and is engaged in the investment in rental properties in the USA.

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures 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 the Group's consolidated financial statements.

22. INTERESTS IN JOINT VENTURES/OBLIGATIONS IN EXCESS OF INTERESTS IN JOINT VENTURES (Cont'd)

Summarised financial information of material joint ventures (Cont'd)

Estates at Fountain Lake LLC

Estates at Fountain Lake LLC is engaged in investment in rental properties in the USA.

	2019	2018
	HK$'000	*HK$'000*
Current assets	**19,705**	19,709
Non-current assets	**369,198**	357,849
Current liabilities	**(7,377)**	(8,520)
Non-current liabilities	**(259,049)**	(260,126)
Net assets	**122,477**	108,912
Revenue	**33,523**	32,082
Profit for the year	**21,465**	10,851
Total comprehensive income for the year	**21,465**	10,851

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	2018
	HK$'000	*HK$'000*
Net assets of the joint venture	**122,477**	108,912
Proportion of the ownership interest in the joint venture held by the Group	**34.35%**	34.35%
Carrying amount of the Group's interest in the joint venture	**42,071**	37,411

22. INTERESTS IN JOINT VENTURES/OBLIGATIONS IN EXCESS OF INTERESTS IN JOINT VENTURES (Cont'd)

Summarised financial information of material joint ventures (Cont'd)

Wisdom H6 LLC

Wisdom H6 LLC is engaged in investment in rental properties in the USA.

	2019 ***HK$'000***	2018 *HK$'000*
Current assets	**19,236**	17,935
Non-current assets	**374,651**	367,246
Current liabilities	**(15,260)**	(15,103)
Non-current liabilities	**(186,750)**	(191,489)
Net assets	**191,877**	178,589
Revenue	**30,693**	26,398
Profit for the year	**14,270**	30,334
Total comprehensive income for the year	**14,270**	30,334

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 the joint venture	**191,877**	178,589
Proportion of the ownership interest in the joint venture held by the Group	**75%**	75%
Carrying amount of the Group's interest in the joint venture	**143,907**	133,942

22. INTERESTS IN JOINT VENTURES/OBLIGATIONS IN EXCESS OF INTERESTS IN JOINT VENTURES (Cont'd)

Summarised financial information of material joint ventures (Cont'd)

Dezhou Heng Yuan

Dezhou Heng Yuan is engaged in central heating.

	2019	2018
	HK$'000	*HK$'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)
Net assets	**132,869**	134,949
Revenue	**57,418**	59,560
Profit for the year	**27,500**	22,916
Total comprehensive income for the year	**27,500**	22,916

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	2018
	HK$'000	*HK$'000*
Net assets of the joint venture	**132,869**	134,949
Proportion of the ownership interest in the joint venture held by Build King	**49%**	49%
Carrying amount of the Group's interest in the joint venture	**65,106**	66,125

The financial information of the other joint ventures is immaterial.

23. JOINT OPERATIONS

Details of the Group's principal joint operations at 31st December, 2019 and 2018 are as follows:

Name of joint operation	Form of business structure	Place of registration/ operation	Effective interest held by the Company		Principal activities
			2019	2018	
			%	%	
Build King-Kum Shing Joint Venture	Unincorporated	Hong Kong	**36.89** *(note)*	36.80 *(note)*	Civil engineering
Build King-Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**34.06** *(note)*	33.97 *(note)*	Civil engineering
Build King-Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**39.73** *(note)*	–	Civil engineering
Build King-SCT Joint Venture	Unincorporated	Hong Kong	**28.95** *(note)*	28.87 *(note)*	Civil engineering
Build King-SKEC Joint Venture	Unincorporated	Hong Kong	**34.06** *(note)*	33.97 *(note)*	Civil engineering
Build King-SKEC Joint Venture	Unincorporated	Hong Kong	**28.95** *(note)*	28.87 *(note)*	Civil engineering
China State-Build King Joint Venture	Unincorporated	Hong Kong	**27.81** *(note)*	27.74 *(note)*	Civil engineering
Chun Wo-Leader Joint Venture	Unincorporated	Hong Kong	**28.95** *(note)*	28.87 *(note)*	Civil engineering
CRBC-Build King Joint Venture	Unincorporated	Hong Kong	**27.81** *(note)*	27.74 *(note)*	Civil engineering
CRBC-CEC-Kaden Joint Venture	Unincorporated	Hong Kong	**18.45** *(note)*	18.40 *(note)*	Civil engineering
CRBC-Kaden Joint Venture	Unincorporated	Hong Kong	**34.06** *(note)*	33.97 *(note)*	Civil engineering
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	**17.03** *(note)*	16.98 *(note)*	Civil engineering
Kaden-Chun Wo Joint Venture	Unincorporated	Hong Kong	**28.95** *(note)*	28.87 *(note)*	Civil engineering

23. JOINT OPERATIONS (Cont'd)

Name of joint operation	Form of business structure	Place of registration/ operation	Effective interest held by the Company		Principal activities
			2019 **%**	2018 %	
Kier-Kaden-OSSA Joint Venture	Unincorporated	Hong Kong	**19.87** *(note)*	19.81 *(note)*	Civil engineering
Kier-Laing O'Rourke-Kaden Joint Venture	Unincorporated	Hong Kong	**8.51** *(note)*	8.49 *(note)*	Civil engineering
Leader Marine-Yoon & Plac Joint Venture	Unincorporated	Hong Kong	**28.38** *(note)*	28.31 *(note)*	Civil engineering
Samsung-Build King Joint Venture	Unincorporated	Hong Kong	**17.03** *(note)*	16.98 *(note)*	Civil engineering

Note: The Company holds the effective interest in the joint operation through Build King. Under the joint arrangement agreement, the entity is jointly controlled by Build King and the other partners of the joint arrangement. Therefore, the entity is classified as a joint operation.

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 net assets of the Group. To give details of other joint operations would, in the opinion of the directors, result in particulars of excessive length.

24. FINANCIAL ASSETS AT FVTPL

	2019 *HK$'000*	2018 *HK$'000*
Financial assets mandatorily measured at FVTPL:		
Listed equity securities in Hong Kong	**48,660**	47,414
Unlisted convertible bonds *(note a)*	**25,674**	38,366
	74,334	85,780
Financial assets designated at FVTPL:		
Unlisted equity securities *(note b)*	**74,181**	96,933
	148,515	182,713
Classified under:		
Non-current assets	**60,805**	80,125
Current assets	**87,710**	102,588
	148,515	182,713

Notes:

(a) The unlisted convertible bonds were issued by a private entity incorporated in the USA. The private entity is engaged in manufacture and sale of pharmaceutical products.

(b) (i) Out of the unlisted equity securities amounting to HK$13,376,000 (2018: HK$7,833,000) is 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. The unlisted equity securities are available for trading at the USA's Over-The-Counter ("OTC") market and are revalued according to the available quoted OTC price at 31st December, 2019.

(ii) At 31st December, 2018, out of the unlisted equity securities amounting to HK$47,340,000 was investment in unlisted equity securities issued by Grand China Overseas Investment Fund, Ltd. and Grand China Overseas Investment Management Co., Ltd. (collectively "GCOI Fund"). On 4th March, 2019, the Group entered into an agreement to dispose of its entire investment in GCOI Fund to the major shareholder of GCOI Fund at the consideration of US$5,771,000 (equivalent to HK$45,187,000).

(iii) Out of the unlisted equity securities amounting to HK$60,805,000 (2018: HK$41,760,000) is investment in unlisted equity securities issued by a private entity incorporated in the USA which had invested in another US company for property development in the USA.

Details of fair value measurements are set out in note 47(c).

25. 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 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.

At the end of the operating period, Wuxi Qianhui is required to transfer the sewage treatment plant phase I to the local government. Wuxi Qianhui commenced the construction in 2005 and finished in 2006. The sewage treatment plant phase I had been put into operation in 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 ton of sewage. The agreed price will be reviewed annually. Therefore, the service concession arrangement is classified as financial asset. 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 recoverable over the service concession period of 30 years.

26. INVENTORIES

	2019 ***HK$'000***	2018 *HK$'000*
Raw materials	**6,529**	27,393
Consumables	**7,980**	9,136
Uninstalled construction materials	**33,452**	58,146
Finished goods	**1,745**	3,100
	49,706	97,775

The cost of inventories recognised as an expense during the year is HK$972,476,000 (2018: HK$1,084,750,000).

27. DEBTORS, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Trade debtors – contracts with customers	**343,643**	359,413
Less: Allowance for credit losses	**(5,187)**	(1,127)
	338,456	358,286
Bills receivables	**20,733**	6,773
Other debtors	**157,958**	66,926
Deposits and prepayments	**110,946**	119,636
	628,093	551,621
Analysed as:		
Non-current	**55,875**	–
Current	**572,218**	551,621
	628,093	551,621

At 1st January, 2018, trade receivables (net of allowance for credit losses) from contracts with customers amounted to HK$385,066,000.

At 31st December, 2019, the Group's trade debtors included an amount of HK$11,433,000 (2018: nil) due from related companies which are a subsidiary and an associate of a substantial shareholder of the Company.

At 31st December, 2019, Tianjin Wai Kee Earth 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 31st December, 2021, therefore the amount is classified as non-current.

27. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade debtors (net of allowance for credit losses) presented based on the invoice date:

	2019	2018
	HK$'000	*HK$'000*
Trade debtors		
0 to 60 days	**298,617**	325,957
61 to 90 days	**8,167**	7,113
Over 90 days	**31,672**	25,216
	338,456	358,286

Bills receivables of the Group normally mature within 90 days from the bills receipt date.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limit by customer. Limits and scores attributed to customers are reviewed periodically. The majority of the trade debtors that are neither past due nor impaired have good settlement history. The Group has assessed the creditworthiness and historical default rates of these customers. Trade debtors that are past due but not impaired have the good quality with reference to respective settlement history.

In determining the recoverability of a trade debt, the Group considers any change in the credit quality of the trade debtor from the date on which credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to major customer of the Group is the Government of HKSAR. Accordingly, the directors of the Company believe that there is no further provision required.

Details of impairment assessment of trade and other receivables are set out in note 47(b).

28. 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 receivable of construction contracts		
Due within one year	**194,721**	303,200
Due after one year	**367,788**	198,060
	562,509	501,260

At 1st 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.

At 31st December, 2019, the Group's unbilled revenue and retention receivables included amounts of HK$78,883,000 (2018: HK$62,869,000) and HK$35,100,000 (2018: HK$37,862,000) respectively due from related companies which are subsidiaries of a substantial shareholder of the Company.

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

Details of the impairment assessment are set out in note 47(b).

29. AMOUNTS DUE FROM ASSOCIATES AND OTHER PARTNERS OF JOINT OPERATIONS

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

30. LOANS TO A JOINT VENTURE

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

31. CASH HELD ON BEHALF OF CUSTOMERS

WK Securities Limited, a wholly owned subsidiary of the Company, maintains segregated account with authorised institution to hold client's money arising from its normal course of business.

The Group has classified the client's money as cash held on behalf of customers under the current assets of the consolidated statement of financial position and recognised the corresponding accounts payable to respective client on the grounds that it is liable for any loss or misappropriation of client's money.

The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

Cash held on behalf of customers included aggregate amount of HK$37,285,000 (2018: HK$590,000) held on behalf of certain directors of the Company. The same amount is included in the accounts payable to these directors of the Company.

32. PLEDGED BANK DEPOSITS, TIME DEPOSITS WITH ORIGINAL MATURITY OF NOT LESS THAN THREE MONTHS AND BANK BALANCES

Bank deposits of the Group amounting to HK$64,170,000 (2018: HK$2,336,000) were pledged to banks for securing certain 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.

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.

Bank balances (include time deposits of HK$724,480,000 (2018: HK$453,268,000) with original maturity of less than three months) carry interest at market rates which range from 0.001% to 2.6% (2018: 0.00% to 2.97%) per annum.

The Group's bank balances included carrying amounts of HK$230,000 (2018: HK$1,187,000) and HK$322,514,000 (2018: HK$338,476,000) which are denominated in Renminbi and United States dollar respectively that are the currencies other than the functional currencies of the relevant group entities.

33. CREDITORS AND ACCRUED CHARGES

	2019	2018
	HK$'000	*HK$'000*
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	**290,780**	163,080
61 to 90 days	**94,823**	23,119
Over 90 days	**66,431**	43,625
	452,034	229,824
Retention payables	**434,822**	368,066
Accrued project costs	**1,751,318**	1,545,509
Payable for extraction right *(note 39)*	**81,406**	77,067
Other creditors and accrued charges	**179,630**	208,129
	2,899,210	2,428,595
Retention payables		
Due within one year	**154,626**	207,503
Due after one year	**280,196**	160,563
	434,822	368,066

The Group has financial risk management policies in place to ensure that all payables are within the credit time frame. For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction works.

34. CONTRACT LIABILITIES

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

At 1st 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 under current liabilities.

Revenue from construction contracts recognised during the year ended 31st 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).

34. CONTRACT LIABILITIES (Cont'd)

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.

35. AMOUNTS DUE TO AN ASSOCIATE, JOINT VENTURES, OTHER PARTNERS OF JOINT OPERATIONS AND NON-CONTROLLING SHAREHOLDERS

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

36. LEASE LIABILITIES

	2019 ***HK$'000***
Lease liabilities payable:	
Within one year	**33,769**
In the second year	**20,567**
In the third to fifth year inclusive	**3,270**
	57,606
Less: Amount shown under current liabilities	**(33,769)**
Amount shown under non-current liabilities	**23,837**

During the year ended 31st December, 2019, the Group entered into new lease agreements for the use of leased properties for one to two years. On the lease commencement, the Group recognised HK$20,540,000 of right-of-use assets and lease liabilities.

37. BANK LOANS

	2019	2018
	HK$'000	*HK$'000*
The maturity of the bank loans that based on repayment schedules of respective loan agreements is as follows:		
Within one year	**459,441**	271,777
In the second year	**349,540**	371,423
In the third to fifth year inclusive	**136,800**	356,050
Total	**945,781**	999,250
Less: Amount shown under current liabilities	**(563,731)**	(327,250)
Amount shown under non-current liabilities	**382,050**	672,000
Secured	**317,656**	211,000
Unsecured	**628,125**	788,250
	945,781	999,250

At 31st December, 2019, all bank loans are variable-rate borrowings which carry interest ranging from 2.93% to 5.53% (2018: 2.70% to 5.20%) per annum. Interest is repriced every one, two, three or six months.

At 31st December, 2019, bank loans of HK$174,625,000 (2018: HK$253,400,000) contain a repayment on demand clause. Of which bank loans that are repayable after one year after the end of the reporting period with an aggregate carrying amount of HK$104,290,000 (2018: HK$55,473,000) have been classified as current liabilities.

The shares of certain subsidiaries of the Company and certain bank deposits are pledged to secure certain bank loans and banking facilities granted to the Group.

38. BONDS

On 5th January, 2015 and 28th October, 2015, BKCL, a wholly owned subsidiary of Build King as the issuer and Build King as the guarantor had entered into placing agreements 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 1st January and 1st July of each calendar year, up to but excluding the maturity date of the bonds. At 31st 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.

On 23rd October, 2015, Elite Excellent Investments Limited ("Elite Excellent"), a wholly owned subsidiary of the Company, as the issuer executed a bond instrument for the purposes of issuing of perpetual bonds in denomination of HK$10,000 each with a limit on the aggregate principal amount of HK$61,250,000. On 24th August, 2016, Elite Excellent executed a supplemental deed which increased the limit on the aggregate principal amount to HK$122,500,000. The bonds are redeemable at any time at the option of Elite Excellent. The total amount of the bonds payable on redemption shall be calculated by deduction of the absolute amount of accumulated loss after tax in respect of a quarry site in Hong Kong operated by the Group. On 2nd January, 2019, Elite Excellent executed a supplemental deed to amend the terms and conditions to change from accruing interest at the rate of 5% per annum to interest-free on the principal amount of the perpetual bonds from (and including) 1st January, 2019. As a result, the Group recognised a gain on modification of terms of bond of HK$21,946,000 (note 8) during the year ended 31st December, 2019. At 31st December, 2019, bonds with a total principal amount of HK$115,150,000 (2018: HK$90,650,000) are issued. The effective interest rate of the bonds is 5% per annum.

	2019 ***HK$'000***	2018 *HK$'000*
Analysed as:		
Non-current	**123,925**	219,869
Current	**115,829**	–
	239,754	219,869

39. PAYABLE FOR EXTRACTION RIGHT

During the year ended 31st December, 2015, the Group acquired the extraction right of rock reserve in the quarry site as detailed in note 18(b). Pursuant to the contract with the Government of HKSAR, the total consideration of the extraction right of rock reserve is HK$653,888,000 which is payable by 14 equal semi-annual instalments until October 2022. The payable is carried at amortised cost of effective interest rate of 5.63% (2018: 5.63%) per annum.

Details of the payable are as follows:

	2019	2018
	HK$'000	*HK$'000*
Fair value of consideration payable at the beginning of the year	**335,294**	408,254
Imputed interest for the year	**16,345**	20,453
Payments during the year	**(93,413)**	(93,413)
Carrying amount at the end of the year	**258,226**	335,294
Less: Amount shown under current liabilities *(note 33)*	**(81,406)**	(77,067)
Amount shown under non-current liabilities	**176,820**	258,227

40. PROVISION FOR REHABILITATION COSTS

	2019	2018
	HK$'000	*HK$'000*
Fair value of estimated costs to be incurred at the beginning of the year	**33,517**	31,221
Imputed interest for the year	**2,041**	2,296
Carrying amount at the end of the year	**35,558**	33,517
Less: Amount shown under current liabilities (included in other creditors and accrued charges)	**(14,041)**	(13,163)
Amount shown under non-current liabilities	**21,517**	20,354

The provision for rehabilitation costs represents estimated total costs to be incurred for rehabilitation work to be completed in the quarry site as detailed in note 18(b) before the expiry of the contract period in January 2023. The discount rate of the provision for rehabilitation costs is 7.6% (2018: 7.6%).

41. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group represent tax effect of fair value of intangible assets arising from the acquisition of a subsidiary during the year ended 31st December, 2005. There is no movement of the balance during each of the two years ended 31st 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 to expire in:		
Carried forward indefinitely	**1,076,304**	964,979

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

42. AMOUNT DUE TO AN ASSOCIATE

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

43. SHARE CAPITAL

	Number of shares		**Share capital**	
	2019	2018	**2019**	2018
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At the beginning and the end of the year	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid:				
At the beginning and the end of the year	**793,124**	793,124	**79,312**	79,312

44. TRANSLATION RESERVE AND NON-CONTROLLING INTERESTS

	Translation reserve *HK$'000*	Non-controlling interests *HK$'000*
At 1st January, 2018	730,515	260,444
Profit for the year	–	172,906
Exchange differences arising on translation of foreign operations	(4,046)	(3,198)
Share of translation reserves of associates	(418,807)	–
Share of translation reserves of joint ventures	525	79
Acquisition of additional interest in a subsidiary	–	(7,872)
Distribution to non-controlling shareholders	–	(16,270)
At 31st December, 2018	308,187	406,089
Profit for the year	–	123,138
Exchange differences arising on translation of foreign operations	(1,834)	(1,524)
Share of translation reserves of associates	(291,362)	–
Share of translation reserves of joint ventures	(659)	1
Acquisition of additional interests in subsidiaries	–	(9,781)
Acquisition of a subsidiary *(note 53(b))*	–	5,499
Disposal of partial interest in a subsidiary without losing control	–	(2)
Allotment of shares to non-controlling interests	–	6
Distribution to non-controlling shareholders	–	(28,125)
At 31st December, 2019	**14,332**	**495,301**

45. SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting held on 15th May, 2012.

A summary of the Share Option Scheme is set out as follows:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and its shareholders as a whole.

(b) Participants of the Share Option Scheme

The participants include any executive or non-executive directors of the Group, any executives or officers and full-time employees of the Group who the Board or a committee thereof appointed for the purpose of administering the Share Option Scheme considers, in its sole discretion, have contributed or will contribute to the Group.

(c) Total number of shares available for issue under the Share Option Scheme and percentage of the issued share capital at the date of this annual report

No share option of the Company has been granted under the Share Option Scheme since its adoption and up to the date of this annual report.

The total number of shares available for issue under the Share Option Scheme is 79,312,403 shares representing 10% of the Company's issued share capital at the date of this annual report.

(d) Maximum entitlement of each participant under the Share Option Scheme

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue unless the same is approved by the shareholders of the Company.

(e) The period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period commencing on the 1st anniversary of the date of its commencement (being the date upon which the option is deemed to be accepted pursuant to the Share Option Scheme) and expiring on the 4th anniversary of such date of commencement.

45. SHARE OPTION SCHEME (Cont'd)

(f) The minimum period for which an option must be held before it can be exercised

An option must be held for a year before it can be exercised.

(g) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

HK$1 is to be paid as consideration for the grant of option on or before the date of acceptance (being a date not later than 30 days after the date of grant).

(h) The basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall be at least the highest of:

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day;

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and

(iii) the nominal value of the shares of the Company.

(i) The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 15th May, 2012.

46. 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 debt and equity balance.

The capital structure of the Group consists of debts, which include bank loans and bonds as disclosed in notes 37 and 38, and equity attributable to owners 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 takes into account the provision of funding. Based on the proposed annual budget, the management of the Group considers the cost of capital and the risks associated with the capital. The directors of the Company also balance its overall capital structure through payment of dividends, issue of new shares as well as raise of new debts or the redemption of existing debts.

The Group's overall strategy remains unchanged from prior year.

47. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at FVTPL	**148,515**	182,713
Financial assets at amortised cost	**3,052,603**	2,530,404
	3,201,118	2,713,117
Financial liabilities		
Financial liabilities at amortised cost	**4,221,200**	3,842,499

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, other financial asset at amortised cost, debtors and deposits, loans to joint ventures, cash held on behalf of customers, pledged bank deposits, time deposits with original maturity of not less than three months, bank balances and cash, creditors, bank loans, bonds and amounts due from/to associates, joint ventures, other partners of joint operations and non-controlling shareholders. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price 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 that appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain financial assets at FVTPL, other debtors, bank balances and other creditors are denominated in foreign currencies which are different from the functional currency of the relevant group entities and therefore the Group is exposed to currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Renminbi	**64,386**	1,283	**4**	2
United States dollar	**535,181**	473,775	**–**	–

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(i) Currency risk (Cont'd)

Sensitivity analysis

The Group is mainly exposed to the currency risks for fluctuation in exchange rates of Renminbi and United States dollar.

As monetary assets and liabilities denominated in Renminbi are insignificant and United States dollar is pegged with Hong Kong dollar, the currency risk exposure is considered immaterial. Hence, no foreign currency sensitivity analysis in relation to Renminbi and United States dollar is disclosed.

(ii) Interest rate risk

The Group's exposure to cash flow interest rate risk relates primarily to bank loans (see note 37) which are at variable-rate and determined by reference to the prevailing market rate. Although the Group is also exposed to fair value interest rate risk in relation to fixed rate bonds and lease liabilities, the Group's policy to keep its borrowings at floating rate of interests would minimise the fair value interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's exposure to interest rate risk for financial liabilities is detailed in the liquidity risk section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rate risk for non-derivative instruments at the end of the reporting period.

The analysis is prepared assuming the amount of liabilities 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 post-tax profit for the year ended 31st December, 2019 would decrease/increase by HK$7,897,000 (2018: HK$8,344,000). This is mainly attributable to the Group's exposure to fluctuation in interest rates on its variable-rate bank loans.

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(iii) Other price risk

The Group is exposed to security price risk through its investments in equity securities listed in Hong Kong and traded at the OTC market under financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to security price risks at the end of the reporting period.

If the prices of the respective instruments had been 10% (2018: 10%) higher/lower while all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2019 would increase/decrease by HK$5,180,000 (2018: HK$3,959,000) as a result of the changes in fair values of the equity securities listed in Hong Kong and traded at the OTC market.

The other price sensitivity analysis above represents the exposure of the equity securities listed in Hong Kong and traded at the OTC market at the end of the reporting period only. It may not be representative of the exposure for the year.

Credit risk management and impairment assessment

Apart from the trade receivable from the two largest customers, the Group does not have significant risk exposure to any single counterparty at 31st 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 trade 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 62% (2018: 37%) of the total trade receivables was due from the Group's two largest customers.

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk management and impairment assessment (Cont'd)

Amounts due from associates and other partners of joint operations and loans to joint ventures

The credit risk of amounts due from associates and other partners of joint operations and 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 and joint ventures which are mainly engaged in the construction service in Hong Kong. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

Other financial assets 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 monitors the outstanding amounts of other financial assets 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 and good reputation established in the PRC and Hong Kong. The Group assessed 12-month 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 12-month 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/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settles in full	Lifetime ECL – not credit-impaired	12-month 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

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk management and impairment assessment (Cont'd)

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/ other items
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

The tables below detail the credit risk exposures of the Group's financial assets and contract assets which are subject to ECL assessment:

	Notes	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount 2019 *HK$'000***	2018 *HK$'000*
Financial assets at amortised cost						
Loans to joint ventures	*22 & 30*	N/A	Low risk *(note 1)*	12-month ECL	**25,597**	47,617
Other financial asset at amortised cost	*25*	N/A	Low risk	12-month ECL	**36,144**	38,654
Amounts due from associates	*29*	N/A	Low risk *(note 1)*	12-month ECL	**10,089**	11,201
Amounts due from other partners of joint operations	*29*	N/A	Low risk *(note 1)*	12-month ECL	**176,910**	212,994
			Loss *(note 1)*	Lifetime ECL – credit-impaired	**27,315**	–

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk management and impairment assessment (Cont'd)

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2019 HK$'000	2018 HK$'000
Other debtors and deposits	*27*	N/A	Low risk *(note 1)*	12-month ECL	**199,402***	66,926*
Trade debtors	*27*	N/A	Low risk *(note 2)*	Lifetime ECL	**329,983**	340,776
			Loss	Credit-impaired	**13,660**	18,637
Bills receivables	*27*	N/A	Low risk *(note 3)*	12-month ECL	**20,733**	6,773
Cash held on behalf of customers	*31*	A3	N/A	12-month ECL	**42,960**	744
Pledged bank deposits	*32*	Baa1 to Aa3 (2018: A1 to Aa3)	N/A	12-month ECL	**64,170**	2,336
Time deposits with original maturity of not less than three months	*32*	A2 to A1 (2018: A1 to Aa3)	N/A	12-month ECL	**76,782**	284,400
Bank balances	*32*	Baa3 to Aa2	N/A	12-month ECL	**2,057,882**	1,522,889
Other item						
Contract assets	*28*	N/A	Low risk *(note 4)*	Lifetime ECL	**2,135,584**	1,672,750

* The gross carrying amount disclosed above includes the relevant interest receivables which are presented in other debtors.

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk management and impairment assessment (Cont'd)

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 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, the Group has applied the simplified approach in HKFRS 9 to measure the allowance for credit losses at lifetime ECL. Except for trade debtors in relation to construction materials and quarrying segments, the Group determines the ECL on these items by using provision matrix, grouped by internal credit rating.

3. For bills receivables, the Group has applied the simplified approach in HKFRS 9 to measure the allowance for credit losses at 12-month ECL. The bills receivables are assessed for ECL individually.

4. For contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the allowance for credit losses at lifetime ECL. The contract assets are assessed for ECL individually.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to the construction materials and quarrying segments. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit impaired). Debtors with significant balances and credit-impaired with gross amount of HK$264,528,000 (2018: HK$291,073,000) and HK$13,660,000 (2018: HK$18,637,000), respectively at 31st December, 2019 were assessed individually.

Trade receivables assessed based on provision matrix

	Average loss rate		Gross carrying amount	
Internal credit rating	**2019**	2018	**2019**	2018
	%	*%*	***HK$'000***	*HK$'000*
Low risk	**0.26**	2.33	**65,455**	49,703

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.

At 31st December, 2019, the Group provided HK$5,187,000 (2018: HK$1,127,000) allowance for credit losses on trade receivables, based on the individual assessment. In the opinion of the directors, no allowance for credit losses was made on trade receivables based on the provision matrix as the impact is considered insignificant.

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk management and impairment assessment (Cont'd)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit-impaired) *HK$'000*
At 1st January, 2018	1,930
Allowance for credit losses reversed	(803)
At 31st December, 2018	1,127
Written off against trade receivables	(189)
Allowance for credit losses recognised	4,249
At 31st December, 2019	**5,187**

The Group writes off trade receivables when there is information indicating that the trade receivables is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the trade receivables has been placed under liquidation or has entered into bankruptcy proceedings, or when the debts are over two years past due, whichever occurs earlier.

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 31st December, 2019, impairment loss of HK$27,315,000 (2018: nil) was made on credit-impaired amount due from other partner of a joint operation.

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk management and impairment assessment (Cont'd)

The following table shows reconciliation of loss allowance that has been recognised for amount due from other partner of a joint operation.

	Lifetime ECL (credit-impaired) *HK$'000*
At 1st January, 2018 and 31st December, 2018	–
New financial assets originated	27,315
At 31st December, 2019	**27,315**

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At 31st December, 2019, the Group has available unutilised bank borrowing facilities of HK$1,388,624,000 (2018: HK$1,331,007,000).

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have 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 financial liabilities are based on the agreed repayment dates.

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

The tables include both interest and principal cash flows. To the extent that interest cash flows are at floating rates, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

At 31st December, 2019

	Weighted average effective interest rate	**Repayable on demand or not more than 3 months**	**More than 3 months but not more than 6 months**	**More than 6 months but not more than 1 year**	**More than 1 year but not more than 3 years**	**More than 3 years**	**Total undiscounted cash flows**	**Carrying amount**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities								
Non-interest bearing	**–**	**2,474,891**	**47,786**	**65,265**	**402,773**	**250,882**	**3,241,597**	**3,145,681**
Fixed interest rate	**7.03**	**68,606**	**11,143**	**40,224**	**14,618**	**–**	**134,591**	**129,738**
Variable interest rate	**5.10**	**224,570**	**72,823**	**300,274**	**401,713**	**–**	**999,380**	**945,781**
		2,768,067	**131,752**	**405,763**	**819,104**	**250,882**	**4,375,568**	**4,221,200**
Lease liabilities	**4.14**	**11,121**	**7,927**	**16,387**	**24,457**	**–**	**59,892**	**57,606**

At 31st December, 2018

	Weighted average effective interest rate	Repayable on demand or not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities								
Non-interest bearing	–	2,038,265	72,294	107,183	297,116	146,844	2,661,702	2,623,380
Fixed interest rate	6.53	–	4,550	4,550	134,591	104,248	247,939	219,869
Variable interest rate	4.73	281,862	26,133	59,120	580,247	139,722	1,087,084	999,250
		2,320,127	102,977	170,853	1,011,954	390,814	3,996,725	3,842,499

47. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Bank loans with a repayment on demand clause are included in the "repayable on demand or not more than 3 months" time band in the above tables. At 31st December, 2019, the aggregate carrying amount of these bank loans 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 the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates as set out in respective loan agreements as detailed below:

	Not more than 3 months *HK$'000*	More than 3 months but not more than 6 months *HK$'000*	More than 6 months but not more than 1 year *HK$'000*	More than 1 year but not more than 3 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31st December, 2019	**24,004**	**12,135**	**37,750**	**106,040**	**179,929**	**174,625**
At 31st December, 2018	140,753	28,002	34,442	57,071	260,268	253,400

The amounts included above for variable interest rate financial liabilities are subject to change if actual interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair values of financial instruments

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

47. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair values of financial instruments (Cont'd)

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Financial assets at FVTPL	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2019 ***HK$'000***	2018 *HK$'000*			
Listed equity securities in Hong Kong	**48,660**	47,414	Level 1	Quoted bid price in an active market	N/A
Unlisted convertible bonds in USA	**25,674**	38,366	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the debt instruments	Weighted average cost of capital at 24.65% (2018: 24.65%)
Unlisted equity securities in USA	**13,376**	–	Level 1	Quoted bid price in the OTC market	N/A
Unlisted equity securities in USA and Cayman Islands	**60,805**	89,100	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees	Weighted average cost of capital 11.01% (2018: ranging from 14.40% to 17.24%)
Unlisted equity securities in USA	**–**	7,833	Level 3	Quoted volume-weighted bid price of securities in an active market	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

48. 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

49. OPERATING LEASES

The Group as lessor

Minimum lease payments receivable on leases are as follows:

	2019 **HK$'000**
Within one year	**400**
In the second to fifth year inclusive	**340**
	740

At 31st December, 2018, the Group had contracted for the following future minimum lease receipts under non-cancellable operating leases in respect of land and buildings:

	2018 *HK$'000*
Within one year	415
In the second to fifth year inclusive	465
	880

The Group as lessee

	2018 *HK$'000*
Operating lease rentals in respect of land and buildings during the year	74,916

49. OPERATING LEASES (Cont'd)

The Group as lessee (Cont'd)

At 31st December, 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2018
	HK$'000
Within one year	42,777
In the second to fifth year inclusive	55,216
	97,993

Leases were negotiated for terms ranging from 1 year to 6 years and rentals were fixed at the inception of respective leases.

50. RETIREMENT BENEFITS SCHEMES

The Group has MPF Schemes and state-managed retirement benefit schemes for all eligible employees in Hong Kong and the 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 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 the 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.

During the year, the amount charged to profit or loss of HK$43,749,000 (2018: HK$40,300,000) represents the aggregate retirement benefits scheme contributions for the Group's employees, net of forfeited contributions.

51. RELATED PARTY TRANSACTIONS

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

	2019 HK$'000	2018 HK$'000
Associates		
Construction contract revenue	**1,105,439**	461,848
Purchase of raw materials	**–**	591
Transportation expenses	**–**	1,807
Interest income	**32**	224
Service income	**70**	120
Joint operations		
Sale of construction materials	**107,775**	145,009
Related companies *(note)*		
Construction contract revenue	**164,201**	229,545
Project management fee income	**18,834**	12,624
Sale of construction materials	**32,734**	–
Purchase of construction materials	**298**	–

Note: The related companies are subsidiaries and an associate of a substantial shareholder of the Company.

The above related party transactions of the related companies regarding the construction contract revenue, project management fee income and sale of construction materials constitute continuing connected transactions which are subject to shareholders' approval, annual review and disclosures requirements under Chapter 14A of the Listing Rules.

The amounts due from/to related parties and the related terms are set out in the consolidated statement of financial position and notes 27, 28, 29, 30, 35 and 42.

Balances with an associate 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).

Compensation of key management personnel

	2019 HK$'000	2018 HK$'000
Short-term employee benefits	**92,315**	82,279
Post-employment benefits	**3,680**	3,388
	95,995	85,667

The emoluments of executive directors and senior management are determined by the Remuneration Committee with reference to salaries paid by comparable companies, their responsibilities, employment conditions, and prevailing market conditions.

52. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details the 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, included in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable	Dividend payable	Amounts due to associates	Amounts due to joint ventures	Amounts due to other partners of joint operations	Amounts due to non-controlling shareholders	Lease liabilities	Bank loans	Bonds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(notes 35 & 42)	*(note 35)*	*(note 35)*	*(note 35)*	*(note 36)*	*(note 37)*	*(note 38)*	
At 1st January, 2018	7,675	–	20,543	1,142	61,710	3,359	–	894,071	219,350	1,207,850
Interest expenses	4,532	–	597	–	–	–	–	38,939	9,620	53,688
Dividends declared	–	238,730	–	–	–	–	–	–	–	238,730
Financing cash flows	–	(238,730)	(262)	94	(59,019)	–	–	66,240	(9,101)	(240,778)
At 31st December, 2018	12,207	–	20,878	1,236	2,691	3,359	–	999,250	219,869	1,259,490
Adjustments upon application of HKFRS 16	–	–	–	–	–	–	74,500	–	–	74,500
At 1st January, 2019 (restated)	12,207	–	20,878	1,236	2,691	3,359	74,500	999,250	219,869	1,333,990
Adjustments upon modification of terms of bond	(12,207)	–	–	–	–	–	–	–	12,207	–
New leases entered	–	–	–	–	–	–	20,540	–	–	20,540
Acquisition of a subsidiary	–	–	–	–	–	–	–	65,258	–	65,258
Dissolution of a joint venture	–	–	–	(45)	–	–	–	–	–	(45)
Gain on modification of terms of bond	–	–	–	–	–	–	–	–	(21,946)	(21,946)
Interest expenses	–	–	625	–	–	–	2,176	39,633	14,225	56,659
Exchange realignment	–	–	–	–	–	–	–	(1,102)	–	(1,102)
Dividends declared	–	249,041	–	–	–	–	–	–	–	249,041
Financing cash flows	–	(249,041)	–	(49)	(539)	–	(39,610)	(157,258)	15,399	(431,098)
At 31st December, 2019	**-**	**-**	**21,503**	**1,142**	**2,152**	**3,359**	**57,606**	**945,781**	**239,754**	**1,271,297**

53. ACQUISITION OF SUBSIDIARIES

(a) As one of the partners 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 its right on 13th December, 2018, of which subsequently be upheld by court order dated 13th June, 2019, to exclude Hsin Chong from further participation and management of the Joint Venture and took over Hsin Chong's interest in the Joint Venture. As the Group has taken over the 65% interest 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 on the date of exclusion become a wholly owned subsidiary of Build King.

The acquisition was accounted for using the purchase method. Acquisition-related costs had been excluded from the cost of the above acquisition. The acquisition-related costs were insignificant and recognised as an expense within the administrative expense in the consolidated statement of profit or loss for the year ended 31st December, 2019.

Assets acquired and liabilities assumed at the date of acquisition:

	HK$'000
Property, plant and equipment	925
Debtors, deposits and prepayments	2,443
Contract assets	4,605
Tax recoverable	4,507
Bank balances and cash	133,161
Creditors and accrued charges	(35,907)
Contract liabilities	(109,366)
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)
	(368)

53. ACQUISITION OF SUBSIDIARIES (Cont'd)

(a) (Cont'd)

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 were insignificant and the gain on bargain purchase arising from acquisition of HK$368,000 was credited to the profit or loss under other gains and losses.

Net cash inflow arising from the acquisition:

	HK$'000
Cash consideration paid	–
Less: Cash and cash equivalents acquired	(133,161)
	133,161

Included in the profit for the year ended 31st December, 2019 was profit of HK$55,240,000 attributable to the additional business generated by the Joint Venture. Revenue for the year ended 31st December, 2019 contributed by the Joint Venture was HK$1,283,937,000.

(b) On 21st October, 2019, Build King 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 Build King was increased to RMB124,600,000 (equivalent to approximately HK$140,800,000). Accordingly, Build King 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 Build King. 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.

53. ACQUISITION OF SUBSIDIARIES (Cont'd)

(b) (Cont'd)

Deemed consideration transferred:

	HK$'000
Interest in joint venture	24,271

Acquisition-related costs had been excluded from the deemed consideration transferred. The costs were insignificant and recognised as an expense within the administrative expenses in the consolidated statement of profit or loss for the year ended 31st December, 2019.

Assets acquired and liabilities assumed 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 venture partner	(47,772)
Bank loans	(65,258)
Net assets	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 prepayments at the date of acquisition amounted to HK$89,414,000 approximated to the 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.

53. ACQUISITION OF SUBSIDIARIES (Cont'd)

(b) (Cont'd)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	24,271
Add: Non-controlling interests *(note)*	5,499
Less: Net assets acquired	(28,846)
	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.

Net cash inflow on acquisition:

	HK$'000
Cash consideration paid	–
Less: Cash and cash equivalents 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 1st January, 2019, revenue for the year of the Group would have been HK$7,959,398,000, and profit for the year of the Group would have been HK$1,384,661,000. 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 1st 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 Wai Kee Earth which is included in other gains and losses.

54. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital or registered capital*	Effective interest held by the Company		Principal activities
			2019	2018	
			%	%	
Build King Civil Engineering Limited	Hong Kong	HK$75,200,000 Ordinary shares	**56.76** *(note a)*	56.61 *(note a)*	Civil engineering
		HK$24,000,000 Non-voting deferred shares	**56.76** *(note a)*	56.61 *(note a)*	
Build King Construction Limited	United Kingdom/ Hong Kong	GBP16,072,500	**56.76** *(note a)*	56.61 *(note a)*	Construction and civil engineering
Build King Holdings Limited *(note b)*	Bermuda/Hong Kong	HK$124,187,799	**56.76**	56.61	Investment holding
Build King Interior & Construction Limited	Hong Kong	HK$1,000,000	**56.76** *(note a)*	39.63 *(note a)*	Fitting out, improvement and alteration works for buildings
Build King (Zens) Engineering Limited	Hong Kong	HK$56,000,002 Ordinary shares	**56.76** *(note a)*	56.61 *(note a)*	Civil engineering
		HK$14,800,000 Non-voting deferred shares	**56.76** *(note a)*	56.61 *(note a)*	
		HK$5,200,000 Non-voting deferred shares *(note c)*	**–**	–	
Elite Excellent Investments Limited	British Virgin Islands/ Hong Kong	HK$1,000,000	**100**	100	Provision of financial services
Excel Asphalt Limited	Hong Kong	HK$250,000,000	**100**	100	Manufacturing, trading, delivery and laying of asphalt
Excel Concrete Limited	Hong Kong	HK$150,000,000	**94.05** *(note d)*	94.05 *(note d)*	Manufacturing, trading and delivery of concrete

54. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital or registered capital*	Effective interest held by the Company 2019 %	2018 %	Principal activities
Faith Oriental Investment Limited	Hong Kong	HK$125,010,000	**100**	100	Investment holding, quarrying, manufacturing, trading and delivery of construction materials
Grandeur Building Material (Holdings) Limited	Hong Kong	HK$2	**100**	100	Trading of construction materials
Leader Marine Contractors Limited	Hong Kong	HK$200,000	**56.76** *(note a)*	56.61 *(note a)*	Marine engineering and provision of transportation services
Leader Marine Cont. L.L.C.	Sharjah, United Arab Emirates	Dh300,000	**56.76** *(note a)*	56.61 *(note a)*	First class contracting/ specialised in marine construction
Mega Yield International Holdings Limited ("Mega Yield")	Hong Kong	HK$105,000,000	**94.05**	94.05	Investment holding
Tianjin Wai Kee Earth Investment Co., Ltd *(note e)*	The PRC	RMB156,500,000*	**45.19** *(note a)*	–	Steam fuel supply
Titan Foundation Limited	Hong Kong	HK$20,000,000	**56.76** *(note a)*	56.61 *(note a)*	Civil engineering
Wai Kee China Construction Company Limited	Hong Kong/The PRC	HK$10,000,000	**56.76** *(note a)*	56.61 *(note a)*	Civil engineering

54. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital or registered capital*	Effective interest held by the Company		Principal activities
			2019	2018	
			%	%	
Wai Kee Quarry Asia Limited	Hong Kong	HK$2	**100**	100	Investment holding
Wai Kee (Zens) Holding Limited	British Virgin Islands	US$50,000	**100**	100	Investment holding
WK Securities Limited	Hong Kong	HK$15,000,000	**100**	100	Dealing in securities and advising on securities
Wuxi Qianhui Sewage Treatment Co., Ltd. *(note e)*	The PRC	US$9,000,000*	**54.26** *(note a)*	54.12 *(note a)*	Sewage treatment
惠記環保工程(上海)有限公司 *(note f)*	The PRC	US$800,000*	**56.76** *(note a)*	56.61 *(note a)*	Environmental engineering

Notes:

(a) The Company holds the effective interest in the subsidiary through Build King.

(b) The shares of Build King are listed on the Main Board of the Stock Exchange.

(c) 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 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 the holders of the ordinary shares of the company.

(d) The Company holds the effective interest in the subsidiary through Mega Yield.

(e) The company is a co-operative joint venture registerd in the PRC.

(f) The company is a foreign owned enterprise registered in the PRC.

Except for Wai Kee (Zens) Holding 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 for 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 and Elite Excellent which have issued bonds (see note 38), none of the subsidiaries of the Company had any debt securities outstanding at the end of the year or at any time during the year.

54. PRINCIPAL SUBSIDIARIES (Cont'd)

Summarised financial information in respect of Build King that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	2019 HK$'000	2018 HK$'000
Current assets	4,656,427	3,787,971
Non-current assets	612,843	508,259
Current liabilities	(4,039,596)	(3,194,837)
Non-current liabilities	(44,740)	(156,808)
Net assets	1,184,934	944,585
Equity attributable to owners of the Company	668,795	532,493
Non-controlling interests of Build King	509,490	408,141
Non-controlling interests of Build King's subsidiaries	6,649	3,951
Total equity	1,184,934	944,585
Revenue	7,568,461	6,305,348
Expenses, net	(7,270,816)	(5,891,590)
Profit for the year	297,645	413,758
Profit for the year attributable to:		
Owners of the Company	168,248	231,832
Non-controlling interests of Build King	128,171	180,356
Non-controlling interests of Build King's subsidiaries	1,226	1,570
	297,645	413,758
Other comprehensive (expense) income for the year attributable to:		
Owners of the Company	(1,832)	(3,865)
Non-controlling interests of Build King	(1,535)	(2,972)
Non-controlling interests of Build King's subsidiaries	11	(226)
	(3,356)	(7,063)
Total comprehensive income for the year attributable to:		
Owners of the Company	166,416	227,967
Non-controlling interests of Build King	126,636	177,384
Non-controlling interests of Build King's subsidiaries	1,237	1,344
	294,289	406,695
Dividends paid to non-controlling shareholders of Build King	28,125	16,270
Net cash inflow (outflow) from:		
Operating activities	584,387	652,920
Investing activities	193,949	(467,077)
Financing activities	(180,705)	(36,603)
	597,631	149,240

55. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

	2019 *HK$'000*	2018 *HK$'000*
Non-current assets		
Investment in a subsidiary	**123,915**	123,915
Amounts due from subsidiaries	**123,798**	180,830
	247,713	304,745
Current assets		
Other debtors and prepayments	**2,303**	3,248
Amounts due from subsidiaries	**2,426,176**	2,110,473
Bank balances and cash	**302,129**	322,859
	2,730,608	2,436,580
Current liabilities		
Other creditors and accrued charges	**330**	499
Amounts due to subsidiaries	**354,305**	355,191
Bank loans	**263,750**	46,850
	618,385	402,540
Net current assets	**2,112,223**	2,034,040
Total assets less current liabilities	**2,359,936**	2,338,785
Non-current liabilities		
Amounts due to subsidiaries	**87,598**	108,600
Bank loans	**54,000**	282,750
	141,598	391,350
Net assets	**2,218,338**	1,947,435
Capital and reserves		
Share capital *(note 43)*	**79,312**	79,312
Share premium and reserves	**2,139,026**	1,868,123
Total equity	**2,218,338**	1,947,435

55. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY (Cont'd)

Statement of changes in equity

	Share capital *HK$'000* *(note 43)*	Share premium *HK$'000*	Contribution surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1st January, 2018	79,312	731,906	93,995	967,543	1,872,756
Profit and total comprehensive income for the year	–	–	–	313,409	313,409
Dividends paid *(note 14)*	–	–	–	(238,730)	(238,730)
At 31st December, 2018	79,312	731,906	93,995	1,042,222	1,947,435
Profit and total comprehensive income for the year	–	–	–	519,944	519,944
Dividends paid *(note 14)*	–	–	–	(249,041)	(249,041)
At 31st December, 2019	**79,312**	**731,906**	**93,995**	**1,313,125**	**2,218,338**

Financial Summary

RESULTS

	Year ended 31st December,				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue from goods and services	5,019,483	5,327,112	6,500,117	6,735,845	**7,904,105**
Profit before tax from operations:					
Company and subsidiaries	134,288	240,011	220,913	205,366	**135,758**
Share of results of associates	334,839	516,463	833,456	1,262,277	**1,295,071**
Share of results of joint ventures	–	7,512	9,968	35,020	**35,052**
Profit before tax	469,127	763,986	1,064,337	1,502,663	**1,465,881**
Income tax expense	(3,010)	(29,573)	(70,048)	(119,132)	**(78,259)**
Profit for the year	466,117	734,413	994,289	1,383,531	**1,387,622**
Profit for the year attributable to:					
Owners of the Company	420,865	669,320	912,462	1,210,625	**1,264,484**
Non-controlling interests	45,252	65,093	81,827	172,906	**123,138**
	466,117	734,413	994,289	1,383,531	**1,387,622**

FINANCIAL POSITION

	At 31st December,				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	9,064,110	9,989,572	11,727,746	12,867,705	**14,352,815**
Total liabilities	(3,164,364)	(3,772,459)	(4,344,340)	(4,674,571)	**(5,345,444)**
Net assets	5,899,746	6,217,113	7,383,406	8,193,134	**9,007,371**
Equity attributable to owners of the Company	5,698,834	5,952,319	7,062,729	7,787,045	**8,512,070**
Non-controlling interests	200,912	264,794	320,677	406,089	**495,301**
Total equity	5,899,746	6,217,113	7,383,406	8,193,134	**9,007,371**

Corporate Information

EXECUTIVE DIRECTORS

ZEN Wei Pao, William *(Chairman)*
ZEN Wei Peu, Derek
(Vice Chairman and Chief Executive Officer)
CHIU Wai Yee, Anriena

NON-EXECUTIVE DIRECTORS

CHENG Chi Ming, Brian
HO Gilbert Chi Hang

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Che Ming, Steve
WAN Siu Kau, Samuel
WONG Man Chung, Francis

AUDIT COMMITTEE

WONG Man Chung, Francis *(Chairman)*
WONG Che Ming, Steve
WAN Siu Kau, Samuel

NOMINATION COMMITTEE

ZEN Wei Pao, William *(Chairman)*
WONG Che Ming, Steve
WAN Siu Kau, Samuel
WONG Man Chung, Francis
ZEN Wei Peu, Derek

REMUNERATION COMMITTEE

WAN Siu Kau, Samuel *(Chairman)*
WONG Che Ming, Steve
WONG Man Chung, Francis
ZEN Wei Pao, William
ZEN Wei Peu, Derek

COMPANY SECRETARY

CHIU Wai Yee, Anriena

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Hang Seng Bank Limited
Bangkok Bank Public Company Limited
China CITIC Bank International Limited
Shinhan Bank

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 1103, 11th Floor
East Ocean Centre
98 Granville Road
Tsimshatsui
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 Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited – 610

WEBSITE

www.waikee.com

Wai Kee Holdings Limited