Build King

Build King Holdings Limited

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

2021
ANNUAL REPORT

CONTENTS

Financial Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	12%
Equity	HK$1,766 million
Equity per share	HK$1.42
Group revenue	HK$10,030 million
Profit attributable to owners of the Company	HK$295 million
Final dividend per share	HK6 cents

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

FINAL DIVIDEND

The board of directors (the "Board") of the Company recommends the payment of a final dividend of HK6 cents (2020: HK7 cents) per ordinary share for the year ended 31 December 2021.

The Group's gain in equity during 2021 was HK$185 million whilst the equity per share increased by 12% to HK$1.42. Since the listing of the Group in 2004, our cumulative gain in equity has been 1,615% equivalent to an average of 19% per year (taking into account of the dividend paid over the years as well as the new capital raised in 2010).

Our turnover in 2021 is HK$10 billion, an increase of over 31% to that of 2020. However the profit reduced from HK$440 million to HK$292 million due to several factors:

1. In 2020 we received HK$116 million from the Government of Employment Support Scheme. This was a one-off payment in 2020 and was not repeated in 2021.

2. It was necessary to allow an accounting loss of HK$54 million for our China Property Bonds.

3. Tax expenses increased by HK$58 million.

Notwithstanding the above, the results of our core business of construction showed an increase in gross profit. I must pay tribute to the extremely good effort of all our staff for this.

Since the last report, we have been awarded a total of HK$8.1 billion of new works and at the time of writing this report, our order book stands at HK$25.5 billion; this means we have over 2.5 years of workload, a healthy position. Now the pressure this year is that we need to win a minimum of HK$10 billion of new works to maintain this.

Given the status of most of our current projects together with the new works awarded in the year, I expect to be able to maintain the same level of profit in 2022 that we achieved in 2021. Furthermore, if our investments in China perform as budgeted, I hope we should be able to present even better news next year.

Although we expect the competition will be as fierce as ever, in 2021, the Government has announced the development of the Northern part of New Territories into a new metropolitan area. Together with the five newly announced MTR lines to support this development, as well as the 'Lantau Tomorrow' plan now underway, we expect to see a lot more projects being rolled out in the next five to ten years. So the medium term prospects will be quite bright, contrary to what I said last year.

Rest assured that the whole Build King team is committed to doing our very best to find ways to maintain or even increase our profit in the years to come. I will talk about this later in the outlook section.

BUSINESS ANALYSIS

(A) Construction

The core business of our Group is construction, which this year represented 99% of our turnover, almost all of which was carried out in Hong Kong.

(1) Civil Engineering

This year the turnover of our Civil Engineering Division was HK$5.3 billion, an increase of 15% compared with 2020. The Division contributed HK$357 million in gross profit in the year. We currently have 36 active Civil projects in hand, including 12 in Joint Venture with other contractors. At present, most of our current projects are performing well, though one or two are facing temporary difficulties with appropriate action being taken to rectify the problems involved.

Since my last report, we were awarded a total of HK$6.8 billion of new Civil Engineering projects. Looking ahead we expect several opportunities to secure new major projects in 2022. New MTR line extensions in Tung Chung and Tuen Mun are expected to be out for tender as well as several major projects for the Development Bureau. Rest assured that we will be trying very hard to win our fair share of these in order to at least maintain our current level of turnover and hopefully increase it further.

BUSINESS ANALYSIS (Continued)

(A) Construction (Continued)

(1) Civil Engineering (Continued)

Apart from the good effort of our staff, one reason why we performed well in 2021 was because most of our Civil contracts are with the Government. The advantage is that the Government compensates their contractors for any increase in cost of both labour and certain key materials. In 2021, the rise in cost of such elements was about 10%. Although of course our site costs also increase, for various reasons, such increases usually turn out to have been rather less than the compensation we received, hence the good result. This is also one reason why I expect 2022 results to be in line with or even better than this year. Of course such things won't last forever and success is ultimately highly dependent on our tender strategy as well as our performance on site.

As I mentioned last year, although our tender pricing has not been the lowest, we have again won quite a number of Government projects because of good technical submissions, our financial offers and most importantly, our high quarterly performance scores on current projects. We intend to keep up this strategy, although sometimes we may loose a contract due to having to include the cost of better safety, improved care of the environment and house-keeping and of course, more staff. We have to be sure that we never tender at a loss and then hope good things may happen later; this certainly is not our style.

The one main challenge we currently face is the ability to attract and employ good people. Currently the industry is seriously short of professional staff mainly because

a) the Government and the MTR have recently announced several mega projects and as a result, the Development Bureau has started to recruit a lot of staff, mostly drawing them from Contractors and Consultants thus leaving contractors, including ourselves, short.

b) Also, recently several of our professional staff have chosen to emigrate, in particular to UK. This makes an already bad situation even worse. Maybe there will be sufficient university graduates to fill the gap but unfortunately it will take a long time to train them and for them to gain experience (maybe 5 years at least), so this will not solve the current problem of staff shortage.

Both our Civil and Building divisions are suffering from the same problem of staff shortage. Under Section 4 below on Staff, I will mention some of the ideas we are trying out to combat the issue.

(2) Building

The turnover of our Building Division this year was HK$4.2 billion, an increase of 75% over that of 2020. The big jump is due to the major contracts awarded in 2020. With such a rapid increase we will seek to keep this level of activity for the next two years. The Division this year contributed HK$273 million gross profit to the Group.

Most of our projects are doing well but right now we have two projects facing a huge challenge. These are the United Christian Hospital and the Jockey Club IT Building both of which are in delay. Although we have taken steps to recover the delay including by putting in extra resources, it will be sometime before we will be able to report that the projects are back on track. Rest assured that we are doing our very best to achieve this.

BUSINESS ANALYSIS (Continued)

(A) Construction (Continued)

(2) Building (Continued)

Such a fast increase in turnover is always difficult to handle and a lot of mistakes have been made (some maybe inevitable and some could have been avoided):

a) Inadequate planning in the initial stages.

b) Poor choice of subcontractors, often choosing the cheapest without really checking their capability and their understanding of the project.

c) Insufficient capable and experienced staff in particular for the hospital project. There are more than six hospitals currently under various stages of construction and this has rendered it almost impossible for any one company to find sufficient suitable staff.

In view of such shortcomings, we have implemented a few measures. For all subcontracts above a certain amount we now demand the site team to have a detailed discussion with each proposed subcontractor before they are confirmed to try and ensure they fully understand the scope of the work and that their plan for tackling their job will meet our requirements. Also that the resources they plan to deploy are sufficient and that they have included adequately for all the necessary costs.

We also require major subcontracts to be explained by the project staff in front of a senior staff panel prior to any award. This panel is authorized to accept or reject the subcontractor proposed. This measure has helped a lot in the quality of our subletting.

For 2022, we expect the turnover of the Division to be of the same order as 2021. In view of the recent rapid increase in 2021, it is our intention to maintain this level for the next two years, so that we can truly train up the new staff, and also make sure we have sufficient, capable persons in the various positions.

(3) Specialist Subsidiaries

Our few subsidiaries registered a total turnover of HK$958 million in 2021, similar to that in 2020, with a gross profit of HK$78 million. This is an encouraging result and a good step towards my hope that these subsidiaries will in future generate a meaningful contribution to the Group.

(4) Staff

We have currently 59 active projects in Civil and Building Divisions, and the number of staff/labour we employ has again increased significantly from 2,922 in 2020 to 3,222 in 2021.

As mentioned above with the current severe shortage of staff and workers in the construction industry both in civil engineering and building, we are contemplating some major changes in our site structure. We will try to recruit some staff who are new to this industry. We will seek people who are keen to work and are willing to learn and try a new career. We, of course, will provide the necessary training to ensure he or she can learn and adapt to the new role. Age, sex, and nationality do not matter too much to us, and as long as they can speak Cantonese or English and are mentally alert and healthy, we welcome them. In case any of our shareholders reading this report have relatives or friends who maybe looking for a job, please ask him/her to consider Build King and contact our Human Resources Department.

BUSINESS ANALYSIS (Continued)

(A) Construction (Continued)

(4) Staff (Continued)

The logic of this plan is simple and easy to understand. Although there are posts requiring technical expertise and long training periods, construction is not a rocket science. Much of the time the work is straight forward, which we believe anyone with an organised brain should be able to perform. Depending on his or her current skills and experience, our hope is to re-train such new recruits to take up non-technical posts thereby freeing up our technical staff to concentrate more on their primary role. By doing so, we do hope we can enlarge the workforce. I will tell you how successful this is in my report next year.

(B) Environmental Infrastructure in China

This year we have had a significant setback in this sector, which I need to explain.

1) Wuxi Sewage Treatment Plant

This plant is running normally and this year we registered a profit of over HK$31 million in line with our forecast. We do not foresee any problems ahead and expect the plant to be operating smoothly.

2) Dezhou District Heating to Households

Earlier in the year, we received notice from both the District Management of Dezhou and the Power Plant that it will close in late 2021 and as a result they will no longer be able to supply steam for heating to us. In view of this and with simply no alternative supply, we have sadly had to cease our operation.

We are in negotiation with the District Management for RMB50 million compensation for total value of the facility.

In addition, we are taking legal action against the power plant not only for the return of the RMB30 million deposit which we had paid for the purchase of future steam but also for our loss of business due to the closure of the Plant. They have agreed to return the RMB30 million but will only repay us after they have received the compensation from the District Management. The court has asked us to submit details of our business loss before any hearing can take place.

With this business closed there only remains the recovery of losses incurred, which we will of course pursue.

3) Steam Supply to factories in industrial parks

The biggest disappointment comes in this business. Initially we expected 2021 to be the first profitable year of operation with four of our six plants ready to generate and supply steam. However most of the factories requiring our steam have suffered severe construction delays, thus are not ready to commence operation and do not yet want steam. Their construction delays are partly due to the strict shut downs required at times due to Covid and partly due to the late and disrupted delivery of material and equipment. In addition, China unexpectedly imposed an additional requirement during the year that each factory must obtain an environmental license before continuing its construction. Almost all the factories in all the industrial parks have been affected by this.

Although we were ready to supply steam in mid 2021, the demand was currently very low and four of our plants have been idle. As a result, we have had to absorb the depreciation cost of these until the demand for steam rises. As a result, we have registered a loss of RMB12 million in 2021 instead of a small profit.

BUSINESS ANALYSIS (Continued)

(C) Investment of Securities and other activities

Again this has been a bad year for this sector.

In early 2021, owing to the fact we had the surplus cash sitting in our bank account collecting pitiful interest, we decided to purchase some short-term bonds including some China Property bonds to mature in 2 to 3 years. This was in order to obtain a much higher return when bonds finally matured. We never planned to do any active trading.

Unfortunately, as every investor who pays attention to the China market knows, the Government has introduced a lot of harsh restriction and selling price controls, coupled with three red lines on corporate borrowing etc. This has caused China property share prices as well as the value of bonds to drop significantly in 2021.

As a result, we have thus ended up with a book loss of HK$54 million as required under the accounting principles.

In addition, the share price of one of our major holdings in securities, Road King Infrastructure, also dropped significantly and as a result, we have had to register a total book loss of HK$8 million this year.

OUTLOOK

For our core construction business, in view of the overall performance of our current projects and the fact that we have been able to control our overheads below 3%, we expect to be able to deliver a similar profit for 2022 to that in 2021. We also expect the turnover in 2022 to be similar to 2021. This should be a comfort to our shareholders as well as our staff.

For 2022 in China, we expect our Wuxi sewage plant performance to be stable but the performance of our projects for steam supply projects to be mixed. We are now certain that two of our projects will certainly generate meaningful profit in 2022 and two other projects will start this summer; we therefore hope to achieve a breakeven position for these or even a minor profit. However the loss due to the depreciation costs of the other two projects may continue as we are unsure if the demand this year will justify turning on the boilers. In short, overall we expect that we will finally show some profit in 2022 though the quantum is hard to guess at present.

On our investment in Securities, we do not expect any default for most of our bond holding. And if all mature in the coming year or two, we expect most will be fully repaid. Hence in addition to the interest earned, we should be able to write back the loss currently registered when each bond matures.

Therefore, I am optimistic that we will see an increase in profit in our investments when I write the next report.

With our Group turnover now reaching HK$10 billion, the amount of growth possible is truly limited. At the very best we might be able at some time in future to touch the HK$15 billion mark, perhaps in 3 to 5 years' time.

As such, the growth of future profit will rely on:

a) How well our subsidiaries are able to perform in future, how will they grow and produce meaningful contributions. I hope for close to HK$100 million to the Group. My guess is the majority of growth will be in one or two of our current subsidiaries, we will see. However, don't expect this will happen in the next year or two.

b) Needless to say, I myself do have high hopes for our investments in China and I remember last year I said that I expected a profit of over HK$100 million by 2024. Though the timeline has now shifted back by a year, I hope to reach this figure in 2025. If our projects perform and the rate of COVID 19 infections shows signs of reducing, we will still keep on investing if we can find attractive projects.

OUTLOOK (Continued)

c) New Business Investment – At present we only have a vague idea and we have yet to take any action. In recent years new technologies have started to impact on our industry, such as BIM, MiC, VR, IT applications etc., and these forces are pushing our industry towards a new direction. If we do not adapt quickly, we will soon be eliminated and since we have to adapt anyway, why can't we create some new businesses using this knowledge?

To address the problem, in 2021 we set up an internal 'New Business' Department to study the opportunities. Currently we have two or three detailed studies in hand, but it's too soon to make any solid assessment as of now.

CORPORATE GOVERNANCE

Communication with Shareholder

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

Dividend Policy

I am pleased to advise that based on earnings of HK$0.24 share, we will distribute a dividend of HK6 cents this year, which is 25% of the Group profit. Once our balance sheet reaches HK$2 billion, we might be in a position to distribute up to 30% and I hope our shareholders do not have to wait too long for this to take place

Appreciation

Finally, I would like to take this opportunity to again express my hearty gratitude to our shareholders, clients, business partners, directors and not least, to our staff for their hard work and loyalty.

Zen Wei Peu, Derek
Chairman

29 March 2022

Overall Results

With the record-high successful tender in 2020 and also smooth progress of major projects as planned, the Group's turnover for the year 2021 increased by 31% from HK$7,628 million to HK$10,030 million.

The gross profit also increased from HK$689 million to HK$740 million by 7%. The gross margin, however, dropped from 9% to 7% in 2021, reflecting the severe competition for the new works. Despite this competitive environment, we would continue our strategy not to compete only on price but also on technical excellence and quality of work. Leveraging on this proven strategy, we could keep winning new tenders without being the lowest price bidder and hence increase turnover as well as overall profit despite lower margin of individual projects.

Despite the continued increase of profit from construction in Hong Kong, the Group's profit after tax for the year decreased by 34% from HK$440 million to HK$292 million. The decrease of profit was mainly contributed by three factors. First, the government subsidy of HK$116 million received in 2020 was one-off. Second, the investment in corporate bonds recorded a net loss of HK$54 million after taking into account of decrease of market values and accrued interest income. In 2020, we invested the surplus cash of HK$230 million in a portfolio of corporate bonds with an aim to enhance the return on idle cash. Since approximately 75% of the portfolio are bonds issued by PRC property developers, the turbulence in PRC property market dragged down the market values of the portfolio by approximately 25%. Third, the tax expenses increased by three times as a result of timing difference in utilization of tax losses.

Since the issue of the Company's Annual Report 2020, we successfully bided new projects of HK$8.1 billion, of which HK$6.8 billion were civil engineering projects for Hong Kong Government and HK$1.3 billion were building works for private developers. At the date of this report, the outstanding work on hand was maintained at HK$25.5 billion, similar to that at end of 2020. Looking forward, with enormous public works in developing northern Metropolis as proposed by Hong Kong Government in Policy Address 2021, we are cautiously optimistic to tendering new works and maintain our market share.

The infrastructure investment projects in the PRC recorded turnover of HK$183 million and a loss of HK$15 million. The district heating in Dezhou ceased operation because the sole steam supplier was forced by the local authority to close. Pending on result of negotiation with the local authority for compensation, we had allowed for an impairment loss of HK$34 million. Sewage treatment plant in Wuxi, the sole profit contributor in the PRC in 2021, doubled its profit to HK$31 million as the treatment fees were increased by over 70% upon completion of its upgrade of equipment in 2020. Tianjin Wai Kee Earth Investment Co., Ltd., the operator of centralized steam fuel provider in industrial parks, recorded a loss of HK$12 million. In order to meet the tightened requirements of safety and environmental laws, factory production in industrial parks in Gansu Province were reduced or in some areas suspended until they had completed necessary works to comply with the new requirements. Therefore, the demand of steam fuel by factories was much lower than the budget in 2021. At present, the Group has completed construction of six steam fuel plants. Two of them were operating at breakeven capacity while the remaining four plants are yet to start due to low demand of steam fuel by factories. However, we have recently seen the steam production of two operating plants, were picking up and two more plants may start operation during 2022. Therefore, we are confident the loss may turn to profit next year.

Employees and Remuneration Policies

As at 31 December 2021, the Group had a total of 3,222 employees and total remuneration for the year ended 31 December 2021 was approximately HK$1,363 million. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as performance of the individual.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2021, the Group had liquid assets of HK$2,155 million (as at 31 December 2020: HK$2,085 million) comprising financial assets at FVTPL of HK$380 million (as at 31 December 2020: HK$490 million), time deposits with original maturity of not less than three months of HK$20 million (as at 31 December 2020: HK$80 million) and bank balances and cash of HK$1,755 million (as at 31 December 2020: HK$1,515 million).

As at 31 December 2021, the Group had a total of interest bearing borrowings of HK$810 million (as at 31 December 2020: HK$520 million) comprising bank loans of HK$787 million (as at 31 December 2020: HK$483 million), other creditors of HK$23 million (as at 31 December 2020: HK$23 million) and the bonds of HK$14 million as at 31 December 2020 of which are fully repaid during the year. Maturity profile of the interest bearing borrowings for both years are as follows:

	At 31 December 2021 HK$ million	At 31 December 2020 HK$ million
On demand or within one year	**618**	378
In the second year	**96**	101
In the third to fifth year inclusive	**96**	41
	810	520

The Group's borrowings, bank balances and cash and financial assets at FVTPL were principally denominated in Hong Kong dollars. Hence, there is no exposure to foreign exchange rate fluctuations. During the year, the Group had no financial instrument for hedging purpose. As at 31 December 2021, total borrowings of HK$51 million (as at 31 December 2020: HK$52 million) carried interest at fixed rate.

Capital Structure and Gearing

As at 31 December 2021, total equity was HK$1,807 million (as at 31 December 2020: HK$1,589 million) comprising ordinary share capital of HK$124 million (as at 31 December 2020: HK$124 million), reserves of HK$1,642 million (as at 31 December 2020: HK$1,457 million) and non-controlling interests of HK$41 million (as at 31 December 2020: HK$8 million).

As at 31 December 2021, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 45% (as at 31 December 2020: 33%).

Pledge of Assets

As at 31 December 2021, bank deposits of the Group amounting to HK$78 million (as at 31 December 2020: HK$40 million) were pledged to banks for securing the banking facilities granted to the Group.

As at 31 December 2021, quoted debt securities of the Group amounting to HK$336 million (as at 31 December 2020: HK$447 million) were pledged to a bank for securing the banking facility granted to the Group.

EXECUTIVE DIRECTORS

ZEN Wei Peu, Derek, age 69, has been the Chairman of the Company since 23 April 2004. He is a member of the Remuneration Committee and a member of the Nomination Committee of the Company. He is also the Vice Chairman of Wai Kee Holdings Limited ("Wai Kee") and the Chairman of Road King Infrastructure Limited ("Road King"), the shares of both are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a director of Emmaus Life Sciences, Inc., whose common stocks are traded on the OTC Market in USA. Mr. Zen holds a Bachelor of Science degree in Engineering from The University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. He is a member of the Institution of Civil Engineers and The Hong Kong Institution of Engineers and a fellow member of the Institution of Quarrying, the United Kingdom ("UK"). He was the Honorary Treasurer of Hong Kong Construction Association. He has over 45 years of experience in civil engineering.

CHANG Kam Chuen, Desmond, age 56, has been appointed as an Executive Director of the Company since 1 June 2008. He has been appointed as the Company Secretary of the Company since 31 May 2005. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and an associate member of Chartered Institute of Management Accountants, UK. He has over 30 years of experience in accounting profession and financial management. Mr. Chang is responsible for the finance, human resources, information technology, administration and company secretarial departments of the Group.

LUI Yau Chun, Paul, age 61, has been appointed as an Executive Director of the Company since 1 December 2021. He joined the Group in 1998 and is a director of various companies of the Group. He is a member of the Institution of Structural Engineers and the Hong Kong Institution of Engineers. Mr. Lui has over 35 years of experience in civil and marine engineering. He is responsible for the Group's civil and marine engineering operation in Hong Kong.

TSUI Wai Tim, age 59, has been appointed as an Executive Director of the Company since 1 December 2021. He is a director of various companies of the Group and various subsidiaries of Wai Kee. Mr. Tsui is a chartered and registered professional engineer. He is 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 Member of the Occupational Safety & Health Council, a former Vice President and Council Member of the Hong Kong Construction Association, a former Member of the Pneumoconiosis Compensation Fund Board, and a former Chairman of the Building Division of The Hong Kong Institution of Engineers. Mr. Tsui 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, the PRC and overseas. He is responsible for the Group's environmental infrastructure projects in the PRC.

NON-EXECUTIVE DIRECTORS

David Howard GEM, age 81, has been appointed as a Non-executive Director of the Company since 9 August 2004. He had been a member of the Audit Committee of the Company since 29 July 2005 and resigned on 12 January 2011. He is a Chartered Engineer and is a member of both the Institution of Civil Engineers, London and The Hong Kong Institution of Engineers. He is also a member of The Chartered Institute of Arbitrators and a fellow of The Hong Kong Institute of Highways and Transportation. He has over 45 years of experience with contractors in the management, design and construction of a wide variety of civil engineering and building projects in UK, Asia and Hong Kong. He was a past Vice President of The Hong Kong Construction Association and Chairman of The Civil Engineering Committee. He was also a past Chairman of the Civil Engineering Division of The Hong Kong Institution of Engineers and a past member of the Construction Advisory Board to the Hong Kong Government.

CHAN Chi Hung, Anthony, age 48, has been appointed as a Non-executive Director of the Company since 4 December 2008. He holds a Bachelor of Science Degree with major in Economics with University of Minnesota, and is an alumni of Stanford Graduate School of Business with a certificate of Stanford Executive Program. He is currently an independent non-executive director of Milan Station Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan was previously the Investment Manager of Springfield Financial Adv. Ltd. in charge of its private equity, fund-of-funds and fixed income investment portfolios. Prior to that, he was with J.P. Morgan Chase.

INDEPENDENT NON-EXECUTIVE DIRECTORS

HO Tai Wai, David, age 73, has been appointed as an Independent Non-executive Director since 8 September 2004. He is the Chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Ho has over 40 years of experience in finance and accounting. He is a fellow member of the Association of Chartered Certified Accountants of UK, The Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Ho holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is an independent non-executive director of Left Field Printing Group Limited, the shares of which are listed on the Main Board of the Stock Exchange.

LING LEE Ching Man, Eleanor, SBS, OBE, JP, age 74, has been appointed as an Independent Non-executive Director of the Company since 30 September 2014. She is the Chairwoman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee of the Company. Mrs. Ling had over 30 years of management experience with one of the largest multinational group in Asia and is a Fellow of the Institute of Chartered Management. Mrs. Ling has retired but remains involved in public services. She is also active in charitable organizations, such as the Maggie's Cancer Caring Centre. She is a Vice Patron of the Community Chest.

LO Yiu Ching, Dantes, GBS, JP, age 76, has been appointed as an Independent Non-executive Director of the Company since 30 November 2018. He is the Chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Lo is a professional civil and structural engineer. He is fellows of the Institution of Civil Engineers, Institution of Structural Engineers and Hong Kong Institution of Engineers. He has engaged for more than 50 years in the administration, planning, design and construction of various major capital works projects in Hong Kong and overseas. Mr. Lo joined the Hong Kong Government in 1974 as an Engineer and was promoted to Director of Civil Engineering in 1999 and Director of Highways in 2000. From 2002 to 2006, he was appointed as the Permanent Secretary for the Environment, Transport and Works (Works). He retired from the civil service in 2006. Mr. Lo then served as a senior consultant to the Hospital Authority on capital planning. Subsequently, Mr. Lo had been appointed as a board member and later Advisor to the CEO of The Airport Authority Hong Kong. Mr. Lo is a distinguished adjunct professor in the Department of Civil Engineering, University of Hong Kong. He is an independent non-executive director of China Overseas Grand Oceans Group Limited, the shares of which are listed on the Main Board of the Stock Exchange.

NG Cheuk Hei, Shirley, age 52, has been appointed as an Independent Non-executive Director of the Company since 25 May 2020. She is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. She holds a Doctorate Degree in Management from Shanghai University of Finance and Economics, a Master Degree in Chinese Law from Renmin University of China, a Master Degree in Management with major in Marketing Management from Macquarie University (Sydney, Australia) and a Bachelor Degree in Business (International Trade) from Monash University (Melbourne, Australia). She has over 25 years of experience in the fintech digital economy and IT industry, and has extensive knowledge in business and marketing management, product marketing, product development and consulting experience in digital payment solution, IT and telecommunication and system integration solution. Ms. Ng was previously the vice president (strategic solutions and marketing) of Global Payments Inc. from 2016 to 2018. From 2013 to 2016, Ms. Ng was the managing director (Asia Pacific) of GeoSwift Payment Technology Limited. Prior to the aforesaid, Ms. Ng held various senior management positions in a number of large multinational companies.

SENIOR MANAGEMENT

CHAN Wing Ho, Vincent, age 45, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of Build King Construction Limited ("BKCL"), Build King Civil Engineering Limited ("Build King Civil") and Build King (Zens) Engineering Limited ("Build King (Zens) Engineering"). He holds a Master Degree of Science and 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 and Hong Kong Institution of Highway and Transportation. He has over 20 years of experience in civil engineering construction.

CHEUNG Siu Lun, age 71, is responsible for the Group's business development. He is a director and the Chief Operating Officer of BKCL, and a director of Build King Civil and 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.

FONG Wai Pan, Felix, age 44, is responsible for the Group's civil engineering and building operation in Hong Kong. He is a director of BKCL. He holds a Master Degree of Science and a Bachelor Degree in Civil Engineering from The University of Hong Kong. He is a committee member of Hong Kong Institution of Engineers Civil Division and a Registered Professional Engineer (CVL). He has over 20 years of experience in civil engineering and building construction.

KWOK Chi Ko, Enmale, age 65, is responsible for the Group's contract administration and commercial management for all building and construction related businesses. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He holds an Engineering Doctorate Degree, a Master Degree in Arbitration & Dispute Resolution and a Master Degree in Laws. He is a Chartered Quantity Surveyor, a Registered Professional Surveyor (QS) and an Accredited Mediator and has been a Fellow Member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. He has had over 40 years of experience in building and construction industry.

LEE Man Wai, age 61, is responsible for the Group's tendering activities. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He has over 40 years of extensive experience in tendering and commercial management of civil engineering and building project in Hong Kong.

LIU Sing Pang, Simon, age 60, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He is a member of the Institution of Structural Engineers, a fellow member of the Hong Kong Institution of Engineers and a member of The Hong Kong Institute of Civil and Building Information Management. He is also a Chartered Engineer of UK. He is a member of the 6th Election Committee of Hong Kong Special Administrative Region. He is also Vice President of Council and the Chairman of Civil Engineering Committee of Hong Kong Construction Association. He is also an Elected Ordinary Member of Council of Hong Kong Institution of Engineers. He is also a member of Construction Industry Council and a member of Construction Workers Registration Board under Construction Works Registration Ordinance. He is also an Adviser to Infrastructure Rating System Committee of Hong Kong Green Building Council. He has over 35 years of experience in civil engineering and building construction.

MOK Hon Wa, Kenneth, age 58, is responsible for the Group's building operation in Hong Kong. He is a director of BKCL and Build King Civil. He holds a Master Degree of Applied Science in Civil Engineering from University of Windsor. He is a member of the Hong Kong Institution of Engineers, fellow of Hong Kong Institute of Construction Managers and Registered Professional Engineer in Hong Kong, Canada and USA. He has over 30 years of experience in building construction.

SO Yiu Wing, Wilfred, age 47, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He holds a Bachelor degree in Civil Engineering from The University of Hong Kong. He is a member of The Hong Kong Institution of Engineers and a Registered Professional Engineer (CVL). He is a council member of Hong Kong Construction Association. He has over 25 years of experience in civil engineering construction.

SENIOR MANAGEMENT (Continued)

YEOW Chin Lan, Denis, age 51, joined the Group in September 1999 and is the Group Financial Controller responsible for the financial management and accounting of the Group. He is a fellow member of the Association of Chartered Certified Accountants, UK. He has over 20 years of experience in auditing, accounting and financial management.

YIU Cheuk Hung, Kenneth, age 56, is responsible for the Group's building operation in Hong Kong. He is a director of BKCL. He holds an Executive Master Degree of Business Administration from The Chinese University of Hong Kong and a Master Degree of Project Management from University of South Australia. He is a member of the Hong Kong Institution of Engineers, the Chartered Institute of Building (UK) and the Hong Kong Institute of Construction Managers. He is also a Registered Professional Engineer. He has over 35 years of experience in the construction industry including design, construction and project management.

YU Man Kit, Andy, age 47, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of BKCL, Build King Civil, Build King (Zens) Engineering and Cerebro Strategy Limited. He is a member of Institution of Civil Engineers (UK), the Institution of Engineers, Australia, the Chartered Association of Building Engineers and Hong Kong Institute of Construction Managers. He is also a Registered Construction Manager in Hong Kong and a Chartered Civil and Building Engineer in UK. In addition, he is a member of Civil Engineering Committee of Hong Kong Construction Association. He has over 20 years of experience in civil engineering.

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 50 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the five largest customers of the Group together accounted for approximately 70% of the Group's turnover, with the largest customer accounted for approximately 45%, and the five largest suppliers of the Group together represented less than 13% by value of the Group's total purchases.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 69 and 70 respectively.

The Board recommends the payment of a final dividend of HK6 cents per ordinary share for the year ended 31 December 2021 to shareholders whose names appear in the register of members of the Company on Monday, 6 June 2022. The details of the final dividend are set out in note 13 to the consolidated financial statements.

Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the payment of final dividend will be made on Wednesday, 15 June 2022.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 27 May 2022, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 23 May 2022.

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 Monday, 6 June 2022. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 2 June 2022 to Monday, 6 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 1 June 2022.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 is set out in the sections headed "Financial Highlights" on page 2, "Chairman's Letter" on pages 3 to 8, "Management Discussion and Analysis" on pages 9 and 10, "Corporate Governance Report" on pages 24 to 36, "Consolidated Financial Statements" on pages 69 to 162 and "Financial Summary" on page 163. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

SEGMENTAL INFORMATION

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

SHARE CAPITAL

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

RESERVES

Details of movement in the reserves of the Group for the year is set out in the consolidated statement of changes in equity on page 73.

DISTRIBUTABLE RESERVES

The reserves of the Company which were available for distribution to the shareholders at 31 December 2021 were HK$13,113,000.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2021, the Company has not entered into any equity-linked agreement.

FINANCIAL SUMMARY

A summary of the results and of financial position of the Group for the past five financial years is set out on page 163.

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWINGS

Details of the Group's bank borrowings for the year ended 31 December 2021 are set out in note 35 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Zen Wei Peu, Derek *(Chairman, Chief Executive Officer and Managing Director)*
Chang Kam Chuen, Desmond
Lui Yau Chun, Paul (appointed on 1 December 2021)
Tsui Wai Tim (appointed on 1 December 2021)

Non-executive Directors

David Howard Gem
Chan Chi Hung, Anthony

Independent Non-executive Directors

Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
Lo Yiu Ching, Dantes
Ng Cheuk Hei, Shirley

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

In accordance with Bye-laws 94 and 111 of the Company's Bye-laws, Mr. Lui Yau Chun, Paul and Mr. Tsui Wai Tim, who were appointed as Directors by the Board in December 2021, will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Chan Chi Hung, Anthony and Mr. Ho Tai Wai, David shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence during the year ended 31 December 2021 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS

As at 31 December 2021, the interests and short positions of the directors (the "Directors") and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

(I) The Company

Interests in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held		Percentage of shareholding (%)
		Long position (Note)	Short position	
Zen Wei Peu, Derek	Personal	123,725,228	–	9.96
Chang Kam Chuen, Desmond	Personal	1,500,000	–	0.12
Lui Yau Chun, Paul	Personal	1,683,092	–	0.14
Tsui Wai Tim	Personal	1,150,000	–	0.09
David Howard Gem	Personal	900,000	–	0.07

Note:

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

DIRECTORS' INTERESTS (Continued)

(II) Associated Corporations

Interests in Shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long position (Note 1)	Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Wai Kee	Personal	249,424,078	–	31.45
		Securities interest	45,567,000	–	5.75
	Wai Kee (Zens) Construction & Transportation Company Limited (Note 2)	Personal	2,000,000	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000	–	37.50
	WK Growth Fund Limited	Personal	3,800	–	16.66 (Note 3)
Lui Yau Chun, Paul	Wai Kee	Personal	200,000	–	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. With effect from 29 February 2016, the name of Wai Kee (Zens) Construction & Transportation Company Limited has been changed to Build King (Zens) Engineering Limited.

3. As at 31 December 2021, WK Growth Fund Limited had issued 22,809.90 non-voting participating shares. Accordingly, the percentage has been adjusted.

Save as disclosed above, none of the Directors or chief executive of the Company 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 kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

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

COMPETING INTEREST

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2021, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Notes:

1. Long position in the Shares.

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

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

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

Save as disclosed above, as at 31 December 2021, no other person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

Continuing Connected Transaction

Framework Agreement with Wai Kee

On 11 November 2020, the Company entered into a framework agreement (the "2021 Framework Agreement") with Wai Kee, (a substantial shareholder of the Company and thus a connected person of the Company) whereby the Group may, but is not obliged to, purchase ready mixed concrete ("Concrete") from Wai Kee (or its subsidiaries and/or associates) from time to time during the period from 1 January 2021 to 31 December 2023 for the Group's construction projects, subject to the terms and conditions of 2021 Framework Agreement. The maximum aggregate value of the contract sum in respect of the purchase of Concrete by the Group from Wai Kee (or its subsidiaries and/or associates) for the periods concerned under the 2021 Framework Agreement are subject to annual caps and will not exceed the amounts set out below:

Period	Total value not exceeding
1 January 2021 - 31 December 2021	HK$160,000,000
1 January 2022 - 31 December 2022	HK$170,000,000
1 January 2023 - 31 December 2023	HK$140,000,000

The transaction (the "Concrete CCT") was announced by the Company in its announcement dated 11 November 2020 and approved by independent shareholders at the special general meeting of the Company held on 30 December 2020.

During the year, the relevant maximum aggregate value of the contracts was approximate HK$199,532,000 (the "2021 Transaction Amount") and the transaction is disclosed in note 46 to the consolidated financial statements. The 2021 Transaction Amount exceeded the annual cap for the year (the "2021 Concrete CCT Annual Cap") by approximately HK$39.5 million.

The above continuing connected transactions during the year ("2021 Concrete CCT") have been reviewed by the Independent Non-executive Directors of the Company in accordance with Rule 14A.55 of the Listing Rules who have confirmed that the transactions have been entered into:

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

(ii) on normal commercial terms; and

(iii) in accordance with the terms of the 2021 Framework Agreement (except that the 2021 Transaction Amount have exceeded the annual cap for the year) 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 transaction 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 a letter to the Company confirming in accordance with rule 14A.56 of the Listing Rules that nothing has come to their attention that causes them to believe the 2021 Concrete CCT: (i) have not been approved by the Board and (ii) were not entered into, in all material respects, in accordance with the 2021 Framework Agreement (except that the 2021 Transaction Amount have exceeded the 2021 Concrete CCT Annual Cap).

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transaction (Continued)

Framework Agreement with Wai Kee (Continued)

Having made enquiries and reviewed the reasons for the late discovery of the 2021 Concrete CCT having exceeded the 2021 Concrete CCT Annual Cap without additional independent shareholders approval as required by the Listing Rules, the Board (after discussion with management) has required the implementation of additional measures to enhance the internal tracking system in relation to the Concrete CCT for the purposes of monitoring compliance with the continuing connected transactions requirements under Chapter 14A of the Listing Rules. These measures include the following:

(i) each project site is to deliver, by the end of each year, an annual forecast of Concrete requirements for the next year, with updates (and forward forecast to year end of the next year) in April and August of the next year and undertake special reporting for any material increase of Concrete requirements that is less typical of civil or building project cycle;

(ii) the on site goods delivery verification, approval and recording in procurement system should be streamlined to reduce time lag between delivery of Concrete and input into procurement system;

(iii) the Group's finance department is to ascertain the forecast Concrete demand for the financial year of any project joint venture that is to become a subsidiary of the Company during the year and any new projects awarded to the Group during the year; and

(iv) the Group's finance department is to require Wai Kee to provide its record of monthly Concrete order and delivery data of the Group's projects so that it can monitor volume pending project site verification, approval and recording process described above.

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

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

Name of Director	Details of Changes
Zen Wei Peu, Derek	Mr. Zen's annual salary has been revised to HK$8.24 million with effect from 1 January 2022.
Chang Kam Chuen, Desmond	Mr. Chang's annual salary has been revised to HK$2.39 million with effect from 1 January 2022.
Lui Yau Chun, Paul	Mr. Lui has been appointed as an Executive Director of the Company with effect from 1 December 2021. He entered into a service agreement with the Company for a term of three years commencing from 1 December 2021 to 30 November 2024. Mr. Lui's annual salary has been revised to HK$2.52 million with effect from 1 January 2022.
Tsui Wai Tim	Mr. Tsui has been appointed as an Executive Director of the Company with effect from 1 December 2021. He entered into a service agreement with the Company for a term of three years commencing from 1 December 2021 to 30 November 2024. Mr. Tsui's annual salary has been revised to HK$2.52 million with effect from 1 January 2022.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2021.

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$22,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the per cent of its public float exceeds 25% for the year ended 31 December 2021 and up to 29 March 2022, the latest practicable date to ascertain such information prior to the issue of this annual report.

AUDITOR

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

On behalf of the Board

Zen Wei Peu, Derek
Chairman

Hong Kong, 29 March 2022

Corporate Governance Report

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

Throughout the year of 2021, the Company has complied with the code provisions of Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules, except for code provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

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

THE BOARD

Composition

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

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

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.

Appointment and Re-election

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

THE BOARD (Continued)

Non-executive Directors

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

Independence of Independent Non-executive Directors

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

Role and Delegation

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

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

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

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

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

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

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

THE BOARD (Continued)

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, the annual general meeting held on 25 May 2021 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 25 May 2021
Executive Directors					
Zen Wei Peu, Derek	4/4	–	2/2	3/3	1
Chang Kam Chuen, Desmond	4/4	–	–	–	1
Lui Yau Chun, Paul (Note 1)	–	–	–	–	–
Tsui Wai Tim (Note 2)	–	–	–	–	–
Non-executive Directors					
David Howard Gem	2/4	–	–	–	0
Chan Chi Hung, Anthony	4/4	–	–	–	1
Independent Non-executive Directors					
Ho Tai Wai, David	4/4	3/3	2/2	3/3	1
Ling Lee Ching Man, Eleanor	4/4	3/3	2/2	3/3	1
Lo Yiu Ching, Dantes	4/4	3/3	2/2	3/3	1
Ng Cheuk Hei, Shirley (Note 3)	4/4	2/2	1/1	3/3	1

Notes:

1. Mr. Lui Yau Chun, Paul has been appointed as an Executive Director of the Company with effect from 1 December 2021. No board meeting was held between 1 December 2021 and 31 December 2021.

2. Mr. Tsui Wai Tim has been appointed as an Executive Director of the Company with effect from 1 December 2021. No board meeting was held between 1 December 2021 and 31 December 2021.

3. Ms. Ng Cheuk Hei, Shirley has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company with effect from 24 March 2021. Two Audit Committee meetings and one Nomination Committee meeting were held between 24 March 2021 and 31 December 2021.

"-": Not applicable

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

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

THE BOARD (Continued)

Board Meetings (Continued)

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

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

Induction and Continuous Professional Development

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

During the year and up to the date of this report, briefing of the Group's business was given to the newly appointed Directors and comprehensive induction packages on the directors' duties were provided to them.

During the year, the Group provided training courses to the 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 1 January 2021 to 31 December 2021 are summarized as follows:

Name of Director	Type of continuous professional development
Executive Directors	
Zen Wei Peu, Derek	A, B
Chang Kam Chuen, Desmond	A, B
Lui Yau Chun, Paul	B
Tsui Wai Tim	A, B
Non-executive Directors	
David Howard Gem	B
Chan Chi Hung, Anthony	B
Independent Non-executive Directors	
Ho Tai Wai, David	A, B
Ling Lee Ching Man, Eleanor	B
Lo Yiu Ching, Dantes	B
Ng Cheuk Hei, Shirley	A, B

Notes:

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

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

THE BOARD (Continued)

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

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

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

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

Board Diversity Policy

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

BOARD COMMITTEES

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

Audit Committee

Composition

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

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

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 31 December 2021 and up to the date of this report:

- Approval of remuneration and terms of engagement of the external auditor;
- Review of the annual results of the Group for the years ended 31 December 2020 and 2021, and the interim results of the Group for the six months ended 30 June 2021;
- Review of the Group's financial information, financial reporting procedures, risk management, internal control systems, and financial and accounting policies and practices;
- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to provide non-audit services;
- Review of the audit plan for the financial year ended 31 December 2021;
- 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 2021 and 2022 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Review of the 2022 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. Lo Yiu Ching, Dantes (Chairman of the Nomination Committee), Mr. Ho Tai Wai, David, Mrs. Ling Lee Ching Man, Eleanor, Ms. Ng Cheuk Hei, Shirley and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

Role and Function

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

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2021 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;
- Recommendation to the Board on the appointment of two nominated 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 2021 and 2022 annual general meetings.

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.

In December 2021, the Board approved the appointment of Mr. Lui Yau Chun, Paul and Mr. Tsui Wai Tim as Executive Directors of the Company, who will retire from office at the first general meeting (the "Annual General Meeting", which will be held on 27 May 2022) after their appointments and, being eligible, will offer themselves for re-election at the Annual General Meeting.

BOARD COMMITTEES (Continued)

Remuneration Committee

Composition

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

Role and Function

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

Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2021 and up to the date of this report:

- Approval of the service contract of Executive Directors;
- Approval of performance bonus of Executive Directors for 2020 and 2021;
- Approval of emoluments of Executive Directors (where Mr. Zen Wei Peu, Derek abstained from voting in determining his own remuneration) and senior management; and
- Approval of salary adjustment in 2021 and 2022.

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 own remuneration.

The remuneration of a Director is determined with reference to his duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of Directors for the year ended 31 December 2021 are set out in note 10 to the consolidated financial statements of this annual report. The emoluments paid to senior management for the year ended 31 December 2021 were within the following bands:

	Number of Senior Management
Up to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	1
HK$3,000,001 to HK$4,000,000	2
HK$4,000,001 to HK$5,000,000	1
HK$5,000,001 to HK$6,000,000	3
HK$6,000,001 to HK$7,000,000	2
HK$7,000,001 to HK$8,000,000	2

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' Securities Transactions. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2021.

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu has been re-appointed as the Company's external auditor at the annual general meeting of 2021 until the conclusion of the next annual general meeting.

The fees paid/payable to external auditor for audit and non-audit services for the year ended 31 December 2021 are as follows:

Type of services	**Fee paid/payable HK$**
Audit	2,050,000
Non-audit services	
Interim review	550,000
Total	2,600,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 64 to 68 forming part of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's risk management and internal control systems put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31 December 2021. The Audit Committee noted that the 2021 Concrete CCT Annual Cap was exceeded (as disclosed in pages 21 to 22 of this annual report) and concurred with the remedial measures put forward by the Board which are being implemented by the Group to strengthen its internal controls regarding the Concrete CCT. The Audit Committee believed that the exceeding of the 2021 Concrete CCT Annual Cap was an isolated incident and the deficiency (if any) in internal controls reflected by such incident can be fixed by the aforesaid remedial measures, and considered that the overall risk management and internal control systems of the Company and its subsidiaries were effective and adequate.

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

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

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

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT

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

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

CIC Outstanding Award 2021 - Environmental, Social and Governance Award (Main Contractor) presented by Construction Industry Council

27th Considerate Contractors Site Award Scheme presented by Development Bureau, Hong Kong SAR Government and Construction Industry Council

- 2 numbers of Considerate Contractors Site Award (Silver Award)
- Considerate Contractors Site Award (Bronze Award)
- Considerate Contractors Site Award (Merit Award)
- Considerate Contractors Site Award (Non-Public Works – New Works (Group B)) (Merit Award)
- Outstanding Environmental Management and Performance Award (Silver Award)
- Outstanding Environmental Management and Performance Award (Bronze Award)
- 2 numbers of Outstanding Environmental Management and Performance Award (Merit Award)

CEDD Construction Site Safety Award 2020 (Contracts Group) presented by Civil Engineering and Development Department, Hong Kong SAR Government

- Gold Award
- Silver Award
- Bronze Award

NEC Contract Innovation of the Year 2021 presented by NEC & ICE

NEC Sustainability & Climate Resilience project of the Year 2021 (Runner Up) presented by NEC & ICE

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT (Continued)

20th Hong Kong Occupational Safety and Health Award presented by Occupational Safety & Health Council

- Safety Management System Award (Construction Category) (Gold Award)
- 5S Good Housekeeping Best Practices Award (Construction Industries) (Silver Award)
- OSH Enhancement Program Award (Silver Award)
- OSH Enhancement Program Award - OSH Innovative Award (Silver Award)
- Safety Performance Award (Construction Industries) (Excellence Award)
- Safety Performance Award (Construction Industries) (Outstanding Award)
- Safety Culture Award (Merit Award)
- Best OSH Video Performance Award Best OSH Video Performance Award - Safety Management System Award (Construction) (Silver Award)

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

SHAREHOLDERS' RIGHTS

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

Any vote of shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and the Stock Exchange on the day of the general meeting. The Company's Bye-laws was amended in 2021 (the "New Bye-laws") to allow general meetings of the Company to be held as a hybrid meeting or electronic meeting where shareholders may attend by electronic means in addition to as a physical meeting where shareholders attend in person. The amendments also explicitly set out other related powers of the Board and the chairman of the general meetings, including making arrangements for attendance as well as ensuring the security and orderly conduct of such general meetings. The New Bye-laws was adopted by the shareholders at the 2021 annual general meeting. The New Bye-laws is available on both the Company's website and the Stock Exchange's website.

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.

Dear shareholders,

On behalf of the board of directors ("the Board") of Build King Holdings Limited ("the Company"), I am pleased to present the sixth Environmental, Social and Governance Report, which covers our sustainability performance from 1 January 2021 to 31 December 2021.

At Build King, we have three core values - professionalism, innovation and integrity - as the basis of our corporate culture. These values are embedded into every aspect of our business operations. We aim to deliver an integrated range of professional services, cultivate an atmosphere in which innovation and resourcefulness can flourish, and act with the highest level of integrity so as to fulfill our commitments with honesty and high moral standards. With these core values embedded in our sustainability management, we believe we can build a better future for our people, environment and community.

The board has set clear ESG policies in our management manual to guide health, safety, environmental management, human resources management and supply chain management. Each of these management team is charged with responsibilities to monitoring and managing ESG-related issues and risks and the effectiveness of our various ESG management systems.

We value the roles played by our business partners in the path of sustainability journey. We have continuously endeavored to deepen the relationship with our key stakeholders through regular meetings, interviews and events to understand their views and concerns on the ESG issues. Every three years, we appoint an independent third party to facilitate the stakeholder engagement process to help us identify and prioritize the material issues that have significant impacts on our stakeholders and our own operations. The latest independent engagement was conducted in 2019.

The board has constantly been reviewing the progress of ESG commitments and striving to improve our overall sustainability performance. In preparation for the new ESG requirements of HKEX this year, we have added further disclosure of our systematic approach towards management of climate risks, as well as our deployment of innovative technologies for safety measures and management systems.

On behalf of the Board, I would like to express my appreciation and gratitude to management teams for their effort in delivering on our sustainability commitments in 2021.

Zen Wei Peu, Derek
Chairman

29 March 2022

ABOUT THIS REPORT

This Report contains information of our main business in Hong Kong as a main contractor providing all-rounded construction related services to a portfolio of clients including Hong Kong government departments, quasi-government authorities and institutions, and private developers. Currently, there are over 50 active construction projects contributing 99% of the group turnover for the financial year 2021 and employing 94% of the Group employees. Owing to the differences in reporting standards across the regions, the information of environmental infrastructure projects in PRC was not covered in this Report.

This Report discloses our performance and initiatives regarding ESG issues and relevant Key Performance Indicators ("KPIs") of different aspects from 1 January to 31 December 2021. The content can be found on pages 57 to 63.

This Report was developed referencing existing local and globally recognized reporting frameworks, namely Hong Kong Stock Exchange (HKEX) Appendix 27 of the Main Board Listing Rules (HKEX ESG Guide). A summary of our key performance data is shared in the Performance Data Summary 2021 section. A content index is included at the end of the Report as a tool to help readers more easily locate relevant information across the Report and to demonstrate compliance with the HKEX ESD Guide.

FEEDBACK

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

Corporate Website:

https://www.buildking.hk

ESG Report:

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

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

Contact information:

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

ESG MANAGEMENT APPROACH

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

Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance and has complied with the Corporate Governance Code (the "CG Code") sets out in Appendix 14 of the Listing Rules. The detailed content can be found in the Corporate Governance Report on pages 24 to 36.

Governance Structure

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

Anti-Corruption

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

The 'Code of Conduct', along with the 'Whistle-blowing Policy', is in place to ensure all employees understand and adhere to the Group policies. We also organize seminars regularly on integrity and corruption prevention for our employees. In 2021, a total of 324 employees have attended these seminars. We believe that these measures form a robust system to prevent risks related to corruption across all our operations. During the year under review, no confirmed incident of corruption concerning the Group or its employees was identified.

ESG MANAGEMENT APPROACH (Continued)

Materiality Assessment

Based on the stakeholders engagement process conducted in 2016 and 2019, the following 24 ESG issues were identified:

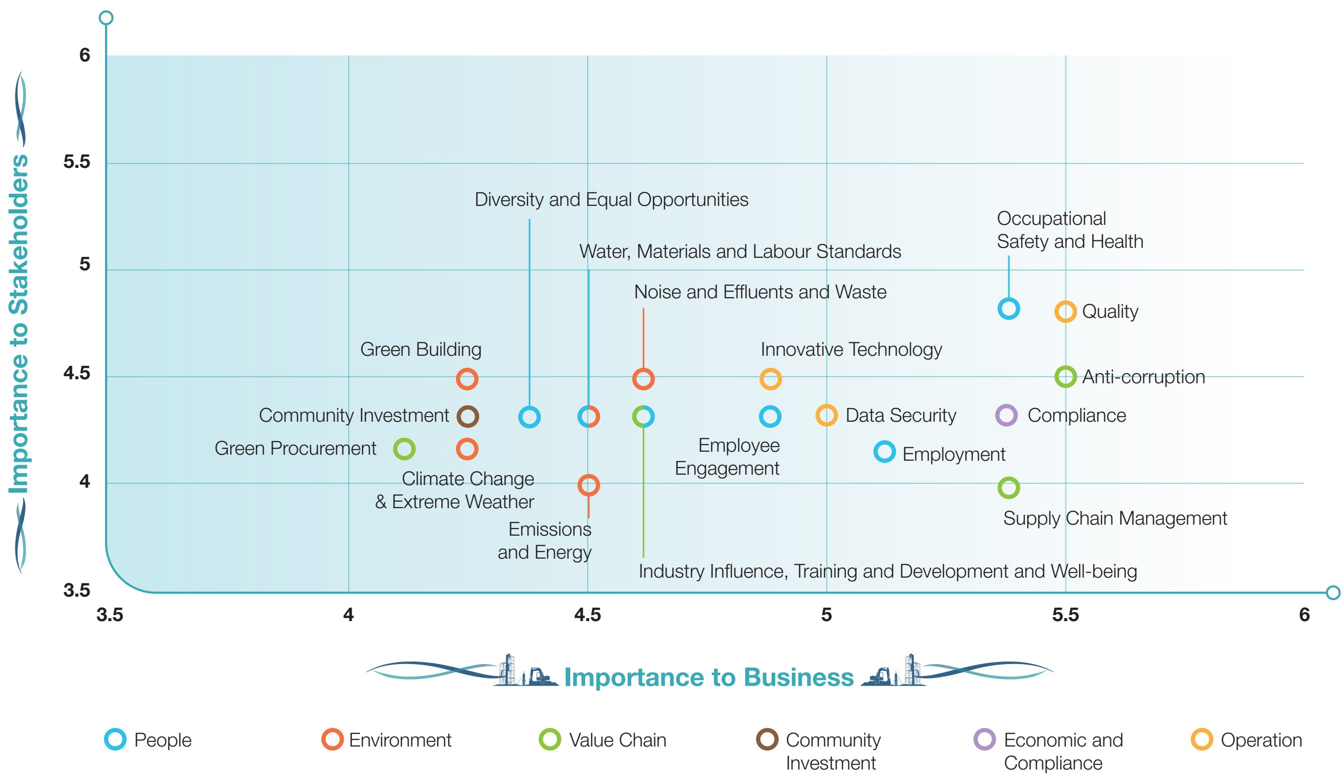
Section in this report	Material Issues	
People	1	Employment
	2	Occupational Safety and Health
	3	Training and Development
	4	Labour Standards
	5	Employee Engagement
	6	Diversity and Equal Opportunities
	7	Well-being
Environment	8	Emissions
	9	Energy
	10	Noise
	11	Effluents and Waste
	12	Water
	13	Materials
	14	Green Building
	15	Climate Change and Extreme Weather
Value Chain	16	Supply Chain Management
	17	Anti-corruption
	18	Green Procurement
	19	Industry Influence
Community	20	Community Investment
Economic and Compliance	21	Compliance
Operation	22	Innovative Technology
	23	Quality
	24	Data Security

ESG MANAGEMENT APPROACH (Continued)

Materiality Assessment (Continued)

Based on the feedback from stakeholders, the 24 ESG issues were prioritized as in the following materiality matrix, indicating the aspects that are material to our stakeholders and our Group's business. This assessment helped to shape the content of this report and the resources we plan to focus on going forward. In this report, we disclose the performance of these material aspects in five main sections including People, Environment, Value Chain, Community and Operation.

ESG issues Materiality Matrix



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

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE

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

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

We respect the fundamental rights of our employees and are committed to building an equal, diverse and inclusive working environment, and providing equal opportunities in all aspects of employment regardless of gender, race, ethnic origin, marital status, education or disabilities. In 2021, there was no known report of any incidence of discrimination by our employees in the Group.

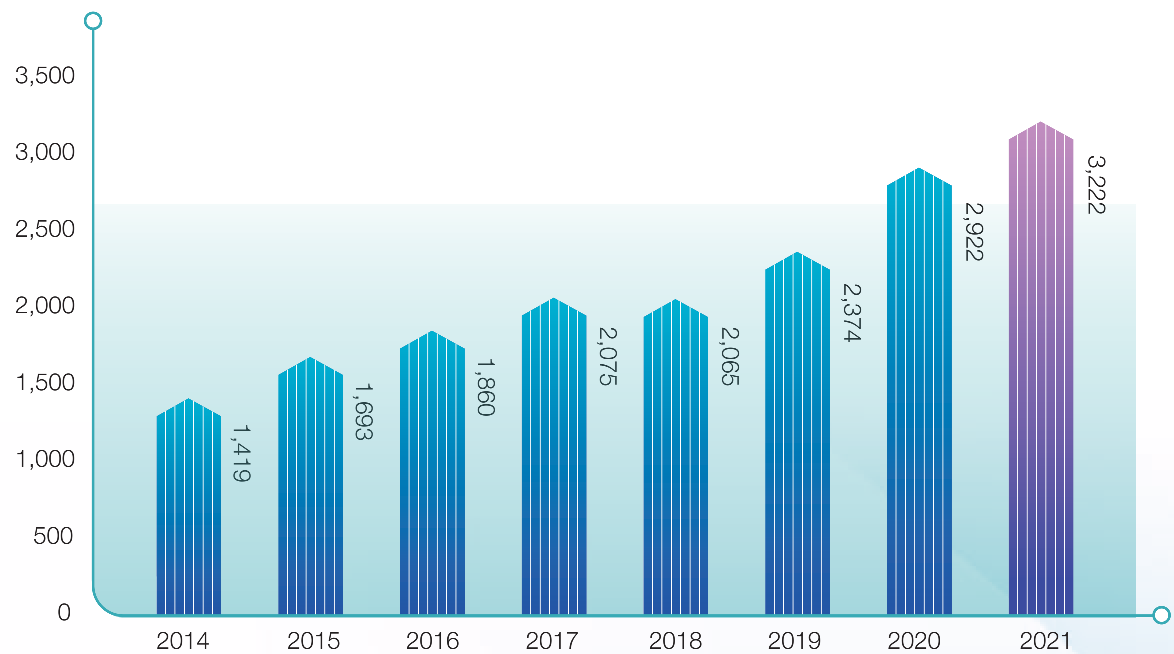
The Group has complied with regional legislative regulations regarding labor standards. We prohibit child, forced or compulsory labor in any of our operations. We extended these requirements to our supply chain to ensure they adhere to all legal standards as well. Self-audit and ad-hoc assessments are conducted regularly to review the employment practices and to detect and rectify any control deficiencies. In 2021, no operation was identified as having significant risk of child or forced labor.

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

Employees Composition

The total number of employees has reached 3,222 in 2021, an increase of around 10.3% as compared to previous year.

Total Workforce

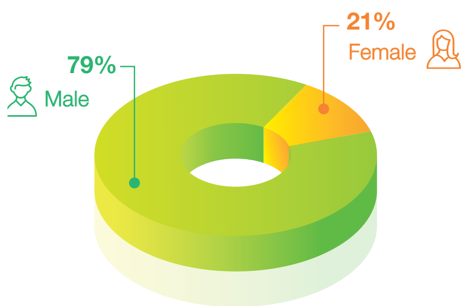


PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

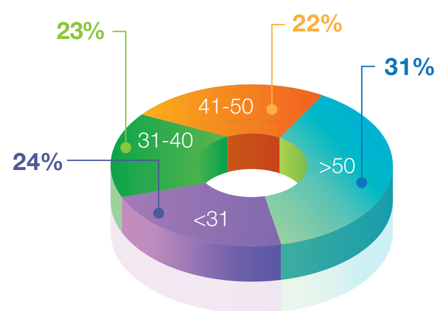
Employees Composition (Continued)

The majority of our new hires were in Hong Kong, representing 99% of total new employees, while the rest were employed in other regions. In 2021, 21% of our total workforces were female and 79% were male, and the workforce was evenly distributed among all age groups.

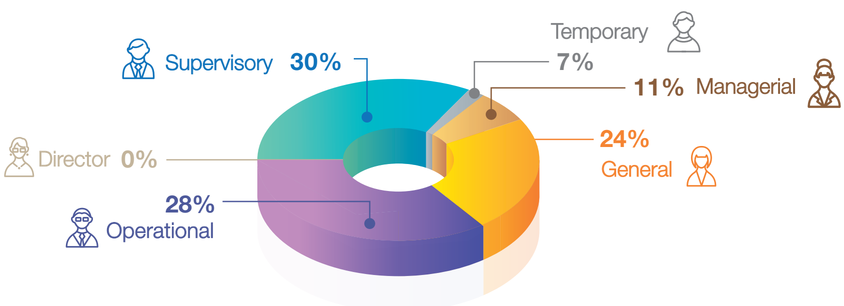
Gender Profile



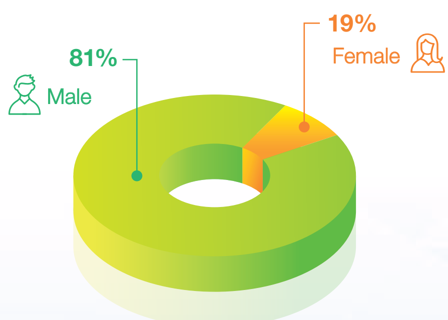
Age Profile



Professional Profile

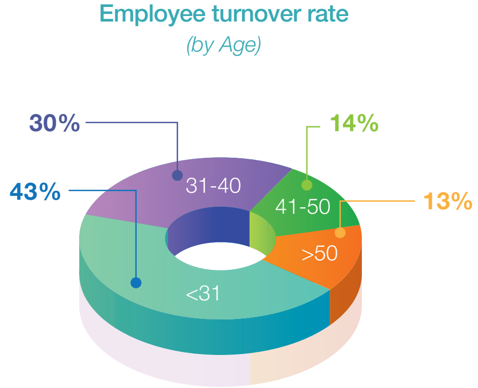


Employee turnover rate
(by Gender)



PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Employees Composition (Continued)



Employee Engagement

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

Diversity and Equal Opportunities

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

Well-being

The Group cares about the well-being of our employees, and is dedicated to provide employees with healthy and safe working environment. In 2021, the Group has been awarded the Caring Company by The Hong Kong Council of Social Service and MPF Good Employer by Mandatory Provident Fund Schemes Authority. The Company has also adopted family-friendly employment practices that reduce the number of working days for head office and site staff. We believe this could help our employees to balance their responsibilities of the work and families, and could boost the staff morale and sense of belonging.

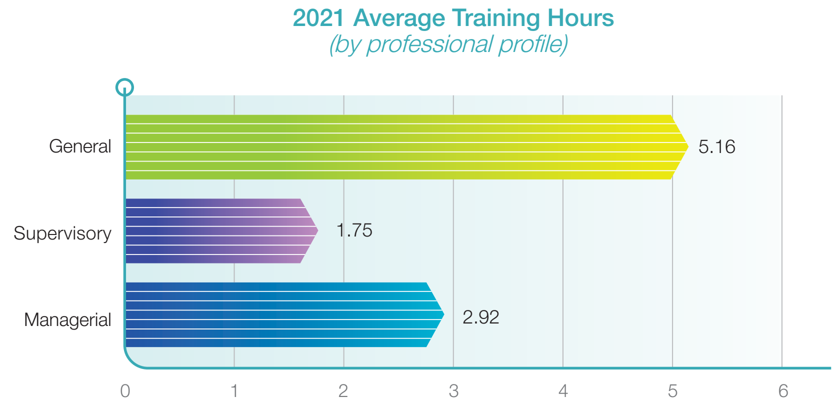
Welfare

The Group commits to continually improving our employees healthcare and well-being. In 2021, the Group has increased the annual leave entitlement, and has granted special leave for staff who had taken the COVID-19 vaccine to enable them having enough rest.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Training and Development

The Group continues to nurture employees at all levels by providing opportunities to strengthen their job-related professional skills, managerial, supervisory and personal development skills. Besides providing in-house classroom and e-learning training programs, the Group has also organized and sponsored external courses. In 2021, we have reviewed our education sponsorship policy and increased the amount of sponsorship.



As the epidemic situation has stabilized since early this year, some instructor-led classroom trainings and site visits have been resumed under a high degree of vigilance with all necessary precautionary measures adopted. Besides, some training courses were delivered to both live audience and simultaneously broadcasting to virtual attendees. Classes included ‘Knowledge sharing on lean construction’, ‘Technical proposal preparation and value engineering’, ‘BIM uses and checking’, ‘Air-conditioning system and design’, etc. Likewise, six new e-learning programs were introduced and uploaded in 2021, including ‘Leadership in tough times’, ‘Work with passion’, ‘De-stress for success’, ‘Boost up your memory’, ‘Agile business mindset’ and ‘Effective delegation at work’.

The Graduate Engineer Training Scheme is a key program for the Group to grow and groom young engineers. It was closely monitored to meet the institutions’ as well as technical requirements, at the same time to provide appropriate opportunities to our Graduate Engineers to broaden their industrial exposure and gain technical engineering experience. Various professional assessment preparation workshops were conducted to Graduate Engineers for their preparation of chartership including online mock reviews to fit in the new remote format that offered by professional institutions.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Safety and Health Policy

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

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

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

To achieve continuous improvements of our safety performance, we adopt a risk-based control approach to ensure all working procedures are compliance to laws, regulations and risk assessment. The Group had one fatal accident in 2020 for the past three years. In 2021, the accident frequency rate was 0.17 per 100,000 man-hours worked against the target rate of 0.21 and the total lost days due to work injuries was 5,703.

Control Mechanisms

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

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

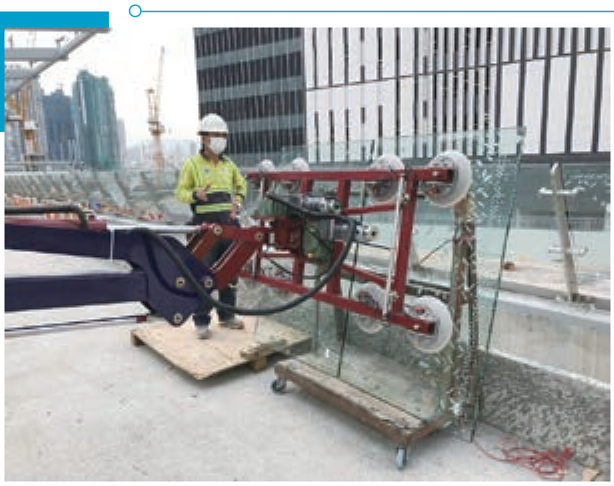
PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Enhancement of Personal Protective Equipment

Recognising the importance of protecting our workers, the safety and efficacy of PPE is our prime concern in purchasing. In 2021, the Group has decided to upgrade the model of safety helmet to an integrated version fitted with retractable visor. As the visor is built into the helmet, face protection is always readily by pulling down the visor into place whenever needed, and hence the risk of a worker having eye injury is greatly reduced. It is also more comforable and user-friendly for workers who are wearing corrective glasses.

Reduction of Potential Hazards

Construction is no doubt a high risk industry, therefore effective risk management policies and measures are incredibly important for keeping our employees safe from harm. In addition to training and supervision, the Group has also minimized the risk by replacing manual processing tasks with tools and technologies. For example, we have used the innovative Hydraulic Aerial Vacuum Machine to install the walkway glazing panel to replace the traditional manual handling oeprations, which has greatly reduced the risk associated with working at height and manual handling.



BUILDING TOWARDS A BETTER ENVIRONMENT

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

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

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

Pollution Abatement

The Group has set different environmental targets on sites to achieve sustainability:

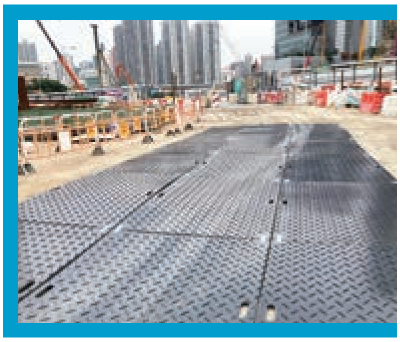
Environmental Management Indicators	Environmental Management Targets
Reduce the amount of non-hazardous wastes	Less than 2,500 tonnes/revenue of HKD 100 million
Conservation of electricity	Less than 210,000 kWh/revenue of HKD 100 million
Conservation of water	Less than 10,000 m^3/revenue of HKD 100 million

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

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

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Air Quality Management



In 2021, we applied Sunny RoadMat that made by high density polyethylene and 100% recyclables on construction site to reduce dust blowing. Sunny RoadMat is tough and durable, at the same time it is light-weighted and man-handleable, which makes it an eco-friendly and user-friendly tool for construction. Besides, our site staff have also applied innovative ideas to improve the on-site air quality, e.g. vacuum cleaner was installed on the hand held breaker to reduce the dust generated during breaking works. In 2021, the group has no conviction record in relation to the Air Pollution Control (Construction Dust) Regulation, against the set target of less than five conviction records annually.

Noise Management

To reduce the noise generated during our operations, we have mounted the cutting drum of the Roadheader onto the excavator for the breaking works. As compared with the normal excavator, it can speed up the rock or concrete surface breaking works by 20%, and also reduce around 6dB(A) construction noise.

Effluent and Water Management

We have implemented different effluent and water management measures, such as adopting horizontal directional drilling to avoid disturbance to the seabed, and constructing watertight cofferdam for removal of sediment at the proposed outfall diffuser to avoid any adverse impact on water quality.

Chemical Waste Management

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

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

In 2021, the group has no conviction record in relation to the Waste Disposal (Chemical Waste)(General) Regulation, against the set target of less than five conviction records annually.

Green Building

To sustain the marine biodiversity during our construction, we have adopted Eco-shoreline in our project. Mimicking the natural inter-tidal zones, it is aimed to retain seawater and offer shades and holes in providing a suitable habitat and shelter for the inhabitation and growth of marine species.

Reduce carbon footprint

We believe construction materials and products produce varying impacts to the environment. To effectively reduce the generation of carbon footprint, we have chosen concrete with CIC Green Product Certification for our projects, in which a comprehensive evaluation on carbon footprint, greenhouse gases emission, human toxicity, resource consumption etc. has been done and rated.

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Energy Efficiency

In order to further enhance the sustainable development, we have replaced the traditional generator by the Ampd Enertainer. Ampd Enertainer is an advanced energy storage system which provides diesel-free power for various machines and plants. Different from the traditional generator, the Ampd Enertainer is free from harmful substances emissions, and it could be used in areas with poor ventilation.

Carbon Reduction

The Group is dedicated to protect the surrounding environment and to reduce the impact generated from construction works. We have developed a farm on site and the fertilizers were generated from the Food Waste Composting Machine to achieve sustainable agriculture.

We believe that establishment of greenery within the living zone can help to create a fresh and comfortable environment, enhance the visual environment of site conditions and contribute to carbon reduction.

Sustainable Use of Resources and Waste Management

In order to minimize the waste generated from construction works, we have adopted Digital Works Supervision System for paperless inspection and reporting.

In addition, we have adopted the 5D Building Information Modelling (BIM) to achieve a more accurate estimate of materials in order to avoid wastage, reuse of inert construction on site and to minimise the disposal of construction waste to the public fill. Besides, we have set up waste targets and encourage participation from colleagues. The table below demonstrates how we integrate our resources and waste management system into our project life cycle.

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

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Climate Change

The Group believe that we have the responsibility to manage the climate risks in a systematic and proactive approach. The core elements of climate-related financial disclosures are included Governance, Strategy, Risk Management and Metrics and Targets.

- ***Governance***

  In order to reduce the deterioration of the climate, the Group is committed to:

  - Adopting best practices to improve energy efficiency in operation
  - Increasing the use of renewable energy in construction
  - Exploring the use of low-carbon construction methods and materials to reduce life cycle impacts of buildings
  - Increasing greenery areas at construction sites
  - Collaborating with partners on developing innovations for sustainable buildings

- ***Strategy***

  A Safety Management Plan and Environmental Management Plan are preparing including the measures on extreme weather impacts such as extreme heat, flooding and typhoons prior to the commencement of project. The plans will be periodically reviewed and updated to meet the approach on climate change.

- ***Risk Management***

  Some of the risks related to climate change area already included in our Safety Management Plan and Environmental Management Plan including extreme heat, flooding and typhoons. We mitigate risks related to physical climate events by training, regular health checking, distribution of heat stress related materials and emergency drills etc. We will continue to delve into a deeper understanding of other impacts of climate change and integrate into our overall risk process with increase disclosure in future reports.

- ***Metrics and Targets***

  Our Group strive to reduce the carbon footprint through planning, design, construction, commissioning, operation, management and maintenance. As our operations consume a large amount of natural resources, our efforts are mainly focused on carbon reduction and materials recycling. We will continue to review the targets and take into account of our business development.

MANAGING OUR SUPPLY CHAIN

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

The Group's supply chain network involves 2,151 active suppliers which are located in Hong Kong. The way we collaborate with them has a significant impact on our sustainability performance.

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

Selection Criteria

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

Management Approach

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

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

CARING FOR OUR COMMUNITY

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

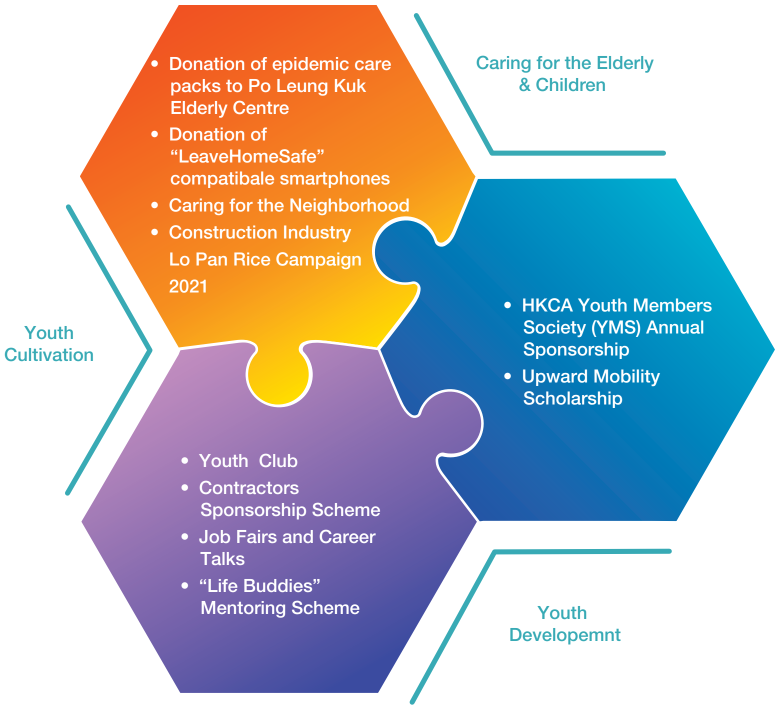
Corporate Social Responsibility Policy

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

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

CARING FOR OUR COMMUNITY (Continued)

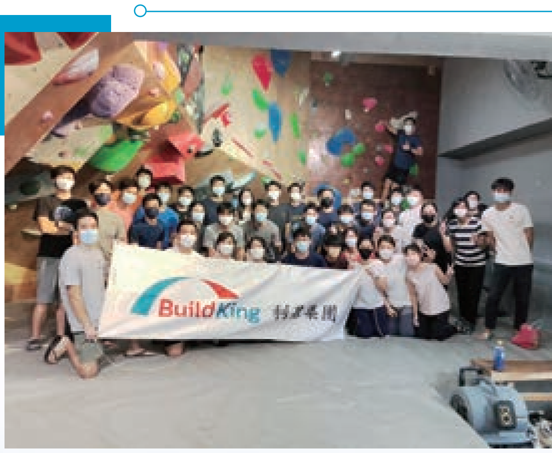
Corporate Social Responsibility Policy (Continued)



Youth Cultivation

Youth Club

Since 2016, we have established a Youth Club for our young engineers in providing them a platform for diverse experiences sharing and learning. In 2021, the committee has organized geopark tour, indoor rock climbing, beach cleanups and kayaking activities.



CARING FOR OUR COMMUNITY (Continued)

Youth Cultivation (Continued)

Contractors Sponsorship Scheme

We continued to sponsor this Scheme in 2021. In addition to the monthly sponsorship, applicants would also receive a 20-day site internship program. The Group hoped to attract more talents to join the construction industry through this scheme, and could in turn recruit more graduates from Hong Kong Institute of Construction.

Job Fairs and Career Talks

A total of 25 general job fairs and on-camp career talks have been organized in 2021. This allows job seekers as well as students to have better understanding about the trends of the construction industry and expectations from the employers while engaging young talents to join the Group.

"Life Buddies" Mentoring Scheme

The Group has participated the "Life Buddies" Mentoring Scheme since 2019. Launching by the Commission on Poverty since 2015, "Life Buddies" Mentoring Scheme is a cross-sectoral career-focused project aimed to promote mentoring culture in the community and provide work environment exposure to facilitate upward mobility of secondary school students from disadvantaged backgrounds.

Youth Development

HKCA Youth Members Society (YMS) Annual Sponsorship

We nurture young engineers to be the future leaders of the construction industry. We continued to sponsor YMS in 2021 in supporting them to organize events to enhance members' understanding of the construction industry, and assist their young members' personal professional growth and career development.

Upward Mobility Scholarship

To provide a better learning environment and learning opportunities for the less privileged students from secondary schools, special needs schools and vocational training schools, we continued to sponsor this Scholarship in 2021. We hope the students can realize their full potential without being constrained by their present socio-economic status.

Caring for the Elderly & Children

Donation of epidemic care packs to Po Leung Kuk Elderly Centre

Caring for the elderly, especially those with mental and health problems, has become an increasing concern in Hong Kong. We have established a long-term partnership with Po Leung Kuk Elderly Centre, working together to build a warm and caring society and providing assistance to the elderly in need.

In the fight against the coronavirus pandemic in 2021, the Group continued to donate various epidemic prevention materials to the Elderly of Po Leung Kuk Elderly Centre to remind them to take good care and stay vigilant against the virus.

Donation of "LeaveHomeSafe" Compatible Smartphones

In view of the "LeaveHomeSafe" policy being made mandatory for entering some scheduled premises, it would cause some inconvenience to certain underprivileged elderly who do not have smartphones. To take care their need, the Group has donated smartphones with the "LeaveHomeSafe" app pre-installed and 12-month free basic mobile services to the elderly of Po Leung Kuk Elderly Centre.

CARING FOR OUR COMMUNITY (Continued)

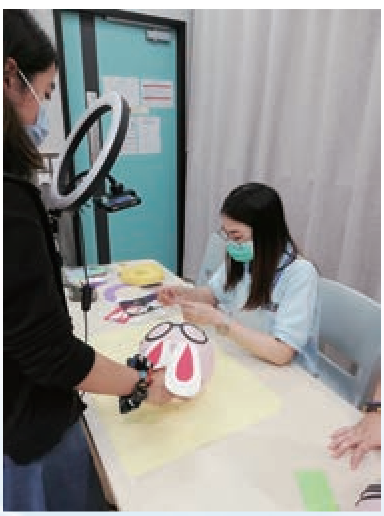
Caring for the Elderly & Children (Continued)

Caring for the Neighborhood

The Group and our partners have taken a host of measures and activities to support our neighborhood in order to reduce the impact arising from the coronavirus outbreak. These included distributing health and food kits to the disadvantaged, organizing a Mask Holder Design Competition to strengthen their awareness of the coronavirus, and arranging online activities for children during the class suspension like online lanterns DIY workshop.

Construction Industry Lo Pan Rice Campaign 2021

We have participated in the "Construction Industry Lo Pan Rice Campaign 2021" organized by the Construction Industry Council, which aims to provide assistance to the disadvantaged groups in the communities and show support to the volunteer services of the construction industry.



ENHANCEMENT ON OPERATION

We believe that innovative technologies for safety measures, management system and intelligence system can enhance our clients' satisfaction on our works and services.

Innovative Technology

The Group values the effectiveness brought by innovative technology, and believe it would in turns uplift the site safety performance and productivity. Therefore the Group has invested resources in new initiatives. Most of the projects have acquired the licensed innovative devices in the industry, while some project teams have introduced their own innovative safety devices and systems tailor made for their projects. Examples of the innovative technology adopted can be found in the previsous environmental and safety sessions.

Quality Management

The Group has instituted an integrated management system and detail can be found from Quality Assurance, Safety and Environmental Management on pages 34 to 35.

Under the system, all of our employees and subcontractors are required to work in accordance with the policies and procedures specified in the Management Manual, Company Procedures and the associated standing instructions. To monitor the effectiveness of system implementation, we would execute internal audit program and arrange Quality personnel to participation in the mega projects undertaken.

Information Security

Data security threats continue to escalate in the digital era, making data privacy and security a material issue for both the Group and our clients. We remain vigilant to security breaches, monitor privacy and security risks to enhance our ability to mitigate them. The Group's Information Security Policy and Rules and Regulations set out principles which we apply when processing and protecting personal data and using their confidential information.

We implement appropriate electronic and managerial measures to safeguard personal data, including encrypting sensitive personal data. We strictly abide by the requirements of the Personal Data (Privacy) Ordinance of Hong Kong and all relevant regulations throughout the Group.

The Group is committed to protecting data privacy and preventing data leakage or loss by adopting stringent physical security measures and acceptable industry practices. Additionally, cybersecurity measures such as the implementation of the latest Cybersecurity protection technology, Endpoint security protection, and regular data backup have been applied to safeguard data integrity.

Remote Working

During the COVID-19 pandemic, we have enhanced our remote access and collaboration facilities to support the remote working capability of our colleagues for working away from the office, including remote access to corporate email, virtual private network connection, and support for web conferencing, etc.

Recycling and Reuse

We encourage our colleagues to recycle and reuse equipment and consumables by conducting recycling programs. Materials including toner and ink cartridges, computers, and related accessories are disposed via the "Computer and Communication Products Recycling Program". We also complement our recycling efforts donating obsolete IT equipment to charitable organizations.

PERFORMANCE DATA SUMMARY 2021

	Environment	2021	2020
Environment	***Total Resources Consumption***		
	Electricity (kWh)	**13,419,297.50**	13,323,603.70
	Petrol (litres)	**290,107.21**	597,467.89
	Diesel (litres)	**18,357,629.87**	21,186,815.84
	Water (m^3)	**857,029.65**	625,386.15
	Types of emissions		
	NOx emissions (g)	**19,698,723.59**	29,902,973.51
	PM emissions (g)	**1,668,248.98**	2,256,411.56
	SOx emissions (g)	**299,822.42**	349,890.52
	Greenhouse Gases Emissions		
	Total emissions (tCO_2e)	**58,440.17**	64,230.75
	Scope I (tCO_2e)	**48,044.14**	55,448.34
	Scope II (tCO_2e)	**8,577.61**	8,440.53
	Scope III (tCO_2e)	**1,818.42**	341.88
	Waste		
	Hazardous waste (tonnes)	**50.33**	46.93
	Non-hazardous waste (tonnes)	**184,732.60**	155,324.90
	Paper		
	Paper Consumption (tonnes)	**306.72**	70.54
	Paper Recycled (tonnes)	**11.43**	8.41
	Intensity		
	Hazardous waste	**12.58**	9.39
	Non-hazardous waste	**4,505.67**	3,788.41
	Energy consumption	**285,516.97**	324,965.94
	Water consumption	**20,405.47**	18,393.71

PERFORMANCE DATA SUMMARY 2021 (Continued)

	Employment	2021	2020
	Total Workforce		
	by Age		
	<31	**783**	681
	31-40	**746**	611
	41-50	**705**	657
	>50	**988**	973
	by Gender		
	Male	**2,541**	2,358
	Female	**681**	564
	by Professional Profile		
	Director	**14**	12
	Managerial	**366**	323
	Supervisory	**971**	866
	General	**760**	637
	Operational	**901**	874
	Temporary	**210**	210
	by Employment type		
Social	Full time	**3,222**	2,922
	Part time	**0**	0
	By region		
	Hong Kong	**2,956**	2,764
	PRC	**265**	157
	UAE	**1**	1
	Employee Turnover		
	by Age		
	<31	**313**	172
	31-40	**222**	115
	41-50	**104**	100
	>50	**91**	118
	By Gender		
	Male	**594**	399
	Female	**136**	106
	By Region		
	Hong Kong	**662**	491
	PRC	**68**	14

PERFORMANCE DATA SUMMARY 2021 (Continued)

	Employment	2021	2020
Social	***Occupational Health and Safety***		
	Work-related injuries	**52**	28
	Accident Frequency Rate (per 100,000 man-hours)	**0.17**	0.15
	Accident Frequency Rate (per 1,000 workers)	**6.12**	4.80
	Training and Development		
	Average Training Hours	**3.35**	3.01
	Percentage of Employees Trained		
	By Gender		
	Male	**42%**	39%
	Female	**47%**	40%
	By Professional Profile		
	Managerial	**37%**	56%
	Supervisory	**28%**	27%
	General	**52%**	49%
	Average Training hours Completed per Employee		
	By Gender		
	Male	**3.74**	3.12
	Female	**3.80**	2.62
	By Category		
	Managerial	**2.92**	5.26
	Supervisory	**1.75**	1.56
	General	**5.16**	3.98

HKEX ESG CONTENT INDEX

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
A. Environmental		
Aspect A1	**Emissions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment
KPI A1.1	The types of emissions and respective emissions data.	Environment – Pollution Abatement
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2021
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2021
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2021
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment – Air Quality Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment – Sustainable Use of Resources and Waste Management
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Environment – Energy Efficiency
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2021
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2021
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environment – Effluent and Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable

HKEX ESG CONTENT INDEX (Continued)

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
A. Environmental		
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimizing the issuers' significant impact on the environment and natural resources.	Environment – Sustainable use of Resources and Waste Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment – Sustainable use of Resources and Waste Management
Aspect A4	**Climate Change**	
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environment – Climate Change
B. Social		
Aspect B1	**Employment and Labor Practices**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People
KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	People – Our Workforce; Performance Data Summary 2021
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary 2021
Aspect B2	**Health and safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People – Occupational Health & Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	People – Safety and Health Policy
KPI B2.2	Lost days due to work injury.	People – Safety and Health Policy
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	People – Control Mechanisms and Preventive measures of Coronavirus

HKEX ESG CONTENT INDEX (Continued)

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
B. Social		
Aspect B3	**Development and training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	People – Training and Development; Performance Data Summary 2021
KPI B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary 2021
Aspect B4	**Labour standards**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	People
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	People
Aspect B5	**Supply chain management.**	
General disclosure	Policies on managing environmental and social risks of the supply chain.	Value Chain – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Value Chain – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Value Chain – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Value Chain – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Value Chain – Supply Chain Management

HKEX ESG CONTENT INDEX (Continued)

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

Notes:

1. Immaterial amount of products sold or shipped subject to recalls under management.
2. Immaterial amount of products and service related complaints received under management.
3. Intellectual property rights is immaterial to the Group.

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Build King Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 162, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 the 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.

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from construction contracts	
We identified the revenue recognition from construction contracts as a key audit matter due to the significance of the amount to the consolidated financial statements as a whole and estimation uncertainty involved. Most construction contracts 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. 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 internal construction progress reports and certificates issued by the independent quantity surveyors. As disclosed in note 5 to the consolidated financial statements, the revenue recognised from construction contracts was HK$9,912,589,000, which represents 98.8% of total revenue of the Group.	Our procedures in relation to the recognition of revenue from construction contracts included: • Obtaining an understanding on relevant internal controls in place on preparation of internal construction progress reports and revenue recognition from construction contracts; • Reviewing Group's latest internal construction progress reports and assessing management's key estimates on preparation of internal construction progress reports; • Comparing internal construction progress reports with the latest certificates issued by independent quantity surveyors and reviewing supporting documents for any reconciling item, on a sample basis; and • Interviewing the project managers for the progress of construction contracts, on a sample basis.

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables and contract assets	
We identified the valuation 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 and degree of estimations made by the management of the Group. As disclosed in note 4 to the consolidated financial statements, the management assesses the expected credit loss ("ECL") of trade receivables and contract assets based on the historical default rates, past-due status and financial capability of the individual debtors taking into consideration of forward-looking information. As disclosed in notes 25 and 26 to the consolidated financial statements, trade receivables and contract assets of the Group carried at HK$379,723,000 and HK$2,895,100,000, respectively, which represents 5.3% and 40.6% of the Group's total assets, respectively.	Our procedures in relation to the valuation of trade receivables and contract assets included: • Understanding key internal controls on how management assess the ECL of trade receivables and contract assets; • Obtaining aged analysis of trade receivables and contract assets and testing the accuracy of information used by management by comparing individual items in the analysis with relevant supporting documents, on a sample basis; • Evaluating the reasonableness of management assessment on ECL by reviewing historical repayment records of relevant debtors and forward-looking information management has taken into account, on a sample basis; and • Discussing with the project managers for their evaluation of the impact of disputes with customers and unforeseen delay of construction projects, if any, on the credit risk of trade receivables and contract assets and checking to relevant correspondences and documents to assess the reasonableness of project managers' evaluation, on a sample basis.

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.

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

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.

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.

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

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

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

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

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

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

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, actions taken to eliminate threats or safeguards applied.

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 Lam Ching.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	NOTES	**2021 HK$'000**	2020 HK$'000
Revenue from services	5	**10,030,017**	7,628,388
Cost of sales		**(9,290,414)**	(6,939,748)
Gross profit		**739,603**	688,640
Investments and other income	7	**98,432**	161,370
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		**(74,049)**	(24,690)
Administrative expenses		**(392,586)**	(355,466)
Finance costs	8	**(19,014)**	(16,995)
Share of results of joint ventures		**24,224**	16,511
Share of results of associates		**245**	(1,754)
Profit before tax	9	**376,855**	467,616
Income tax expense	12	**(84,964)**	(27,391)
Profit for the year		**291,891**	440,225
Profit (loss) for the year attributable to:			
Owners of the Company		**294,539**	440,907
Non-controlling interests		**(2,648)**	(682)
		291,891	440,225
		HK cents	HK cents
Earnings per share	14		
– Basic		**23.7**	35.5

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Profit for the year	**291,891**	440,225
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**12,095**	23,971
Share of reserves of joint ventures	**294**	(226)
Total comprehensive income for the year	**304,280**	463,970
Total comprehensive income (expense) attributable to:		
Owners of the Company	**305,546**	462,228
Non-controlling interests	**(1,266)**	1,742
	304,280	463,970

Consolidated Statement of Financial Position

AT 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	15	**493,756**	364,326
Right-of-use assets	16	**57,538**	50,812
Intangible assets	17	**422,224**	268,945
Goodwill	18	**30,554**	30,554
Interests in joint ventures	20	**157,439**	176,815
Interests in associates	21	**3,834**	4,188
Loan to an associate	22	**2,700**	2,700
Other financial asset at amortised cost	23	**36,782**	36,955
Financial assets at FVTPL	28	**6,000**	—
		1,210,827	935,295
Current assets			
Inventories	24	**36,426**	12,750
Debtors, deposits and prepayments	25	**682,385**	472,643
Contract assets	26	**2,895,100**	1,793,164
Amount due from a joint venture	27	**720**	701
Amounts due from associates	27	**7,782**	7,786
Amounts due from other partners of joint operations	27	**22,521**	61,373
Financial assets at FVTPL	28	**379,522**	490,137
Tax recoverable		**37,475**	35,018
Pledged bank deposits	29	**77,746**	39,683
Time deposits with original maturity of not less than three months	29	**20,210**	79,540
Bank balances and cash	29	**1,755,478**	1,515,154
		5,915,365	4,507,949
Current liabilities			
Creditors and accrued charges	30	**3,893,000**	2,616,149
Contract liabilities	31	**405,696**	568,706
Lease liabilities	32	**25,592**	23,043
Amount due to an intermediate holding company	33	**18,220**	16,945
Amounts due to fellow subsidiaries	33	**3,181**	1,530
Amounts due to other partners of joint operations	33	**344**	1,176
Amounts due to non-controlling interests	33	**3,094**	3,094
Amount due to an associate	34	**21,002**	19,896
Tax payable		**82,428**	32,541
Bank loans - due within one year	35	**786,998**	482,762
Bonds	39	**—**	13,965
		5,239,555	3,779,807
Net current assets		**675,810**	728,142
Total assets less current liabilities		**1,886,637**	1,663,437

Consolidated Statement of Financial Position

AT 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Capital and reserves			
Ordinary share capital	36	124,188	124,188
Reserves		1,641,718	1,456,715
Equity attributable to owners of the Company		1,765,906	1,580,903
Non-controlling interests		40,721	8,391
Total equity		1,806,627	1,589,294
Non-current liabilities			
Deferred tax liabilities	38	18,468	5,750
Obligations in excess of interests in joint ventures	20	130	106
Obligations in excess of interests in associates	21	13,672	14,432
Amount due to an associate	34	1,827	2,258
Lease liabilities	32	22,913	28,597
Other creditors	40	23,000	23,000
		80,010	74,143
		1,886,637	1,663,437

The consolidated financial statements on pages 69 to 162 were approved and authorised for issue by the Board of Directors on 29 March 2022 and are signed on its behalf by:

Zen Wei Peu, Derek
Chairman

Chang Kam Chuen, Desmond
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Ordinary share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note a)	Special reserve HK$'000 (Note b)	Asset revaluation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	124,188	14,186	917	(1,701)	(63,141)	4,290	1,099,546	1,178,285	6,649	1,184,934
Profit (loss) for the year	–	–	–	–	–	–	440,907	440,907	(682)	440,225
Exchange differences arising on translation of foreign operations	–	–	21,547	–	–	–	–	21,547	2,424	23,971
Share of reserves of joint ventures	–	–	(226)	–	–	–	–	(226)	–	(226)
Total comprehensive income for the year	–	–	21,321	–	–	–	440,907	462,228	1,742	463,970
Dividend paid	–	–	–	–	–	–	(59,610)	(59,610)	–	(59,610)
At 31 December 2020	**124,188**	**14,186**	**22,238**	**(1,701)**	**(63,141)**	**4,290**	**1,480,843**	**1,580,903**	**8,391**	**1,589,294**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**294,539**	**294,539**	**(2,648)**	**291,891**
Exchange differences arising on translation of foreign operations	**–**	**–**	**10,713**	**–**	**–**	**–**	**–**	**10,713**	**1,382**	**12,095**
Share of reserves of joint ventures	**–**	**–**	**294**	**–**	**–**	**–**	**–**	**294**	**–**	**294**
Total comprehensive income (expense) for the year	**–**	**–**	**11,007**	**–**	**–**	**–**	**294,539**	**305,546**	**(1,266)**	**304,280**
Capital contribution paid on behalf of the non-controlling interest	**–**	**–**	**–**	**(33,612)**	**–**	**–**	**–**	**(33,612)**	**33,612**	**–**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16)**	**(16)**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(86,931)**	**(86,931)**	**–**	**(86,931)**
At 31 December 2021	**124,188**	**14,186**	**33,245**	**(35,313)**	**(63,141)**	**4,290**	**1,688,451**	**1,765,906**	**40,721**	**1,806,627**

Notes:

a. The other reserve represents (i) the excess of the consideration paid over the additional interests in net assets of respective acquired subsidiaries; and (ii) the capital contribution paid on behalf of the non-controlling interest.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Operating activities		
Profit before tax	**376,855**	467,616
Adjustments for:		
Finance costs	**19,014**	16,995
Amortisation of intangible assets	**28,720**	3,877
Depreciation of property, plant and equipment	**82,250**	61,076
Depreciation of right-of-use assets	**27,838**	25,540
Profit from construction work of service concession arrangement	**(3,103)**	(7,596)
Share of results of joint ventures	**(24,224)**	(16,511)
Share of results of associates	**(245)**	1,754
Gain on disposal of property, plant and equipment	**(2,447)**	(964)
Decrease in fair value of financial assets at FVTPL	**74,049**	24,690
Impairment loss recognised on interest in a joint venture	**34,265**	—
Impairment loss recognised on amount due from other partner of a joint operation	**—**	7,013
Dividends from financial assets at FVTPL	**(2,321)**	(3,240)
Interest on financial assets at FVTPL	**(24,346)**	(10,537)
Interest on bank deposits	**(2,269)**	(9,013)
Interest on other receivables	**(7,766)**	(7,463)
Interest on other financial asset at amortised cost	**(958)**	(987)
Interest on loan to an associate	**(74)**	—
Loss on disposal of a subsidiary	**628**	—
Remeasurement gain of interest in a joint operation	**(40,617)**	—
Operating cash flows before movements in working capital	**535,249**	552,250
Decrease (increase) in other financial asset at amortised cost	**173**	(811)
(Increase) decrease in inventories	**(23,676)**	20,702
(Increase) decrease in debtors, deposits and prepayments	**(408,023)**	9,271
(Increase) decrease in contract assets	**(1,050,625)**	342,420
Decrease (increase) in financial assets at FVTPL	**38,529**	(458,369)
Increase (decrease) in creditors and accrued charges	**1,060,053**	(45,459)
Decrease in contract liabilities	**(163,010)**	(211,010)
Increase (decrease) in amounts due to fellow subsidiaries	**1,651**	(5,540)
Decrease in amounts due from other partners of joint operations	**38,852**	108,524
Decrease in amounts due to other partners of joint operations	**(832)**	(976)
Cash generated from operations	**28,341**	311,002
Dividends from financial assets at FVTPL	**2,321**	3,240
Interest on financial assets at FVTPL received	**24,346**	10,537
Interest on other financial asset at amortised cost received	**958**	987
Interest on bank deposits received	**2,269**	9,013
Interest on loans to a joint venture received	**74**	—
Income taxes paid	**(40,400)**	(202,495)
Net cash from operating activities	**17,909**	132,284

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Investing activities			
Purchases of property, plant and equipment		(220,378)	(231,534)
Additions of service concession arrangement		(62,062)	(151,911)
Placement of time deposits		(281,998)	(79,540)
Loans to a joint venture		(5,347)	(18,160)
Repayments from (advances to) associates		4	(2,436)
Advance to a joint venture		–	(1,843)
Payments for right-of-use assets		(10,334)	(721)
Net cash outflow arising on disposal of a subsidiary		(4,141)	–
Capital contribution to a joint venture	20	–	(12)
Withdrawal of time deposits		341,345	76,782
Withdrawal of pledged bank deposits		–	24,487
Dividends received from a joint venture		–	8,724
Proceeds from disposal of property, plant and equipment		15,197	6,067
Loan repayment from a joint venture		15,000	–
Interest on other receivables received		–	53
Placement of pledged bank deposits		(38,063)	–
Acquisition of intangible asset		(15,000)	–
Net cash inflow on acquisition of a business	48	337,323	–
Purchase of financial assets at FVTPL		(6,000)	–
Net cash from (used in) investing activities		65,546	(370,044)
Financing activities			
New banks loans raised		583,168	350,330
Loans from other creditors		–	23,000
Advance from an intermediate holding company		1,275	1,293
Repayments of bonds		(14,000)	(116,000)
Repayments of bank loans		(281,160)	(110,619)
Dividend paid		(86,931)	(59,610)
Repayments of lease liabilities		(27,307)	(22,892)
Interest paid		(17,495)	(15,957)
Interest paid on lease liabilities		(809)	(160)
Net cash from financing activities		156,741	49,385
Net increase (decrease) in cash and cash equivalents		240,196	(188,375)
Cash and cash equivalents at beginning of the year		1,515,154	1,687,720
Effect of foreign exchange rate changes, net		128	15,809
Cash and cash equivalents at end of the year		1,755,478	1,515,154
Represented by:			
Bank balances and cash		1,755,478	1,515,154

1. GENERAL INFORMATION

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

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and joint ventures are set out in notes 50, 21 and 20 respectively. The Company and its subsidiaries are hereafter collectively referred to as the "Group".

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures".

As at 1 January 2021, the Group has bank loans amounting to HK$444,645,000, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 43.

Impacts on application of the agenda decision of the Committee - Cost necessary to sell inventories (HKAS 2 "Inventories")

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

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

Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments:

- update a reference in HKFRS 3 "Business Combinations" so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK(IFRIC)-Int 21 "Levies", an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

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

Amendments to HKFRS 3 "Reference to the Conceptual Framework" (Continued)

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments to HKFRS 10 "Consolidated Financial Statements" and HKAS 28 "Investments in Associates and Joint Ventures" deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

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

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

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)" - continued

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

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

Amendments to HKAS 8 "Definition of Accounting Estimates"

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

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

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

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

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

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

In addition, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the provisions for decommissioning and restoration and the corresponding amounts recognised as part of the cost of the related assets.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$45,215,000 and HK$48,505,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

Amendments to HKAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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 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 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the *Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

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 at the acquisition date;

- 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 amount 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 interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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 value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included 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. 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 to fair value 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), and 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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 Group's 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.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when 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 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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.

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 contract), 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

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 joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Interests in joint operations (Continued)

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 transaction are recognised in the consolidated financial statements only to the extent of 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 (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Property, plant and equipment

Property, plant and equipment are tangible assets held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Service concession arrangements

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

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

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

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

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, 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

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, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices and are accounted for by applying other applicable standards.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

The Group as a lessee (Continued)

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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 retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

On the disposal of a foreign operation (that is, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including state-managed retirement schemes and Mandatory Provident Fund Schemes ("MPF Schemes"), are recognised as an expense 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, annual leave and sick 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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 related to income 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. Such grants are presented under "investments and other income".

Taxation

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. 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 with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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 values at the acquisition date (which is regarded at their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Provisions (Continued)

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.

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial instruments

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income 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. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “change in fair value of financial assets at FVTPL” line item. Dividend and interest earned on the financial asset are included in the “investments and other income” line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

The Group always recognises lifetime ECL for trade debtors and contract assets without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case 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;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(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 and 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.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- past-due status;
- nature, size and industry of debtor; and
- external credit ratings where available.

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

Lifetime ECL for trade receivables and contract assets are considered individually taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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, contract assets and amounts due from other partners of joint operations 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.

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.

Financial liabilities at amortised cost

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

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 to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible 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 testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may 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 (Continued)

Key sources of estimation uncertainty (Continued)

Measurement of value of construction contracts

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 contracts 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 contracts requires significant judgement and has a significant impact on the amount and timing of revenue recognised. There are internal qualified surveyors to measure the value of the construction work completed for each construction projects periodically and issue internal construction progress reports. The construction contracts 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 internal construction progress reports and certificates issued by the independent quantity surveyors.

Provision of ECL for trade receivables and contract assets

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

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 43, 25 and 26 respectively.

Income taxes

The realisability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal or further recognition takes place. As at 31 December 2021, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK$344,658,000 (2020: HK$340,680,000) due to unpredictability of future profit streams.

5. REVENUE FROM SERVICES

(i) Disaggregation of revenue from contracts with customers

Segments	2021 Hong Kong HK$'000	2021 The People's Republic of China (The "PRC") HK$'000	2021 Consolidated HK$'000
Types of service			
Construction contract	9,847,424	65,165	9,912,589
Sewage treatment plant operation	–	57,553	57,553
Steam fuel plant operation	–	59,875	59,875
Total revenue	9,847,424	182,593	10,030,017
Timing of revenue recognition			
Over time	9,847,424	182,593	10,030,017

Segments	2020 Hong Kong HK$'000	2020 The PRC HK$'000	2020 Consolidated HK$'000
Types of service			
Construction contract	7,407,294	159,507	7,566,801
Sewage treatment plant operation	–	35,073	35,073
Steam fuel plant operation	–	26,514	26,514
Total revenue	7,407,294	221,094	7,628,388
Timing of revenue recognition			
Over time	7,407,294	221,094	7,628,388

5. REVENUE FROM SERVICES (Continued)

(ii) Performance obligations for contracts with customers

Construction contract

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 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 to be agreed with the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables when the Group issued invoice to the customers based on the value of work certified by independent quantity surveyors.

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

Sewage treatment plant operation

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

Steam fuel plant operation

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 amounting to HK$ 25,169,000,000 (2020: HK$25,574,000,000). Management expects that all the remaining performance obligations will be recognised as revenue over the next six years (2020: six years) from the end of the reporting period.

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

6. SEGMENTAL INFORMATION

The Group is mainly engaged in construction work. Information reported to the Company's chief operating decision maker, i.e. the executive directors, for the purposes of resource allocation and assessment of performance is focused on geographical location of its customers including Hong Kong and the PRC. 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 "Operating Segments" are summarised as follows:

Year ended 31 December 2021

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Results			
Segment revenue	9,847,424	182,593	10,030,017
Segment profit (loss)	440,281	(14,643)	425,638
Unallocated expenses			(6,856)
Investments income			26,667
Decrease in fair value of financial assets at FVTPL			(74,049)
Share of results of joint ventures			24,224
Share of results of associates			245
Finance costs			(19,014)
Profit before tax			376,855

Year ended 31 December 2020

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Results			
Segment revenue	7,407,294	221,094	7,628,388
Segment profit	474,238	14,307	488,545
Unallocated expenses			(7,778)
Investments income			13,777
Decrease in fair value of financial assets at FVTPL			(24,690)
Share of results of joint ventures			16,511
Share of results of associates			(1,754)
Finance costs			(16,995)
Profit before tax			467,616

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

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

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2021

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Assets			
Segment assets	3,743,166	914,768	4,657,934
Interests in joint ventures			157,439
Interests in associates			3,834
Unallocated assets			2,306,985
Total consolidated assets			7,126,192
Liabilities			
Segment liabilities	4,277,379	137,976	4,415,355
Obligations in excess of interests in joint ventures			130
Obligations in excess of interests in associates			13,672
Unallocated liabilities			890,408
Total consolidated liabilities			5,319,565

For the year ended 31 December 2021

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to property, plant and equipment	14,164	206,214	220,378
Additions to right-of-use assets	24,172	10,334	34,506
Additions to intangible assets (including additions through acquisition of a business)	110,378	65,165	175,543
Depreciation of property, plant and equipment	73,116	9,134	82,250
Depreciation of right-of-use assets	27,640	198	27,838
Amortisation of intangible assets	18,297	10,423	28,720
Interest income on bank deposits, other receivables, other financial asset at amortised cost and loan to an associate	1,629	9,438	11,067
Impairment loss recognised on interest in a joint venture	—	34,265	34,265

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2020

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Assets			
Segment assets	2,491,509	580,480	3,071,989
Interests in joint ventures			176,815
Interests in associates			4,188
Unallocated assets			2,190,252
Total consolidated assets			5,443,244
Liabilities			
Segment liabilities	3,204,076	81,048	3,285,124
Obligations in excess of interests in joint ventures			106
Obligations in excess of interests in associates			14,432
Unallocated liabilities			554,288
Total consolidated liabilities			3,853,950

For the year ended 31 December 2020

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to property, plant and equipment	139,376	92,158	231,534
Additions to right-of-use assets	45,504	722	46,226
Additions to intangible assets	—	159,507	159,507
Depreciation of property, plant and equipment	57,403	3,673	61,076
Depreciation of right-of-use assets	25,489	51	25,540
Amortisation of intangible assets	—	3,877	3,877
Interest income on bank deposits, other receivables and other financial asset at amortised cost	8,780	8,683	17,463
Impairment loss recognised on amount due from other partner of a joint operation	7,013	—	7,013

6. SEGMENTAL INFORMATION (Continued)

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

- all assets are allocated to reportable segments other than goodwill, interests in joint ventures and associates, financial assets at FVTPL, tax recoverable, pledged bank deposits, time deposit with original maturity of not less than three months and bank balances and cash; and
- all liabilities are allocated to reportable segments other than certain amounts due to an intermediate holding company, tax payable, bank loans, bonds, deferred tax liabilities and obligations in excess of interests in joint ventures and associates.

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

	Non-current assets	
	2021	2020
	HK$'000	HK$'000
Hong Kong	**450,599**	438,074
The PRC	**714,746**	457,566
	1,165,345	895,640

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

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

	2021	2020
	HK$'000	HK$'000
Customer A[1]	**4,495,748**	4,102,282
Customer B[1]	**1,011,936**	N/A[2]

[1] Revenue from customers located in Hong Kong.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. INVESTMENTS AND OTHER INCOME

	2021 HK$'000	2020 HK$'000
Investments and other income include:		
Dividends from financial assets at FVTPL	**2,321**	3,240
Interest on bank deposits	**2,269**	9,013
Interest on other receivables	**7,766**	7,463
Interest on other financial asset at amortised cost	**958**	987
Interest on financial assets at FVTPL	**24,346**	10,537
Interest on loan to an associate	**74**	—
Government subsidy for the PRC project	**8,110**	—
Government subsidy	**1,256**	558
Employment Support Scheme	**—**	116,303
Net foreign exchange gains	**3,829**	6,216
Gain on disposal of property, plant and equipment	**2,447**	964
Remeasurement gain of interest in a joint operation (Note 48)	**40,617**	—

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on:		
Bank borrowings	**15,960**	11,634
Bonds	**650**	4,199
Other borrowings	**920**	351
Lease liabilities	**809**	160
Imputed interest expense on non-current interest-free amount due to an associate	**675**	651
	19,014	16,995

9. PROFIT BEFORE TAX

	2021 HK$'000	2020 HK$'000
Profit before tax has been arrived at after charging:		
Auditor's remuneration	2,050	2,050
Depreciation of property, plant and equipment	82,250	61,076
Hire charges for plant and machinery	340,058	316,426
Depreciation of right-of-use assets	27,838	25,540
Amortisation of intangible assets	28,720	3,877
Impairment loss recognised on interest in a joint venture	34,265	—
Impairment loss recognised on amount due from other partner of a joint operation	—	7,013
Loss on disposal of a subsidiary	628	—
Staff costs:		
Directors' remuneration (Note 10)	19,875	14,222
Other staff costs	1,292,800	1,135,495
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$1,008,000 (2020: HK$942,000)	50,191	42,763
	1,362,866	1,192,480

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the ten (2020: eight) directors were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 December 2021					
Executive Directors					
Zen Wei Peu, Derek	–	8,000	2,919	800	11,719
Chang Kam Chuen, Desmond	–	2,766	3,101	233	6,100
Lui Yau Chun, Paul (Note 1)	–	213	–	20	233
Tsui Wai Tim (Note 2)	–	153	–	14	167
Non-Executive Directors					
David Howard Gem	240	–	–	–	240
Chan Chi Hung, Anthony	240	–	–	–	240
Independent Non-executive Directors					
Ho Tai Wai, David	360	–	–	–	360
Ling Lee Ching Man, Eleanor	288	–	–	–	288
Lo Yiu Ching, Dantes	288	–	–	–	288
Ng Cheuk Hei, Shirley	240	–	–	–	240
	1,656	11,132	6,020	1,067	19,875

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 December 2020					
Executive Directors					
Zen Wei Peu, Derek	–	2,995	4,115	–	7,110
Chang Kam Chuen, Desmond	–	2,453	2,850	233	5,536
Non-Executive Directors					
David Howard Gem	240	–	–	–	240
Chan Chi Hung, Anthony	240	–	–	–	240
Independent Non-executive Directors					
Ho Tai Wai, David	360	–	–	–	360
Ling Lee Ching Man, Eleanor	288	–	–	–	288
Lo Yiu Ching, Dantes	288	–	–	–	288
Ng Cheuk Hei, Shirley (Note 3)	160	–	–	–	160
	1,576	5,448	6,965	233	14,222

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

Notes:

1. Mr. Lui Yau Chun, Paul was appointed as director on 1 December 2021.
2. Mr. Tsui Wai Tim was appointed as director on 1 December 2021.
3. Ms. Ng Cheuk Hei, Shirley was appointed as director on 25 May 2020.

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

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

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

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

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

11. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included two (2020: one) directors, details of whose emoluments are set out in note 10 above. The emoluments of the remaining three (2020: four) highest paid individuals were as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	8,891	10,424
Performance related incentive payments	11,206	14,239
Retirement benefits scheme contributions	750	995
	20,847	25,658

Their emoluments were within the following bands:

	Number of employees	
	2021	2020
HK$5,500,001 to HK$6,000,000	–	1
HK$6,000,001 to HK$6,500,000	1	1
HK$6,500,001 to HK$7,000,000	–	1
HK$7,000,001 to HK$7,500,000	1	1
HK$7,500,001 to HK$8,000,000	1	–

12. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax:		
Hong Kong	73,207	27,748
The PRC	5,653	42
	78,860	27,790
Under (over)-provision in prior years:		
Hong Kong	8,352	843
The PRC	771	(1,242)
	9,123	(399)
Deferred tax (Note 38)		
Current year	(3,019)	—
	84,964	27,391

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.

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

	2021 HK$'000	2020 HK$'000
Profit before tax	376,855	467,616
Income tax expense at the applicable rate of 16.5% (2020: 16.5%)	62,181	77,157
Tax effect of share of results of joint ventures	(3,997)	(2,724)
Tax effect of share of results of associates	(40)	289
Tax effect of expenses that are not deductible in determining taxable profit	15,079	6,644
Tax effect of income that is not taxable in determining taxable profit	(16,690)	(25,735)
Under (over)-provision in prior years	9,123	(399)
Tax effect of unrecognised tax losses	1,765	59,079
Tax effect of utilisation of tax losses previously not recognised	(1,109)	(75,767)
Tax effect of different rates for subsidiaries operating in other jurisdictions	2,288	(62)
Others	16,364	(11,091)
Income tax expense	84,964	27,391

13. DIVIDEND

A final dividend for the year ended 31 December 2021 of HK6.0 cents (2020: HK7.0 cents) per ordinary share, totaling approximately HK$74,513,000 based on 1,241,877,992 ordinary shares (2020: approximately HK$86,931,000 based on 1,241,877,992 ordinary shares) has been proposed by the board of directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

14. EARNINGS PER SHARE

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

	2021 HK$'000	2020 HK$'000
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per ordinary share	**294,539**	440,907

	Number of shares	
	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share	**1,241,878**	1,241,878

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Property under construction HK$'000	Total HK$'000
COST								
At 1 January 2020	8,929	10,810	296,023	50,115	12,829	393,324	19,881	791,911
Exchange realignment	595	–	1,627	130	99	–	1,340	3,791
Additions	–	1,406	119,043	3,095	2,365	21,805	83,820	231,534
Transfer	–	–	7,266	–	–	–	(7,266)	–
Disposals	–	–	(7,856)	(65)	(1,201)	–	–	(9,122)
At 31 December 2020	9,524	12,216	416,103	53,275	14,092	415,129	97,775	1,018,114
Exchange realignment	260	–	1,084	72	82	–	2,694	4,192
Additions	25,617	39	30,500	3,879	2,422	2,021	155,900	220,378
Transfer	48,561	–	88,636	333	–	–	(137,530)	–
Disposals	–	–	(29,733)	(46)	(339)	–	–	(30,118)
At 31 December 2021	83,962	12,255	506,590	57,513	16,257	417,150	118,839	1,212,566
DEPRECIATION								
At 1 January 2020	29	5,482	159,064	43,511	10,475	378,075	–	596,636
Exchange realignment	2	–	4	48	41	–	–	95
Provided for the year	452	2,969	45,996	3,045	1,061	7,553	–	61,076
Eliminated on disposals	–	–	(3,055)	(20)	(944)	–	–	(4,019)
At 31 December 2020	483	8,451	202,009	46,584	10,633	385,628	–	653,788
Exchange realignment	13	–	73	30	24	–	–	140
Provided for the year	1,531	2,398	65,275	2,943	1,197	8,906	–	82,250
Eliminated on disposals	–	–	(16,984)	(46)	(338)	–	–	(17,368)
At 31 December 2021	2,027	10,849	250,373	49,511	11,516	394,534	–	718,810
CARRYING VALUES								
At 31 December 2021	81,935	1,406	256,217	8,002	4,741	22,616	118,839	493,756
At 31 December 2020	9,041	3,765	214,094	6,691	3,459	29,501	97,775	364,326

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Buildings	5%
Leasehold improvements	$33\frac{1}{3}$% or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% - 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Vessels	10% - 50%

16. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
As at 31 December 2021			
Carrying amounts	**12,323**	**45,215**	**57,538**
As at 31 December 2020			
Carrying amounts	2,129	48,683	50,812
For the year ended 31 December 2021			
Depreciation charge	**198**	**27,640**	**27,838**
For the year ended 31 December 2020			
Depreciation charge	51	25,489	25,540

	2021 HK$'000	2020 HK$'000
Expense relating to short-term leased properties	**7,073**	3,228
Total cash outflow for leases	**45,523**	27,001
Additions to right-of-use assets	**34,506**	46,226

For both years, the Group leases offices premises for its operations. Lease contracts are entered into for fixed term of 1 year to 4 years (2020: 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.

As at 31 December 2021, 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$125,000 (2020: HK$766,000) in which the Group is in the process of obtaining.

17. INTANGIBLE ASSETS

	Construction licenses HK$'000 (Note a)	Service concession arrangements HK$'000 (Notes b & c)	Customer contract HK$'000 (Note d)	Total HK$'000
COST				
At 1 January 2020	32,858	88,034	–	120,892
Exchange realignment	–	5,861	–	5,861
Additions	–	159,507	–	159,507
At 31 December 2020	32,858	253,402	–	286,260
Exchange realignment	–	6,931	–	6,931
Additions	15,000	65,165	–	80,165
Acquisition of a business (Note 48)	–	–	95,378	95,378
At 31 December 2021	47,858	325,498	95,378	468,734
AMORTISATION				
At 1 January 2020	–	12,599	–	12,599
Exchange realignment	–	839	–	839
Charge for the year	–	3,877	–	3,877
At 31 December 2020	–	17,315	–	17,315
Exchange realignment	–	475	–	475
Charge for the year	–	10,423	18,297	28,720
At 31 December 2021	–	28,213	18,297	46,510
CARRYING VALUES				
At 31 December 2021	47,858	297,285	77,081	422,224
At 31 December 2020	32,858	236,087	–	268,945

17. INTANGIBLE ASSETS (Continued)

Notes:

(a) The amount as at 1 January 2021 represents the fair value of the construction licenses (with indefinite useful lives) held by a wholly-owned subsidiary, Build King Construction Limited ("BKCL") acquired by the Group in 2005. During the year ended 31 December 2021, the Group acquired entire interest in Integral E&M Contracting Limited (formerly known as Wai Tat E&M Engineering Company Limited) ("IEC"), a company incorporate in Hong Kong and the asset of the entity was construction licences amounting to HK$15,000,000. The transactions is accounted for as asset acquisition.

The construction licenses are granted by the Works Branch, Development Bureau of the Hong Kong Special Administrative Region (the "HKSAR") to BKCL and IEC. Through those construction licenses BKCL 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. IEC is an approved supplier of materials and specialist contractor for public works in three categories, air-conditioning installation, electrical installation and fire service installation with no limitation in contract sum. The construction licenses basically have no legal life but are renewable every year as long as BKCL and IEC are able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of the HKSAR throughout the relevant period.

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

(b) A subsidiary of the Company, Wuxi Qianhui Sewage Treatment Co., Ltd. ("Wuxi Qianhui"), entered into a service concession arrangement with the local government whereby Wuxi Qianhui is required to build the infrastructure of a sewage treatment plant phase II (see note 23 for details of sewage treatment plant phase I) and is granted an exclusive operating right for provision of sewage treatment services to the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province of the PRC for a term of 30 years.

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

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

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

In order to meet the new discharge standard of pollutants set for sewage treatment plant, Wuxi Qianhui entered into an agreement with local government in September 2019 to upgrade the whole sewage treatment plant. The upgrading works comprising construction works, purchase and installation of sewage treatment equipment. The upgrading works had been completed and put into operation in 2020.

17. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

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

Tianjin Wai Kee Earth in 2020 entered into another service concession arrangement with local government 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 to industrial users in Circular Economy Industrial Park at Bei He Wan, Jinta County, Gansu Province of the PRC for a term of 30 years.

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

(d) During the year ended 31 December 2021, the Group recognised an intangible asset amounting HK$95,378,000 in respect of an underlying construction contract held by a joint operation upon the acquisition of joint operation partner's interest in the joint operation (details set out in note 48). The intangible assets are amortised over the remaining duration of the respective construction contract which reflects the pattern in which the intangible asset's future economy benefits are expected to be consumed.

18. GOODWILL

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

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

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

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

The recoverable amounts of the above groups of CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. All value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, a discount rate of 10% (2020: 10%) and a growth rate of 0% (2020: 0%). Cash flow projections during the budget period for the CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

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

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

	2021 HK$'000	2020 HK$'000
Cost of investment in unlisted joint ventures	40,968	40,968
Less: Impairment loss recognised	(34,265)	—
	6,703	40,968
Share of post-acquisition profits and other comprehensive income, net of dividends received	69,702	45,184
	76,405	86,152
Loans to joint ventures (Note)	80,904	90,557
	157,309	176,709
Included in:		
Non-current assets	157,439	176,815
Non-current liabilities	(130)	(106)
	157,309	176,709

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

At 31 December 2021, the Group has contractual obligations to share the net liabilities of certain joint ventures amounting to HK$130,000 (2020: HK$106,000).

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

Details of each of the Group's joint ventures at 31 December 2021 and 2020 are as follows:

Name of joint venture	Form of business structure	Place of registration/ incorporation/ operation	Attributable equity interest to the Group		Proportion of voting rights held by the Group		Principal activities
			2021 %	2020 %	2021 %	2020 %	
德州恒源熱力有限公司 ("Dezhou Heng Yuan") (note a)	Incorporated	The PRC	49	49	50	50	Central heating
Sunny Harvest Corporation Limited ("Sunny Harvest") (note b)	Incorporated	Hong Kong	50	50	50	50	Provision of transportation services
Lion Trade Global Limited ("Lion Trade") (note c)	Incorporated	BVI	30	30	50	50	Investment holding
Ruyi Residence Development Sdn. Bhd. ("Ruyi Residence") (note d)	Incorporated	Malaysia	64	64	$33^1/_3$	$33^1/_3$	Property development

Notes:

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

(b) In 2016, the Group acquired a total of 50% equity interest in Sunny Harvest from an independent third party at a consideration of HK$50. Sunny Harvest is a limited liability company incorporated in Hong Kong and is engaged in the provision of transportation services. In 2016, the Group provided shareholder's loan of HK$10,050,000 to Sunny Harvest. In 2017, the Group had further provided shareholder's loans of HK$13,547,000 and HK$2,000,000 to Sunny Harvest. Sunny Harvest made a loan repayment of HK$15,000,000 in 2021.

(c) Lion Trade was formed by the Group together with a wholly owned subsidiary of Wai Kee in July 2017 with initial paid up capital of United States dollars ("US$") 100. The Group holds 30% equity interest in Lion Trade. In October 2017, shareholders' approval was obtained for the Group to provide shareholder's loan of US$15,000,000 (equivalent to HK$117,000,000) to Lion Trade to invest in a joint venture, which was jointly established with an independent third party and holds a residential property in the United States of America ("USA") for rental and capital appreciation purpose. At 31 December 2021 and 2020, the Group has provided shareholder's loan of US$6,000,000 (equivalent to HK$46,800,000) to Lion Trade. The Group and Wai Kee jointly control over Lion Trade because unanimous consent from both joint venture partners is required to make decisions in the Board of Directors under the Articles of Association of Lion Trade.

(d) Ruyi Residence was formed by the Group with paid up capital of Malaysian ringgit ("MYR") 10,000. The Group holds 64% equity interest in Ruyi Residence. Ruyi Residence is a limited liability company incorporated in Malaysia and is engaged in property development activities. At 31 December 2021, the Group has provided shareholder's loan of approximately HK$23,507,000 (2020: HK$18,160,000) to Ruyi Residence. The Group and other two independent third parties jointly control over Ruyi Residence because unanimous consent from all joint venture partners is required to make decisions in the Board of Directors under the Articles of Association of Ruyi Residence.

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

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

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

Dezhou Heng Yuan

	2021 HK$'000	2020 HK$'000
Current assets	**80,634**	80,773
Non-current assets	**83,722**	124,322
Current liabilities	**(42,884)**	(42,366)
Non-current liabilities	**(7,410)**	(16,437)

	2021 HK$'000	2020 HK$'000
Revenue	**64,553**	63,296
Profit for the year	**37,699**	31,226
Total comprehensive income for the year	**37,699**	31,226
The above profit for the year includes the following:		
Depreciation and amortisation	**(7,346)**	(6,983)
Gain on disposal of property, plant and equipment	**36,288**	—
Interest income	**27**	18
Income tax expense	**(80)**	(11)

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

Dezhou Heng Yuan (Continued)

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

	2021 HK$'000	2020 HK$'000
Net assets of Dezhou Heng Yuan	**114,062**	146,292
Proportion of the Group's equity interests in Dezhou Heng Yuan	**49%**	49%
Carrying amount of the Group's interests in Dezhou Heng Yuan	**55,890**	71,683

Aggregate information of joint ventures that are not individually material.

	2021 HK$'000	2020 HK$'000
The Group's share of profit and total comprehensive income	**6,046**	984
Aggregate carrying amount of the Group's interests in these joint ventures	**20,515**	14,469

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

	2021 HK$'000	2020 HK$'000
Cost of investment in unlisted associates	**10,491**	10,330
Share of post-acquisition losses and other comprehensive expenses	**(20,329)**	(20,574)
	(9,838)	(10,244)
Included in:		
Non-current assets	**3,834**	4,188
Non-current liabilities	**(13,672)**	(14,432)
	(9,838)	(10,244)

At 31 December 2021, the Group has contractual obligations to share the net liabilities of certain associates amounting to HK$13,672,000 (2020: HK$14,432,000).

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

Details of each of the Group's principal associates as at 31 December 2021 and 2020 are as follows:

Name of associate	Form of entity	Place of incorporation/ operation	Proportion of nominal value of issued ordinary capital held indirectly by the Company		Proportion of voting rights held by the Group		Principal activities
			2021 %	2020 %	2021 %	2020 %	
Hong Kong Landfill Restoration Group Limited ("Hong Kong Landfill")	Incorporated	Hong Kong	**34.5**	34.5	**34.5**	34.5	Civil engineering
Genetron Engineering Company Limited ("Genetron Engineering")	Incorporated	Hong Kong	**30**	30	**30**	30	Civil engineering
B Bim Creation Limited	Incorporated	Hong Kong	**30**	30	**30**	30	Consultancy service

Summarised financial information of material associates

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

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

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

Hong Kong Landfill

	2021 HK$'000	2020 HK$'000
Current assets	68,206	56,836
Non-current assets	36,888	36,948
Current liabilities	(132,438)	(122,648)

	2021 HK$'000	2020 HK$'000
Revenue	40,655	36,038
Profit (loss) for the year	1,520	(558)
Total comprehensive income (expense) for the year	1,520	(558)

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

	2021 HK$'000	2020 HK$'000
Net liabilities of Hong Kong Landfill	(27,344)	(28,864)
Proportion of the Group's equity interests in Hong Kong Landfill	50%	50%
Carrying amount of the Group's obligations in excess of interests in Hong Kong Landfill	(13,672)	(14,432)

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

Genetron Engineering

	2021 HK$'000	2020 HK$'000
Current assets	**14,562**	16,312
Non-current assets	**1,365**	1,209
Current liabilities	**(8,453)**	(7,237)
Non-current liabilities	**(3,181)**	(3,181)

	2021 HK$'000	2020 HK$'000
Revenue	**26,544**	30,721
Loss for the year	**(2,810)**	(5,051)
Total comprehensive expense for the year	**(2,810)**	(5,051)

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

	2021 HK$'000	2020 HK$'000
Net assets of Genetron Engineering	**4,293**	7,103
Proportion of the Group's equity interests in Genetron Engineering	**30%**	30%
Carrying amount of the Group's interests in Genetron Engineering	**1,288**	2,131

Aggregate information of associate that is not individually material.

	2021 HK$'000	2020 HK$'000
The Group's share of profit and total comprehensive income	**328**	40
Aggregate carrying amount of the Group's interests in the associate	**2,546**	2,057

22. LOAN TO AN ASSOCIATE

The amount is unsecured, interest bearing at 2.75% fixed rate per annum and will be fully repaid before 31 December 2024, therefore the amount is classified as non-current at 31 December 2021 and 2020.

Details of the impairment assessment are set out in note 43.

23. OTHER FINANCIAL ASSET AT AMORTISED COST

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

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

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

Details of the impairment assessment are set out in note 43.

24. INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Uninstalled construction materials	**36,426**	12,750

The cost of inventories recognised as an expense during the year is HK$1,102,781,000 (2020: HK$859,948,000).

25. DEBTORS, DEPOSITS AND PREPAYMENTS

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

	2021 HK$'000	2020 HK$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	**362,900**	231,232
61 to 90 days	**467**	748
Over 90 days	**16,356**	16,401
	379,723	248,381
Bills receivables	**26,638**	10,537
Other debtors, deposits and prepayments	**276,024**	213,725
	682,385	472,643

As at 1 January 2020, trade receivables from contracts with customers amounted to HK$239,506,000.

During the year ended 31 December 2019, Tianjin Wai Kee Earth, a subsidiary of the Group, advanced a loan to an independent third party in the amount of RMB50,000,000 (equivalent approximately to HK$55,875,000). The loan is interest bearing at 12% fixed rate per annum and repayable on demand.

During the year ended 31 December 2020, the Group advanced a loan to a partner of a joint venture in the amount of HK$3,150,000. The loan is interest bearing at 7% fixed rate per annum and repayable on demand.

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

Details of impairment assessment are set out in note 43.

26. CONTRACT ASSETS

	2021 HK$'000	2020 HK$'000
Analysed as current:		
Unbilled revenue of construction contracts (Note a)	2,236,401	1,295,164
Retention receivables of construction contracts (Note b)	658,699	498,000
	2,895,100	1,793,164
Retention receivables of construction contracts		
Due within one year	83,803	148,699
Due more than one year	574,896	349,301
	658,699	498,000

As at 1 January 2020, contract assets amounted to HK$2,135,584,000.

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 the completion of the construction work.

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

Details of the impairment assessment are set out in note 43.

27. AMOUNT(S) DUE FROM A JOINT VENTURE/ASSOCIATES/OTHER PARTNERS OF JOINT OPERATIONS

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

Details of the impairment assessment are set out in note 43.

28. FINANCIAL ASSETS AT FVTPL

	2021 HK$'000	2020 HK$'000
Financial assets mandatorily measured at FVTPL:		
Listed securities in Hong Kong (Note a)	**36,609**	38,519
Quoted equity securities in the USA (Note b)	**6,796**	4,976
Unlisted equity investment in Hong Kong (Note c)	**6,000**	—
Financial assets designated at FVTPL:		
Quoted debt securities (Note d)	**336,117**	446,642
	385,522	490,137
Analysed for reporting purposes as:		
Non-current assets	**6,000**	—
Current assets	**379,522**	490,137
	385,522	490,137

Notes:

(a) The listed securities in Hong Kong are measured at fair value at recurring basis, by reference to market bid price in an active market.

(b) The quoted equity securities represent investment in quoted equity securities issued by a private entity incorporated in the USA. It has been acquired principally for the purpose of selling in the near term, thus classified as held for trading. The quoted equity securities are available for trading at the USA's Over-The-Counter ("OTC") market. The quoted equity securities are revalued according to the available quoted OTC price at 31 December 2021 and 31 December 2020.

(c) The unlisted equity investment represents investment in a private entity incorporated in Hong Kong. The fair value of the investment is measured with reference to the market value of the shares in recent investment transactions of the private entity.

(d) The quoted debt securities represent investment in unlisted bonds issued by listed entity. It has been acquired principally for the purpose of selling in the near term, thus classified as held for trading. The quoted debt securities were pledged to a bank for securing the banking facility granted to the Group.

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

Bank deposits of the Group amounting to HK$77,746,000 (2020: HK$39,683,000) are pledged to banks for securing the banking facilities granted to the Group. The pledged bank deposits carry interest at market rates which range from 0.001% to 2.75% (2020: 0.001% to 2.43%) per annum.

As at 31 December 2021, time deposits of HK$20,210,000 (2020: HK$79,540,000) with original maturity of not less than three months carry interest at market rates which range from 0.14% to 2.1% (2020: 0.42% to 2.43%) per annum.

As at 31 December 2021, bank balances and cash include the time deposits of HK$24,500,000 (2020: HK$304,162,000) with original maturity of three months or less, bank balances and cash carry interest at market rates which range from 0.001% to 0.16% (2020: 0.001% to 0.46%) per annum.

Details of the impairment assessment are set out in note 43.

30. CREDITORS AND ACCRUED CHARGES

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

	2021 **HK$'000**	2020 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**321,190**	251,572
61 to 90 days	**83,175**	27,869
Over 90 days	**12,483**	35,092
	416,848	314,533
Retention payables	**641,789**	471,869
Accrued project costs	**2,711,154**	1,736,502
Other creditors and accrued charges	**123,209**	93,245
	3,893,000	2,616,149
Retention payables:		
Repayable within one year	**88,528**	163,973
Repayable more than one year	**553,261**	307,896
	641,789	471,869

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

31. CONTRACT LIABILITIES

	2021 **HK$'000**	2020 HK$'000
Construction contracts	**405,696**	568,706

As at 1 January 2020, contract liabilities amounted to HK$779,716,000.

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

Revenue from construction contracts recognised during the year ended 31 December 2021 that was included in the contract liabilities at the beginning of the year was HK$328,332,000 (2020: HK$315,593,000).

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

Construction contracts

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

32. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	25,592	23,043
In the second year	20,062	14,331
In the third to fifth year inclusive	2,851	14,266
	48,505	51,640
Less: Amounts due within one year shown under current liabilities	(25,592)	(23,043)
Amounts shown under non-current liabilities	22,913	28,597

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

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

34. AMOUNT DUE TO AN ASSOCIATE

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

The non-current amount due to an associate is unsecured, interest-free and has an agreed repayment terms which is not repayable within twelve months from the end of the reporting period and the balance is therefore shown as non-current liabilities. The non-current amount is carried at amortised cost using effective interest of 5.4% (2020: 5.4%) per annum.

35. BANK LOANS

	2021 HK$'000	2020 HK$'000
The maturity of the bank loans that based on repayment schedule of respective loan agreements is as follows:		
Within one year	**617,676**	363,003
In the second year	**96,032**	101,441
In the third to fifth year inclusive	**73,290**	18,318
	786,998	482,762
Less: Amounts due within one year shown under current liabilities	**(786,998)**	(482,762)
Amounts shown under non-current liabilities	**–**	–
Secured bank loans	**303,257**	350,644
Unsecured bank loans	**483,741**	132,118
	786,998	482,762

At the end of the reporting period, all bank loans are variable rate borrowings which carry interest rate ranging from 0.92% to 5.3% (2020: 0.92% to 5.00%) per annum, except for bank loans of RMB41,300,000 (equivalent approximately to HK$50,572,000) (2020: RMB31,980,000 (equivalent approximately to HK$38,117,000)) which carries fixed interest rate at 5.87% per annum (2020: 5.87%). All variable rate bank loans carry interest rate which is repriced every month.

As at 31 December 2021, the Group has bank loans in the amount of HK$786,998,000 (2020: HK$482,762,000) contain a repayable on demand clause and accordingly related bank loans that are repayable more than one year after the end of reporting period with aggregate carrying amount of HK$169,322,000 (2020: HK$119,759,000) have been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK$1,035,054,000 (2020: HK$839,641,000).

36. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,241,877,992	124,188

37. CONVERTIBLE PREFERENCE SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Convertible preference shares of HK$0.01 each		
At 31 December 2021 (Note)	–	–
At 1 January 2020 and 31 December 2020	3,000,000,000	30,000
Issued and fully paid:		
Convertible preference shares of HK$0.01 each		
At 1 January 2020 and 31 December 2020	–	–

Note: On 25 May 2021, the shareholders passed an ordinary resolution to cancel all the unissued convertible preference shares from the authorised share capital of the Company.

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

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

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

38. DEFERRED TAX LIABILITIES

	2021 HK$'000	2020 HK$'000
Deferred tax liabilities	**18,468**	5,750

The deferred tax liabilities recognised by the Group represent fair value of intangible assets arising from the acquisition of a subsidiary during the year ended 31 December 2005 and acquisition of a business during the year ended 31 December 2021.

	HK$'000
At 1 January 2020 and 31 December 2020	5,750
Acquisition of a business (Note 48)	15,737
Credit to profit or loss (Note 12)	(3,019)
At 31 December 2021	18,468

38. DEFERRED TAX LIABILITIES (Continued)

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:

	2021 HK$'000	2020 HK$'000
Tax losses:		
Carried forward indefinitely	**344,658**	340,680

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

39. BONDS

On 5 January 2015 and 28 October 2015, Build King Construction Limited, a wholly owned subsidiary of the Company as the issuer and the Company as guarantor entered into a placing agreement with a placing agent, an independent third party for the purposes of arranging placees for the issue of bonds in denomination of HK$1,000,000 each up to an aggregate principal amount of HK$100,000,000 and HK$50,000,000 respectively. The bonds would be matured at the date immediately following five years after the first issue of the bonds and carry coupon interest of 7% per annum, accrued daily on a 365 days basis that is payable semi-annually in arrears on every 1 January and 1 July of each calendar year, up to but excluding the maturity date of the bonds. At 31 December 2020, bonds with the total amount of HK$127,400,000, net of issue expenses, were issued. Such expenses were 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. During the year ended 31 December 2021, bonds with total amount of HK$14,000,000 (2020: HK$116,000,000) were repaid.

	2021 HK$'000	2020 HK$'000
Analysed for reporting purpose as:		
Non-current	**–**	–
Current	**–**	13,965
	–	13,965

40. OTHER CREDITORS

The amounts are unsecured, interest bearing at 4% fixed rate per annum and variable interest with special condition as per respective loan agreements and will be fully repaid before 31 December 2025, therefore the amounts are classified as non-current at 31 December 2021 and 2020.

41. JOINT OPERATIONS

At 31 December 2021 and 2020, the Group had interests in the following principal joint operations:

Name of joint operation	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group		Principal activities
			2021 **%**	2020 %	
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering
China State-Build King Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering
CRBC-Kaden Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
CRBC-CEC-Kaden Joint Venture	Unincorporated	Hong Kong	**32.5**	32.5	Civil engineering
Kaden-Chun Wo Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
CRBC-Build King Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering
Build King-Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
Build King - SCT Joint Venture	Unincorporated	Hong Kong	**N/A**	51	Civil engineering
Build King - SK Ecoplant Joint Venture (formerly known as: Build King - SKEC Joint Venture)	Unincorporated	Hong Kong	**60**	60	Civil engineering
Build King - SK Ecoplant Joint Venture (formerly known as: Build King - SKEC Joint Venture)	Unincorporated	Hong Kong	**51**	51	Civil engineering

41. JOINT OPERATIONS (Continued)

Name of joint operation	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group 2021 %	Attributable interest to the Group 2020 %	Principal activities
Build King - Kum Shing Joint Venture	Unincorporated	Hong Kong	**65**	65	Civil engineering
Build King - Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**70**	70	Civil engineering
Build King - Richwell Civil Joint Venture	Unincorporated	Hong Kong	**70**	70	Civil engineering
Build King - STEC Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
Build King - Hyundai Joint Venture	Unincorporated	Hong Kong	**70**	70	Building construction
Build King - Richwell Civil Joint Venture	Unincorporated	Hong Kong	**62**	–	Civil engineering
Build King - Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**60**	–	Civil engineering

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

42. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes the bank loans and bonds disclosed in notes 35 and 39, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the management of the Group assesses the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with the capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

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

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at FVTPL	**385,522**	490,137
Financial assets at amortised cost	**2,596,055**	2,169,479
	2,981,577	2,659,616
Financial liabilities		
Amortised cost	**4,750,666**	3,180,775

(b) Financial risk management objectives and policies

The Group's major financial instruments include other financial asset at amortised cost, trade and other debtors, amounts due from associates, a joint venture and other partners of joint operations, financial assets at FVTPL, loan to an associate, pledged bank deposits, time deposits with original maturity of not less than three months, bank balances and cash, creditors and accrued charges, amounts due to an intermediate holding company, fellow subsidiaries, an associate, other partners of joint operations and non-controlling interests, bank loans, other creditors and bonds. The risks associated with these financial instruments include market risk (interest rate risk, other price risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances (note 29), variable rate bank loans (note 35) and other creditors (note 40). Although the Group is also exposed to fair value interest rate risk in relation to loan to a partner of a joint venture (note 25), fixed rate lease liabilities (note 32), amount due to an associate (note 34) and bonds (note 39), the Group's policy to keep its borrowings at floating rate of interests would minimise the fair value interest rate risk.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. Several of the Group's Hong Kong Interbank Offered Rate ("HIBOR") bank loans may be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank loans.

For variable rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2020: 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 (2020: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 would decrease/increase by HK$6,064,000 (2020: HK$3,676,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank loans.

(ii) Other price risk

The Group is exposed to equity and debt security price risk through its investments in financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Other price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% (2020: 5%) higher/lower while all other variables were held constant, the profit for the year ended 31 December 2021 would increase/decrease by HK$19,276,000 (2020: HK$24,507,000) as a result of the changes in fair value of financial assets at FVTPL.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Currency risk

The Group is exposed to currency risk as certain financial assets at FVTPL, pledged bank deposits and bank balances are denominated in foreign currencies, principally denominated in US$ and RMB, which are different from the Group's functional currency. However the Group's exposure to currency risk is minimal as the exchange rate of HK$ is pegged with US$ and the movement of RMB/HK$ is not expected to be fluctuated significantly until next reporting period.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currencies should the needs arise.

Credit risk management and impairment assessment

Apart from the trade receivables from the two (2020: two) largest debtors, the Group does not have significant risk exposure to any single counterparty at 31 December 2021.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The default risk of the two largest debtors should be low as they have good reputation and financially sound.

The Group has concentration of credit risk as 78% (2020: 74%) of the total trade receivables was due from the Group's two largest debtors.

Amounts due from associates, a joint venture and other partners of joint operations, loan to an associate

The credit risk of amounts due from associates, a joint venture and other partners of joint operations, loan to an associate 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, a joint venture and other partners of joint operations which mainly engage in the construction service in Hong Kong. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management and impairment assessment (Continued)

Other financial asset at amortised cost and other debtors and deposits

The credit risk of other financial assets and other debtors and deposits is managed through an internal process. The Group closely monitor the outstanding amounts of other financial asset at amortised cost and other debtors and deposits 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, bank balances and bills receivables

The credit risk for pledged bank deposits, time deposits with original maturity of not less than three months, bank balances and bills receivables is limited because the counterparties are banks or financial institutions with high credit ratings. The Group assessed 12m ECL for pledged bank deposits, time deposits with original maturity of not less than three months, bank balances and bills receivables by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits, time deposits with original maturity of not less than three months, bank balances and bills receivables is considered to be insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management and impairment assessment (Continued)

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

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2021 Gross carrying amount HK$'000	2020 Gross carrying amount HK$'000
Financial assets at amortised cost						
Loan to an associate	22	N/A	Low risk (Note 1)	12m ECL	**2,700**	2,700
Other financial asset at amortised cost	23	N/A	Low risk (Note 1)	12m ECL	**36,782**	36,955
Amount due from a joint venture	27	N/A	Low risk (Note 1)	12m ECL	**720**	701
Amounts due from associates	27	N/A	Low risk (Note 1)	12m ECL	**7,782**	7,786
Amounts due from other partners of joint operations	27	N/A	Low risk (Note 1)	12m ECL	**22,521**	61,373
Other debtors and deposits*	25	N/A	Low risk (Note 1)	12m ECL	**265,755**	166,669
Debtors	25	N/A	Low risk (Note 2)	Lifetime ECL	**379,723**	248,381
Bills receivables	25	N/A	Low risk (Note 1)	12m ECL	**26,638**	10,537
Pledged bank deposits	29	A3 to Aa3 (2020: Baa1 to Aa2)	N/A	12m ECL	**77,746**	39,683
Time deposits with original maturity of not less than three months	29	A2 to A1 (2020: A2 to A1)	N/A	12m ECL	**20,210**	79,540
Bank balances	29	Baa3 to Aa2 (2020: Baa3 to Aa3)	N/A	12m ECL	**1,752,288**	1,512,100
Other item:						
Contract assets	26	N/A	Low risk (Note 2)	Lifetime ECL	**2,895,100**	1,793,164

* The gross carrying amounts disclosed above include the relevant interest receivables which presented in other receivables.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management and impairment assessment (Continued)

Notes:

1. For the purposes of internal credit risk management, the Group uses the financial information of the joint ventures, associates and 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. The balances of other debtors and deposits are not past due.

2. For trade debtors and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The trade debtors and contract assets are assessed for ECL individually.

For the assessment of lifetime ECL by management, the estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. No impairment allowance was made on trade debtors, contract assets and other financial assets at the end of each year as the historical default rates of debtors are low.

The Group's credit risk on pledged bank deposits and time deposits and their respective balances are limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

The credit risk of other debtors and deposits is managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group reviews the recoverable amount of these other debtors and deposits at the end of each reporting period.

For loans to joint ventures, amounts due from associates and amounts due from other partners of joint operations, the management of the Group makes individual assessment on the recoverability of each balance based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. During the year ended 31 December 2020, impairment allowance of HK$7,013,000 (2021: nil) was made on credit-impaired amount due from other partner of a joint operation.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management and impairment assessment (Continued)

The following tables show reconciliation of loss allowance that has been recognised for amount due from other partner of a joint operation:

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2020	27,315
Impairment losses recognised	7,013
Write-offs	(34,328)
As at 31 December 2020	**–**

Liquidity risk

The Group's liquidity position and its compliance with lending covenants is monitored closely by the management of the Company, to ensure that the Group maintains sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and long term. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	Repayable on demand or 3 months or less HK$'000	3 - 6 months HK$'000	6 - 12 months HK$'000	1 - 3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2021								
Non-interest bearing	–	3,384,838	674	68	392,762	162,326	3,940,668	3,940,668
Fixed interest rate instruments	5.87	58,542	–	–	–	–	58,542	50,572
Variable interest rate instruments	2.58	752,359	230	460	1,840	23,920	778,809	759,426
		4,195,739	904	528	394,602	186,246	4,778,019	4,750,666
Lease liabilities	3.50	7,964	7,663	13,408	26,143	–	55,178	48,505
2020								
Non-interest bearing	–	2,282,486	3,087	65,321	238,121	72,033	2,661,048	2,661,048
Fixed interest rate instruments	6.34	39,236	3,065	11,553	–	–	53,854	52,081
Variable interest rate instruments	2.02	456,115	230	460	1,840	24,840	483,485	467,646
		2,777,837	6,382	77,334	239,961	96,873	3,198,387	3,180,775
Lease liabilities	3.50	7,364	6,750	10,239	27,878	1,679	53,910	51,640

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or 3 months or less" time band in the above maturity analysis. As at 31 December 2021, the aggregate carrying amounts of these bank borrowings amounted to HK$786,998,000 (2020: HK$482,762,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within three years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details are set out in respective loan agreements as detailed below:

	3 months or less HK$'000	3 - 6 months HK$'000	6 - 12 months HK$'000	1 - 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2021	**444,616**	**154,313**	**35,550**	**176,191**	**810,670**	**786,998**
At 31 December 2020	282,861	61,096	25,241	125,923	495,121	482,762

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

Interest rate benchmark reform

Several of the Group's HIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group rising from the transition:

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Interest rate benchmark reform (Continued)

(i) Risks arising from the interest rate benchmark reform (Continued)

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

(c) Fair value

The listed securities, quoted equity securities and quoted debt securities of the Group are measured at fair value at recurring basis, by reference to market bid price or quoted price in active markets and classified under Level 1.

The unlisted equity investment of the Group are measured at fair value derived by management estimation with reference to the market value of the shares in recent investment transactions and classified under Level 2. The considerations may vary significantly due to difference in timing, condition of sales and terms of agreements, size and nature of similar business to derive the estimated fair value.

The fair values of the financial assets and financial liabilities that are not measured at fair value on a recurring basis have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

44. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	87,934	2,560

45. RETIREMENT BENEFITS SCHEMES

The Group has two MPF Schemes and state-managed retirement 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 also provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The amount charged to profit or loss of HK$51,258,000 (2020: HK$42,996,000) represents contributions paid or payable to the retirement benefits schemes by the Group at the rates specified in the rules of the MPF Schemes reduced by the aforesaid amount of forfeited benefits in respect of the current accounting period. The amount of forfeited contributions utilised in this manner during the year was approximately HK$1,008,000 (2020: HK$942,000). At the end of the reporting period, the total amount of forfeited contributions, which arose upon employees leaving the MPF Schemes and which are available to reduce the contributions payable in future years, was HK$380,000 (2020: HK$264,000).

46. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

	2021 HK$'000	2020 HK$'000
Fellow subsidiaries		
Land plant hire income (Note a)	**120**	104
Purchase of construction materials (Note b)	**199,532**	64,757
Construction contract revenue (Note b)	**70,073**	65,586
An associate of ultimate holding company		
Construction contract revenue (Note b)	**30,627**	367,995

Details of the balances with associates, joint ventures, other partners of joint operations, an intermediate holding company, fellow subsidiaries and non-controlling interests are disclosed in the consolidated statement of financial position and respective notes.

Included in the contract assets is an amount due from a fellow subsidiary of HK$11,253,000 (2020: HK$18,215,000).

Balance with an associate of ultimate holding company are included in contract assets of HK$72,433,000 (2020: HK$164,958,000).

Included in creditors and accrued charges is an amount due to a fellow subsidiary of HK$66,678,000 (2020: HK$21,359,000).

Notes:

(a) Transactions are fully exempted continuing connected transactions under Rule 14A.76(1) of the Listing Rules.

(b) Transactions constitute connected transaction or continuing connected transaction and the Company has fully complied with the relevant disclosures requirements under Chapter 14A of the Listing Rules.

46. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	75,512	63,122
Post-employment benefits	3,173	2,293
	78,685	65,415

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other creditors HK$'000 (Note 40)	Bank loans HK$'000 (Note 35)	Bonds HK$'000 (Note 39)	Lease liabilities HK$'000 (Note 32)	Dividend payable HK$'000	Amount due to an intermediate holding company HK$'000 (Note 33)	Amount due to an associate HK$'000 (Note 34)	Amounts due to non-controlling interests HK$'000 (Note 33)	Total HK$'000
At 1 January 2020	–	238,781	129,738	29,028	–	15,652	21,503	3,094	437,796
Financing cash flows	22,649	228,077	(119,972)	(23,052)	(59,610)	1,293	–	–	49,385
Interest expenses	351	11,634	4,199	160	–	–	651	–	16,995
New leases entered	–	–	–	45,504	–	–	–	–	45,504
Exchange realignment	–	4,270	–	–	–	–	–	–	4,270
Dividend declared	–	–	–	–	59,610	–	–	–	59,610
At 31 December 2020	**23,000**	**482,762**	**13,965**	**51,640**	**–**	**16,945**	**22,154**	**3,094**	**613,560**
Financing cash flows	(920)	286,048	(14,615)	(28,116)	(86,931)	1,275	–	–	156,741
Interest expenses	920	15,960	650	809	–	–	675	–	19,014
New leases entered	–	–	–	24,172	–	–	–	–	24,172
Exchange realignment	–	2,228	–	–	–	–	–	–	2,228
Dividend declared	–	–	–	–	86,931	–	–	–	86,931
At 31 December 2021	**23,000**	**786,998**	**–**	**48,505**	**–**	**18,220**	**22,829**	**3,094**	**902,646**

48. ACQUISITION OF A BUSINESS

On 26 November 2021, the Group entered into a supplement deed with a joint venture partner and pursuant to which the Group obtains all of the rights, obligation and interest in an existing joint operation where the Group held 51% interest before the acquisition at a consideration of HK$39,024,000, representing a cash consideration amounting HK$106,652,000 and a receivable from the joint venture partner amounting HK$67,628,000. Upon completion of the transaction, the Group has control over all the relevant activities of the operation.

The acquisition has been accounted for as acquisition of a business using the acquisition 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 31 December 2021.

Consideration transferred:

	HK$'000
Cash	106,652
Less: Receivable from the joint venture partner (included in debtors, deposits and prepayments)	(67,628)
Total	39,024

Assets and liabilities of the joint operation at the date of acquisition were as follows:

	At date of acquisition HK$'000
Intangible assets	95,378
Debtors, deposits and prepayments	200,010
Contract assets	104,717
Bank balances and cash	906,071
Creditors and accrued charges	(453,115)
Amount due to the Group	(635,403)
Tax liabilities	(122,280)
Deferred tax liabilities	(15,737)
	79,641

The fair value and gross contractual amounts of trade debtors at the date of acquisition amounted to HK$186,956,000. The best estimate at acquisition date of the contractual cash flows expected to be collected is full.

48. ACQUISITION OF A BUSINESS (Continued)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	39,024
Plus: fair value of previously held interest in the joint operation	40,617
Less: net assets acquired	(79,641)
Goodwill arising on acquisition	–

The Group's previously held interest in the joint operation is remeasured to fair value amounting to HK$40,617,000 at the acquisition date which is a non-cash transaction.

Net cash inflows arising on acquisition:

	HK$'000
Consideration paid in cash	106,652
Less: bank balances and cash acquired	(443,975)
	(337,323)

Impacts of acquisition on the results of the Group

Included in the profit for the year, profit amounting of HK$8,966,000 was attributable to the business operation of the acquired joint operation. Revenue for the year ended 31 December 2021 included HK$80,824,000 which was generated from the acquired joint operation.

Had the acquisition been completed on 1 January 2021, revenue for the year of the Group would have been HK$11,196,702,000, and profit for the year of the Group would have been HK$398,905,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current asset		
Unlisted investments in subsidiaries	**60,000**	60,000
Current assets		
Amounts due from subsidiaries	**420,971**	318,995
Bank balances and cash	**955**	1,316
	421,926	320,311
Current liabilities		
Other creditors and accrued charges	**353**	192
Amount due to an intermediate holding company	**2,514**	2,514
Amounts due to subsidiaries	**327,457**	237,825
	330,324	240,531
Net current assets	**91,602**	79,780
Total assets less current liabilities	**151,602**	139,780
Capital and reserves		
Ordinary share capital	**124,188**	124,188
Reserves	**27,414**	15,592
Total equity	**151,602**	139,780

Movement in reserves

	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Other reserve HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	14,186	419,212	115	(418,852)	14,661
Profit and total comprehensive income for the year	–	–	–	60,541	60,541
Dividend paid	–	–	–	(59,610)	(59,610)
At 31 December 2020	**14,186**	**419,212**	**115**	**(417,921)**	**15,592**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**98,753**	**98,753**
Dividend paid	**–**	**–**	**–**	**(86,931)**	**(86,931)**
At 31 December 2021	**14,186**	**419,212**	**115**	**(406,099)**	**27,414**

Note: The contributed surplus and other reserve represent adjustments in share capital on the reverse acquisition of the Company in 2004.

50. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid/ registered ordinary share capital	Proportion of nominal value of issued ordinary share capital held by the Group 2021 %	2020 %	Principal activities
Allied Wise Limited	Hong Kong	Hong Kong	HK$2	100	100	Investment holding
Amazing Reward Group Limited	BVI	Hong Kong	US$1,000,000	100	100	Investment holding
Titan Foundation Limited	Hong Kong	Hong Kong	HK$20,000,000	100	100	Civil engineering
Build King Construction Limited ("BKCL")	United Kingdom	Hong Kong	GBP16,072,500	100	100	Construction and civil engineering
Build King Civil EngineeringLimited	Hong Kong	Hong Kong	HK$75,200,000 Ordinary shares	100	100	Civil engineering
			HK$24,000,000 Non-voting deferred shares	100	100	
Build King Management Limited	Hong Kong	Hong Kong	HK$2	100	100	Provision of administrative and management services to group companies
Integral E&M Contracting Limited	Hong Kong	Hong Kong	HK$5,520,000	100	–	Electrical and mechanical engineering
Integral E&M Engineering Limited	Hong Kong	Hong Kong	HK$2	100	100	Electrical and mechanical engineering
Leader Marine Contractors Limited	Hong Kong	Hong Kong	HK$200,000	100	100	Marine engineering and provision of transportation services
Leader Marine Cont. L.L.C.	Sharjah, United Arab Emirates ("U.A.E.")	U.A.E.	Dh300,000	100	100	First class contracting/ specialised in marine construction

50. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid/ registered ordinary share capital	Proportion of nominal value of issued ordinary share capital held by the Group 2021 %	2020 %	Principal activities
Profound Success Limited	BVI	Hong Kong	US$1	100	100	Investment holding
Top Tactic Holdings Limited	BVI	BVI	US$1	100	100	Investment holding
Wai Kee China Construction Company Limited	Hong Kong	The PRC	HK$10,000,000	100	100	Civil engineering
Wai Kee China Infrastructure Limited	Hong Kong	The PRC	HK$1	100	100	Investment holding
Build King (Zens) Engineering Limited	Hong Kong	Hong Kong	HK$66,000,002 Ordinary shares	100	100	Civil engineering
			HK$14,800,000 Non-voting deferred shares	100	100	
			HK$5,200,000 Non-voting deferred shares (note a)	–	–	
Wisdom Aim Investments Limited	Hong Kong	Hong Kong	HK$1	100	100	Provision of secretarial and nominee services to group companies
Wuxi Qianhui Sewage Treatment Co., Ltd. (note b)	The PRC	The PRC	US$9,000,000	95.6	95.6	Sewage treatment
Build King Interior & Construction Limited	Hong Kong	Hong Kong	HK$1,000,000	100	100	Fitting out, improvement and alteration works for buildings
惠記環保工程(上海)有限公司 (note c)	The PRC	The PRC	US$800,000	100	100	Environmental engineering
Tianjin Wai Kee Earth (note b)	The PRC	The PRC	RMB320,000,000	84.81	84.73	Steam fuel supply

50. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the company. On a winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the company only after the distribution of substantial amounts as specified in the Articles of Association to holders of ordinary shares of the company.

(b) The company is a co-operative joint venture registered in the PRC.

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

Except for Top Tactic Holdings Limited, all subsidiaries are indirectly held by the Company.

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

Except for BKCL which has issued bonds (note 39), none of the subsidiaries had any debt securities outstanding at the end of both years or at any time during both years.

In the opinion of the directors of the Company, there are no subsidiaries that have non-controlling interest individually which are material to the Group at the end of each reporting period. Therefore, no information is disclosed for these non-wholly owned subsidiaries.

RESULTS

	Year ended 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Group revenue	5,986,382	6,305,348	7,568,461	7,628,388	**10,030,017**
Share of revenue of joint ventures	34,933	75,314	109,126	118,590	**90,836**
	6,021,315	6,380,662	7,677,587	7,746,978	**10,120,853**
Group revenue	5,986,382	6,305,348	7,568,461	7,628,388	**10,030,017**
Operating profit	266,899	538,224	374,166	469,854	**371,400**
Share of results of joint ventures	8,654	16,319	22,351	16,511	**24,224**
Share of results of associates	519	(1,190)	(1,941)	(1,754)	**245**
Finance costs	(18,950)	(20,467)	(18,778)	(16,995)	**(19,014)**
Profit before tax	257,122	532,886	375,798	467,616	**376,855**
Income tax expense	(70,048)	(119,128)	(78,153)	(27,391)	**(84,964)**
Profit for the year	187,074	413,758	297,645	440,225	**291,891**

FINANCIAL POSITION

	At 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Total assets	3,739,800	4,296,230	5,269,270	5,443,244	**7,126,192**
Total liabilities	(3,027,240)	(3,351,645)	(4,084,336)	(3,853,950)	**(5,319,565)**
Net assets	712,560	944,585	1,184,934	1,589,294	**1,806,627**

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zen Wei Peu, Derek
(Chairman, Chief Executive Officer and Managing Director)
Chang Kam Chuen, Desmond
Lui Yau Chun, Paul
Tsui Wai Tim

Non-executive Directors

David Howard Gem
Chan Chi Hung, Anthony

Independent Non-executive Directors

Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
Lo Yiu Ching, Dantes
Ng Cheuk Hei, Shirley

AUDIT COMMITTEE

Ho Tai Wai, David *(Chairman)*
Ling Lee Ching Man, Eleanor
Lo Yiu Ching, Dantes
Ng Cheuk Hei, Shirley

NOMINATION COMMITTEE

Lo Yiu Ching, Dantes *(Chairman)*
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
Ng Cheuk Hei, Shirley
Zen Wei Peu, Derek

REMUNERATION COMMITTEE

Ling Lee Ching Man, Eleanor *(Chairwoman)*
Ho Tai Wai, David
Lo Yiu Ching, Dantes
Ng Cheuk Hei, Shirley
Zen Wei Peu, Derek

COMPANY SECRETARY

Chang Kam Chuen, Desmond

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Hamilton HM 12
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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