WAI KEE
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ZENS

Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNUAL REPORT 2021

CONTENTS

Financial Highlights

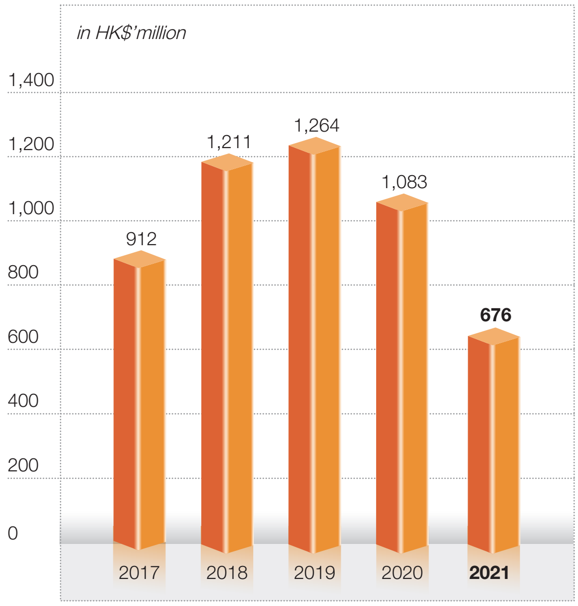
	Year ended 31st December,	
	2021	2020
	HK$'million	*HK$'million*
Revenue	**10,277**	7,977
Profit for the year	**801**	1,271
Profit attributable to owners of the Company	**676**	1,083
	HK$	*HK$*
Basic earnings per share	**0.85**	1.37
Dividends per share	**0.18**	0.32
Return on equity attributable to owners of the Company	**6.3%**	11.0%

	At 31st December,	
	2021	2020
	HK$'million	*HK$'million*
Total assets	**18,404**	15,352
Total liabilities	**(6,939)**	(4,828)
Non-controlling interests	**(790)**	(669)
Equity attributable to owners of the Company	**10,675**	9,855
	HK$	*HK$*
Equity attributable to owners of the Company per share	**13.46**	12.43

Financial Highlights

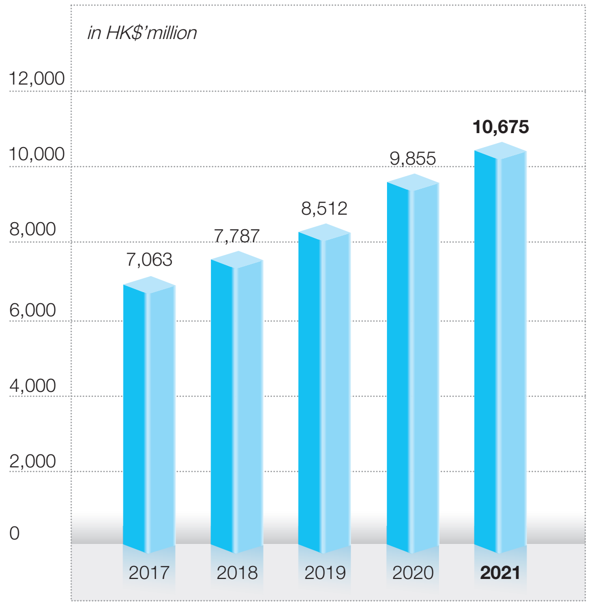
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Year ended 31st December,



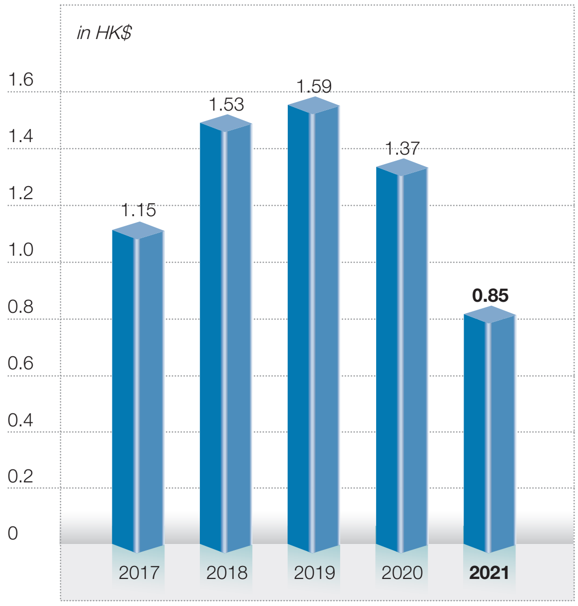
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

At 31st December,



BASIC EARNINGS PER SHARE

Year ended 31st December,



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE

At 31st December,

Zen Wei Pao, William
Chairman

Dear shareholders,

The board of directors (the "Board") of the Company announces that the Group's audited revenue for the year ended 31st December, 2021 was HK$10,277 million (2020: HK$7,977 million), generating an audited consolidated profit attributable to owners of the Company of HK$676 million (2020: HK$1,083 million), a decrease of 38% as compared with that of 2020.

At the forthcoming annual general meeting to be held on 27th May, 2022, the Board will recommend the payment of a final dividend of HK11 cents (2020: HK24 cents) per share.

PROPERTY DEVELOPMENT

BUSINESS REVIEW

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

For the year ended 31st December, 2021, the Group shared a profit of HK$457 million (2020: HK$756 million) from Road King Infrastructure Limited ("Road King"), an associate of the Group. As of the date of this report, the Group holds 44.52% interest in Road King (excluding 3,000,000 ordinary shares in Road King ("Road King Shares"), representing 0.40% interest in Road King, held by Build King Holdings Limited ("Build King") which is classified under financial assets at fair value through profit or loss).

During the year ended 31st December, 2021, the Group purchased 5,717,000 (2020: 8,579,000) Road King Shares and hence recognised gain on bargain purchase of HK$112 million (2020: HK$121 million) on acquisition of additional interest in Road King.

For the year ended 31st December, 2021, Road King recorded an audited profit attributable to its owners of HK$1,028 million (2020: HK$1,723 million), a decrease of 40% as compared with that of 2020.

Despite the complex and volatile market environment, by adhering to the operating principle of striking a balance between sales volume and profitability and closely following the market trend, Road King achieved total property sales (including joint venture and associate projects) of RMB39,562 million in Mainland China in 2021, comprising the contracted sales of RMB36,663 million and outstanding subscribed sales of RMB2,899 million. The sales were mainly from projects in the Yangtze River Delta region and the overall average selling price increased by 10% as compared with last year.

In 2021, Road King acquired twelve pieces of land for residential purpose through listing-for-sale and co-development, with an aggregate floor area of 1,480,000 sqm. to replenish its land reserves and support its development scale in the next two years. As of 31st December, 2021, Road King's land reserves in Mainland China and Hong Kong were approximately 6,520,000 sqm in total. The three projects in Hong Kong are operating smoothly.

In 2021, Road King's overall average daily traffic volume and toll revenue of its expressway projects in Mainland China and Indonesia reached 321,800 vehicles and RMB3,779 million respectively, representing an increase of 13% and 39% respectively as compared with last year. As a result of the increase in toll revenue, profit of Road King's toll road segment rose to HK$579 million.

With the pandemic under control, toll road business operations gradually restored to normal. Road King's toll revenue from its expressways in Mainland China increased by 36% to RMB3,153 million in 2021 as compared with last year, with an average daily traffic volume of approximately 274,600 vehicles. The increment was mainly due to a lower revenue base as a result of the implementation of the toll-free policy for all toll roads during the pandemic prevention and control period in 2020, and a recovery to the pre-pandemic level in 2021.

Road King's total revenue from expressway projects in Indonesia increased by 55% to RMB626 million in 2021 as compared with last year, with an average daily traffic volume of approximately 47,200 vehicles. The increment was mainly due to the overall situation eased compared to last year despite the pandemic continued to resurface in 2021, as well as three projects in Indonesia successfully secured toll rate increments during the year.

TOLL ROAD

BUSINESS REVIEW (Cont'd)

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

The novel coronavirus pandemic continues to influence the investment mode, consumption habit, travel pattern and working style. After conducting an in-depth review of the business model of investment and asset management business, Road King has merged the cultural, tourist and commercial business and property development business of investment and asset management segment into its existing property segment to centralise its management. The business scale of other original investment and asset management businesses has been significantly reduced after the restructuring and rectification.

Through years of development, Road King's property business has a well-established business model, a well-functioned management system, a seasoned and dedicated operation team and a sound market position. In 2022, Road King will continue its pragmatic approach and adhere to the operating strategy of striking a balance between profitability and sales volume. To establish Road King as a more widely recognised developer, it will continue to research and develop market-oriented products and promote brand name of Road King. Road King will continue to optimise the land reserve portfolio in the Mainland China and Hong Kong in a cautious manner and seek for more development opportunities with business partners in the future.

Going forward, Road King will continue to look for new expressway projects with reasonable investment returns in Mainland China and the Asia-Pacific Region to further strengthen its toll road business.

Construction, Sewage Treatment and Steam Fuel

For the year ended 31st December, 2021, the Group shared a profit of HK$167 million (2020: HK$250 million) from Build King. As of the date of this report, the Group holds 56.76% interest in Build King.

For the year ended 31st December, 2021, Build King recorded revenue of HK$10,030 million (2020: HK$7,628 million) and an audited profit attributable to its owners of HK$295 million (2020: HK$441 million), a decrease of 33% as compared with that of 2020. This comprises profit of HK$342 million (2020: HK$452 million) from construction, sewage treatment and steam fuel operations and loss of HK$47 million (2020: HK$11 million) from investment in securities.

With the record-high successful tender in 2020 and also smooth progress of major projects as planned, Build King's turnover for the year 2021 increased by 31% and its gross profit also increased 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, Build King would continue its strategy not to compete only on price but also on technical excellence and quality of work. Leveraging on this proven strategy, Build King 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 profit after tax of Build King for the year decreased by 34%. The decrease of profit was mainly contributed by three factors. First, the Hong Kong Government's 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. Third, the tax expenses increased by three times as a result of timing difference in utilization of tax losses.

Since the issue of Build King's Annual Report 2020, Build King 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, Build King is cautiously optimistic to tendering new works and maintain its market share.

CONSTRUCTION

BUSINESS REVIEW (Cont'd)

Construction, Sewage Treatment and Steam Fuel (Cont'd)

The infrastructure investment projects in the PRC recorded turnover of HK$183 million and 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, Build King 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. At present, Build King 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, Build King has recently seen the steam production of two operating plants were picking up and two more plants may start operation during 2022. Therefore, Build King is confident the loss may turn to profit next year.

Construction Materials

For the year ended 31st December, 2021, the construction materials division recorded revenue of HK$482 million (2020: HK$429 million) and a net profit of HK$33 million (2020: HK$14 million).

The concrete business recorded better result in 2021 as compared with the corresponding period of last year. The improvement was mainly due to reduction in amortisation of intangible assets and depreciation of property, plant and equipment at Lam Tei Quarry and depreciation of right-of-use assets at Yau Tong plant resulting from the impairment losses of those assets made in previous years.

Although the concrete market remains competitive, the profit margin of concrete business was slightly improved in 2021. Other than mild disruption caused by novel coronavirus pandemic in early 2021, the market demand for concrete remained stable throughout 2021. Nevertheless, novel coronavirus cases in Hong Kong hit record high in March 2022 which has disrupted all kinds of industries including the construction materials. It is expected that the performance of the construction materials division would be affected in the first half of 2022.

In consideration of the uncertainty in operation of concrete plant at Yau Tong due to the unsettled issue of specified process licence between the landlord and Environmental Protection Department, coupled with substantial reduction of production capacity of our concrete plant as a result of additional stringent environmental control measures imposed by the Government at Yau Tong region, the operation at Yau Tong ceased in December 2021 upon termination of the lease of concrete plant with the landlord. As additional concrete batching facilities have been established after the relocation of concrete plants during the progress of the formation works at Lam Tei Quarry, loss of production capacity due to termination of the lease of the plant at Yau Tong is compensated by the expansion of production capacity of concrete plants at Lam Tei Quarry.

CONSTRUCTION MATERIALS

BUSINESS REVIEW (Cont'd)

Construction Materials (Cont'd)

The concrete orders from Build King, have been contributing significant turnover to the construction materials division, the construction materials division will shift its strategy for serving mainly to the construction division.

For the asphalt business, slight loss was still recorded in 2021. The performance of the asphalt business continues facing difficulties and fierce competition in 2021 and further onward to 2022 as low activity in large scale infrastructure projects. The profit margin further deteriorated as other competitors have adopted aggressive pricing strategy for secure orders.

The management continues to adopt prudent cost control measures and is committed to providing high quality of services to our customers in order to strengthen competitiveness.

Quarrying

For the year ended 31st December, 2021, the quarrying division recorded revenue of HK$213 million (2020: HK$193 million) and a net profit of HK$28 million (2020: a net loss of HK$9 million).

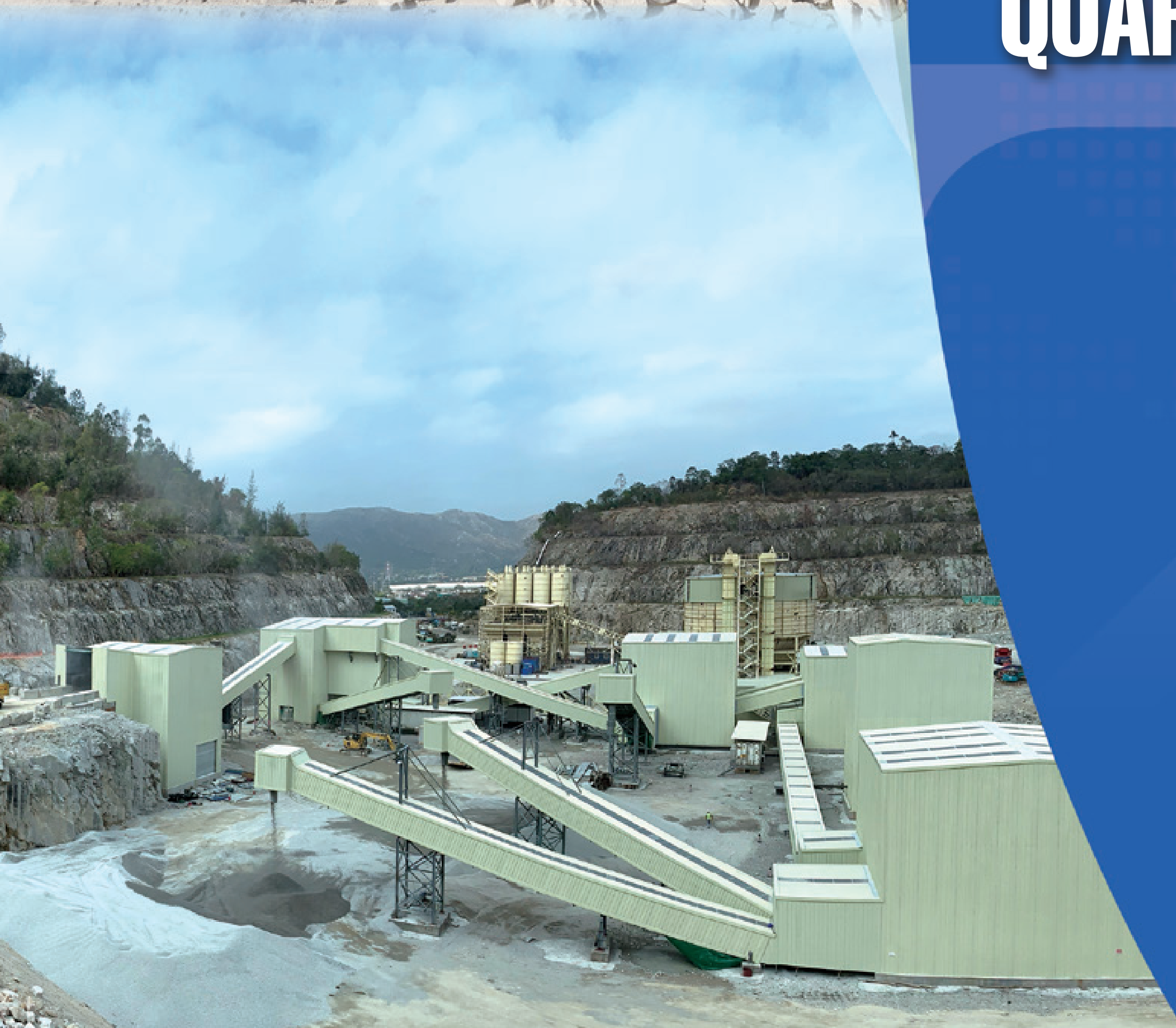
The result of quarrying division had noticeable improvement compared with the corresponding period of last year. The market price of aggregates rose in the first quarter of 2021 resulting from the decline in aggregates supply from Mainland China to Hong Kong and has maintained stable since the second quarter of 2021. There is no significant improvement in aggregates supply from Mainland China in the first quarter of 2022, hence, the current market price of aggregates remains at high level.

After the expansion of the production capacity by establishing a new crushing facility at Lam Tei Quarry was completed in 2020, profit margin was improved from securing additional sales volume of aggregates with higher price in the second quarter of 2021.

As the expansion of production capacity of the concrete batching facilities had consumed substantial part of the aggregates produced, there is only small portion available to sell to other customers. Hence, the aggregates supply contracts at low selling prices committed in previous years need further extension to 2022.

The relocation of concrete plants and asphalt plant at Lam Tei Quarry which had been completed in October 2021 affected the progress of site formation works at Lam Tei Quarry in the second half of 2021. As such, it delayed the rock available for production of aggregates. Hence, the performance of the division in the first half of 2021 is better than that in the second half of 2021.

The management continues exercising cost control measures to minimise the production cost of aggregates.



QUARRYING

BUSINESS REVIEW (Cont'd)

Impairment Loss of Lam Tei Quarry

The management has performed impairment assessment on the carrying amounts of property, plant and equipment, and the intangible assets (representing the extraction right of rock reserve and the rehabilitation costs to be incurred) for Lam Tei Quarry during the year ended 31st December, 2021. For the purpose of impairment assessment, assets of Lam Tei Quarry have been allocated to three individual cash generating units ("CGUs"), i.e. quarrying, concrete and asphalt CGUs, and the recoverable amounts of these CGUs have been determined based on the value in use calculation. The calculation uses cash flow projections based on financial budgets covering the remaining contract period of Lam Tei Quarry and discounted at a discount rate to calculate the present value. Other key assumptions for the value in use calculation relate to the estimation of the prices and budgeted gross margins of aggregates, concrete and asphalt, and the volume of rock reserve to be extracted for the remaining contract period. Based on the impairment assessment, the management considers that no further impairment on intangible assets (2020: impairment of HK$13 million) and property, plant and equipment (2020: impairment of HK$31 million) is necessary for the year ended 31st December, 2021.

Property Funds

Lion Trade Global Limited ("Lion Trade"), which is owned 70% by a wholly owned subsidiary of the Company and 30% by a wholly owned subsidiary of Build King, indirectly holds 75% interest in Wisdom H6 LLC ("JV Fund I") and 34.35% interest in Estates at Fountain Lake LLC ("JV Fund II"), both of which are US joint venture companies. JV Fund I holds a 4-storey residential rental property in Houston and JV Fund II holds a 3-storey residential rental property in Stafford of Texas. In December 2021, the occupancy rates of these two residential properties were around 93.86% and 97.71% respectively. For the year ended 31st December, 2021, Lion Trade shared profit of HK$18 million (2020: shared loss of HK$14 million) from these two US joint venture companies. During the year, the Group received cash distribution of US$0.6 million from these two US joint venture companies.

Fund Management Service and Securities Brokerage

WK Fund Management Limited ("WKFML"), which secured Type 4 (Advising on Securities) and Type 9 (Asset Management) registrations, and WK Securities Limited ("WKSL"), which secured Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) registrations, are two wholly owned subsidiaries of the Group carrying out the fund management service and securities brokerage businesses respectively.

As the existing client bases of WKFML and WKSL remain small, the division recorded a loss of HK$4 million (2020: HK$7 million) for the year ended 31st December, 2021.

BUSINESS REVIEW (Cont'd)

Investment in equity securities and debt securities

The Group holds certain equity securities of Emmaus Life Sciences, Inc. ("Emmaus"), a company incorporated and engaged in manufacture and sale of pharmaceutical products in the USA. The equity securities of Emmaus are available for trading at the USA's Over-the-Counter market. At 31st December, 2021, the fair value of the equity securities of Emmaus was HK$11 million (2020: HK$8 million), of which HK$7 million (2020: HK$5 million) was invested by Build King.

The Group holds certain listed equity securities in Hong Kong. At 31st December, 2021, the fair value of the listed equity securities in Hong Kong was HK$51 million (2020: HK$38 million), of which (including 3,000,000 Road King Shares) HK$37 million (2020: HK$38 million) was invested by Build King.

The Group also utilizes its surplus fund to invest in quoted debt securities with the intention to hold until their maturity for the purpose to earn higher returns than deposits in banks. At 31st December, 2021, the fair value of the Group's portfolio of quoted debt securities was HK$850 million (2020: HK$636 million), of which HK$336 million (2020: HK$447 million) was invested by Build King.

For the year ended 31st December, 2021, the net loss of the above investments, being the net amount of change in fair value of the investments, dividend income and interest income, was HK$94 million (2020: HK$8 million), of which net loss of HK$47 million (2020: HK$11 million) was from the investments by Build King, as a result of the significant drop in the quoted prices of the listed equity securities and the debt securities, particularly those issued by China property companies, at 31st December, 2021.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, total borrowings increased from HK$1,163 million to HK$2,238 million, which included bonds with carrying amounts of HK$121 million (2020: HK$116 million) carrying no interest, with the maturity profile summarised as follows:

	31st December,	
	2021	2020
	HK$'million	*HK$'million*
Within one year	**775**	768
In the second year	**153**	238
In the third to fifth year inclusive	**1,310**	157
	2,238	1,163
Classified under:		
Current liabilities *(note)*	**944**	888
Non-current liabilities	**1,294**	275
	2,238	1,163

Note: At 31st December, 2021, bank loans that are repayable over one year after the end of the reporting period but contain a repayment on demand clause with an aggregate carrying amount of HK$169 million (2020: HK$120 million) have been classified as current liabilities.

During the year, the Group entered into certain interest rate swap contracts with an aggregate notional amount of HK$800 million and maturity date of 25th March, 2025, designated as effective hedging instruments in order to minimise its exposures to forecast cash flow interest rate risk on certain bank loans. At 31st December, 2021, the fair value of the interest rate swap contracts under derivative financial assets is HK$11 million (2020: nil).

At 31st December, 2021, bank loans of HK$51 million (2020: HK$38 million) carried interest at fixed rate. At 31st December, 2020, bonds with carrying amounts of HK$14 million carried fixed coupon interest of 7% per annum and was fully repaid in 2021.

At 31st December, 2021, total amount of the Group's time deposits, bank balances and cash was HK$2,153 million (2020: HK$1,770 million), of which bank deposits amounting to HK$91 million (2020: HK$41 million) were pledged to banks to secure certain banking facilities granted to the Group. In addition, the Group has available unutilised banking facilities of HK$1,772 million (2020: HK$1,281 million).

The Group utilizes its surplus fund to invest in quoted debt securities. At 31st December, 2021, the fair value of the Group's portfolio of quoted debt securities was HK$850 million (2020: HK$636 million).

For the year ended 31st December, 2021, the Group recorded finance costs of HK$65 million (2020: HK$59 million).

FINANCIAL REVIEW (Cont'd)

Liquidity and Financial Resources (Cont'd)

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

Capital Structure and Gearing Ratio

At 31st December, 2021, the equity attributable to owners of the Company amounted to HK$10,675 million, representing HK$13.46 per share (2020: HK$9,855 million, representing HK$12.43 per share).

At 31st December, 2021, the gearing ratio, representing the ratio of total borrowings to equity attributable to owners of the Company, was 21.0% (2020: 11.8%) and the net gearing ratio, representing the ratio of net borrowings (total borrowings less time deposits, bank balances and cash) to equity attributable to owners of the Company, was 0.8% (2020: –6.2%).

Pledge of Assets

At 31st December, 2021, apart from the bank deposits pledged to secure certain banking facilities granted to the Group, a share of a subsidiary of the Company and the quoted debt securities with an aggregate carrying amount of HK$850 million (2020: HK$636 million) were also pledged to secure certain bank loans and banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

At 31st December, 2021, the Group committed capital expenditure contracted for but not provided in the Group's consolidated financial statements of HK$88 million (2020: HK$21 million) in respect of acquisition of property, plant and equipment. At 31st December, 2021 and 2020, the Group had no contingent liabilities.

FUTURE OUTLOOK

With the Government announcing the development of mega projects in 2021, more construction projects rolled out which will benefit the construction division in the medium term. In consideration of order book on hand, it is expected that the construction division will maintain similar level of turnover in 2022. Though the fierce competition remains in the construction market particularly in civil works, the construction division is still able to contain the overhead costs, the performance of the division is anticipated to achieve same level as that of 2021.

During the relocation of concrete plants and asphalt plant at Lam Tei Quarry in the second half of 2021, additional concrete batching facilities have been established, hence, the production capacity was increased. With termination of lease of the concrete plant at Yau Tong, we consolidate our resources of production plants at Lam Tei Quarry. To provide a better service to our clients, we continue to explore other locations for establishing other production plants.

The operation of construction materials division had adopted strenuous measures against the spread of the novel coronavirus pandemic through compulsory testing of all personnel on sites. As Hong Kong is reeling under the fifth wave of Omicron infections which disrupted all walks of industries, business activities are slow down and/or temporary suspended to control the Omicron infection cases. The operation of construction materials division is inevitably affected as Omicron infections cases detected at the production plants. The impact of novel coronavirus pandemic on the performance of the construction materials division has yet to be evaluated in the first half of 2022.

With increase of aggregates consumption by the construction materials division, the progress of the site formation works must be well planned to match with the quantity of rock supply for production of aggregates at Lam Tei Quarry. As such, the performance of the quarrying division will also rely on the quantum of rock imported to Lam Tei Quarry in 2022. In view of the progress of site formation works at Lam Tei Quarry, we started the dialogue with the Government to explore the possibility to continue the operations on site after completion of the site formation works. There are positive responses from both sides.

For other investments made by the Group, the Group would monitor closely its performance and review the investment strategy periodically. The Group continues actively to explore the co-investment opportunities with Build King and Road King that will create synergy for the sustainable growth of the Group as a whole.

APPRECIATION

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

Zen Wei Pao, William
Chairman

Hong Kong, 29th March, 2022

EXECUTIVE DIRECTORS

ZEN Wei Pao, William, age 74, is the Chairman of the Company and has been with the Group since 1971. He was appointed as an Executive Director in July 1992, a member of the Remuneration Committee of the Company in April 2005 and the Chairman of the Nomination Committee of the Company in February 2012. He holds a Bachelor of Science Degree from The Chinese University of Hong Kong and a Master of Business Administration Degree from Asia International Open University (Macau). He also attended Executive Education Program at Harvard University and Stanford Executive Program at Stanford University. He is a member of both the Hong Kong Institution of Engineers and the Institute of Quarrying, the United Kingdom ("UK"). He has over 45 years of experience in civil engineering industry. Mr. Zen is responsible for the overall strategic planning and corporate marketing and development of the Group. He is the brother of Mr. Zen Wei Peu, Derek. He was the Co-Chairman of Road King (resigned with effect from 1st January, 2021), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

ZEN Wei Peu, Derek, age 69, is the Vice Chairman and Chief Executive Officer of the Company and has been with the Group for over 35 years. He was appointed as an Executive Director in July 1992, a member of the Remuneration Committee of the Company in April 2005 and a member of the Nomination Committee of the Company in February 2012. He is also the Chairman of Build King and the Chairman of Road King, both of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also a director of Emmaus Life Sciences, Inc., whose common stocks are traded on the OTC Market in USA. He holds a Bachelor of Science Degree in Engineering from The University of Hong Kong and a Master Degree of Business Administration from The Chinese University of Hong Kong and is a member of both the Institution of Civil Engineers and the Hong Kong Institution of Engineers and a fellow member of the Institute of Quarrying, UK. He was the Honorary Treasurer of Hong Kong Construction Association. He has over 45 years of experience in civil engineering. Mr. Zen is responsible for the overall management of the Group and oversees the operations of the Group. He is the brother of Mr. Zen Wei Pao, William.

CHIU Wai Yee, Anriena, age 58, was appointed as an Executive Director in June 2005. She joined the Group in April 1995. She is the Company Secretary of the Company. She holds a Bachelor of Administrative Studies Degree and a Master Degree of Professional Accounting. Miss Chiu is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute. She has extensive experience in company secretarial field. Miss Chiu is responsible for the construction materials division of the Group, the personnel and administration department and company secretarial department of the Company.

NON-EXECUTIVE DIRECTORS

CHENG Chi Ming, Brian, age 39, was appointed as a Non-executive Director in February 2013. He holds a Bachelor of Science degree from Babson College in Massachusetts, U.S.A. Mr. Cheng is presently an executive director of NWS Holdings Limited ("NWS", a substantial shareholder of the Company and a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited) and also a director of certain subsidiaries of NWS. He is the Chairman and a non-executive director of Integrated Waste Solutions Group Holdings Limited and a non-executive director of Haitong International Securities Group Limited, both of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also the Chairman of Goshawk Aviation Limited and a director of SUEZ NWS Limited, PBA International Pte. Ltd. and a number of companies in Mainland China. He is currently a member of the Thirteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Prior to joining NWS, Mr. Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. He was a non-executive director of Leyou Technologies Holdings Limited (resigned on 5th June, 2019), whose shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited and subsequently delisted on 24th December, 2020.

HO Gilbert Chi Hang, age 45, was appointed as a Non-executive Director on 31st December, 2018. He was appointed as an executive director and the chief operating officer of NWS (together with its subsidiaries, "NWS Group") on 9th July, 2018 and 1st February, 2022 respectively. He is also a member of the Executive Committee of NWS. Joined NWS in January 2018, he is also a director of certain subsidiaries of the NWS Group and is responsible for overseeing the business development and mergers and acquisitions affairs, and certain businesses of the NWS Group. Mr. Ho has extensive experience in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand and retail management. Prior to joining the NWS Group, Mr. Ho was a director and/or senior executive in several Hong Kong listed public companies. He was the senior investment director of New World Development Company Limited, the substantial shareholder of NWS and a company listed on The Stock Exchange of Hong Kong Limited, and an executive director of New World Strategic Investment Limited. He was also a partner of an international law firm Fried, Frank, Harris, Shriver & Jacobson LLP. Mr. Ho is an independent non-executive director of Kam Hing International Holdings Limited and Asia Allied Infrastructure Holdings Limited, and a non-executive director of Shoucheng Holdings Limited (formerly known as Shougang Concord International Enterprises Company Limited), all being companies listed on The Stock Exchange of Hong Kong Limited. He was an independent non-executive director of Hailiang International Holdings Limited (resigned on 1st September, 2020), which is a listed public company in Hong Kong. Mr. Ho is a member of the Industry Advisory Committee of Insurance Authority, Deputy Chairperson of CPA Australia Greater Bay Area Committee, a member of the China Committee of Hong Kong General Chamber of Commerce, a committee member of the Chinese People's Political Consultative Conference of Shenyang, a standing committee member of the Youth Federation of Inner Mongolia and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and was admitted as a solicitor in New South Wales, Australia and England and Wales and as a solicitor and barrister in the High Court of Australia. He is also a fellow member of CPA Australia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Che Ming, Steve, age 71, was appointed as an Independent Non-executive Director in July 1992. He was appointed as a member of the Audit Committee of the Company in July 1998, a member of the Remuneration Committee of the Company in April 2005 and a member of the Nomination Committee of the Company in February 2012. During the period from September 2001 to the first quarter of 2005, he served as the Chairman of the Audit Committee of the Company. He is a solicitor, Notary Public, China Appointed Attesting Officer and a member of The Chartered Institute of Arbitrators. He holds a Bachelor of Social Science Degree in Economics from The Chinese University of Hong Kong and a Doctorate Degree in Civil Laws from The Renmin University of China.

WAN Siu Kau, Samuel, age 70, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in September 2001. He was appointed as the Chairman of the Remuneration Committee of the Company in April 2005 and a member of the Nomination Committee of the Company in February 2012. He holds a Master Degree of Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Business Administration and Accounting from The University of Hong Kong. He started his executive search career in 1988 and was previously Managing Partner and Vice Chairman of Amrop Hever, a global executive search firm. Prior to this, he was the managing director of Norman Broadbent's Hong Kong and China offices and was among the first generation of recruiters to establish a search practice in China. Earlier, he worked for Bank of America and Banque Nationale de Paris on both the human resources and business side.

WONG Man Chung, Francis, age 57, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in August 2004. He was appointed as the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company in April 2005, as well as a member of the Nomination Committee of the Company in February 2012. Mr. Wong holds a Master Degree in Management conferred by Guangzhou Jinan University of China. He is a Certified Public Accountant (Practising) and has over 25 years of experience in the profession of accounting. He is a fellow member of the Association of Chartered Certified Accountants, UK, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, and the Society of Chinese Accountants and Auditors, Hong Kong as well as a certified tax adviser of the Taxation Institute of Hong Kong. Mr. Wong is a non-executive Chairman of Union Alpha CPA Limited and a non-executive director of Union Alpha CAAP Certified Public Accountants Limited, which are professional accounting firms, and a founding director and member of Francis M. C. Wong Charitable Foundation Limited, a charitable institution. Prior to that, he worked for an international accounting firm for 6 years and The Hong Kong Securities Clearing Company Limited for 2 years. Mr. Wong is currently an independent non-executive director, the Chairman of the audit committee and a member or the Chairman of the nomination committee and/or remuneration committee of China Oriental Group Company Limited, Digital China Holdings Limited, Greenheart Group Limited, Hilong Holding Limited, Integrated Waste Solutions Group Holdings Limited, IntelliCentrics Global Holdings Ltd., Qeeka Home (Cayman) Inc. and Shanghai Dongzheng Automotive Finance Co., Ltd., all of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director and a member of the strategy and investment committee of GCL-Poly Energy Holdings Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was an independent non-executive director of China New Higher Education Group Limited (resigned on 6th December, 2019), whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

AU Wai Man, Raymond, age 59, joined the Group in November 1999 and is the General Manager of the construction materials division of the Group. Mr. Au holds a bachelor's degree in Civil Engineering and a postgraduate diploma in Project Management. He has over 30 years of experience in both civil engineering and building construction in Hong Kong.

CHAN Wing Ho, Vincent, age 45, 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 also 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. Mr. Chan is responsible for Build King's civil engineering operation in Hong Kong.

CHANG Kam Chuen, Desmond, age 56, joined the Group in May 1997 and is now an executive director and the Company Secretary of Build King. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of Chartered Institute of Management Accountants, UK. He has over 30 years of experience in accounting profession and financial management. Mr. Chang is responsible for the finance, human resources, information technology, administration and secretarial departments of Build King.

CHEUNG Kwan Man, Edmond, age 66, joined the Group in August 1994 and is the Group Financial Controller responsible for the financial management and the accounting department of the Group. He is also a director of certain subsidiaries of the Group. Mr. Cheung holds a Master Degree of Business Administration from Heriot-Watt University, UK. He is a fellow member of the Association of Chartered Certified Accountants, UK, a member of the Hong Kong Institute of Certified Public Accountants, Chartered Professional Accountants of Canada and the Certified General Accountants' Association of Canada, as well as a full member of American Institute of Certified Public Accountants. He has extensive experience in auditing, accounting and financial management.

CHEUNG Lik, Leo, age 45, joined the Group in January 2018. He is a director of WK Securities Limited and WK Fund Management Limited. He is responsible for the securities investment department of the Group. Mr. Cheung holds a Bachelor of Business Administration from The Hong Kong University of Science and Technology, a Master of Banking and Finance from Metropolitan University, UK and a Diploma in Financial Risk Management (FRM). Mr. Cheung has over 15 years of experience in financial industry.

CHEUNG Siu Lun, age 71, joined the Group in 2006. 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. Mr. Cheung is responsible for Build King's business development.

DAN Kai Yin, Pauline, age 59, joined the Group in January 2019 and is the Chief Investment Officer of WK Fund Management Limited. Ms. Dan holds a Master of Business Administration Degree in Finance from California State University, Los Angeles and Bachelor's Degree in Economics from University of California, Los Angeles. She also holds CFA designation. Ms. Dan has over 25 years of experience in the investment field, managing capital for various multinational institutions.

SENIOR MANAGEMENT (Cont'd)

FONG Wai Pan, Felix, age 44, 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. He is responsible for Build King's civil engineering and building operation in Hong Kong.

KWOK Chi Ko, Enmale, age 65, 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. Mr. Kwok is responsible for Build King's contract administration and commercial management for all building and construction related businesses.

LEE Man Wai, age 61, 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. Mr. Lee is responsible for Build King's tendering activities.

LIU Sing Pang, Simon, age 60, 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. Mr. Liu is responsible for Build King's civil engineering operation in Hong Kong.

LUI Yau Chun, Paul, age 61, has been working with the Group since 1998 and is now an executive director of Build King. He is a director and the General Manager (Marine) of Build King (Zens) Engineering, a director of BKCL, Build King Civil and Leader Marine Contractors Limited. He is a member of the Institution of Structural Engineers, and of the Hong Kong Institution of Engineers. He has over 35 years of experience in civil and marine engineering. Mr. Lui is responsible for Build King's civil and marine engineering operation in Hong Kong.

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

SO Yiu Wing, Wilfred, age 47, 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. Mr. So is responsible for Build King's civil engineering operation in Hong Kong.

SENIOR MANAGEMENT (Cont'd)

TSUI Wai Tim, age 59, is a director of Faith Oriental Investment Limited, Excel Concrete Limited and Excel Asphalt Limited. He is also an executive director of Build King and a director of various subsidiaries of Build King. 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 construction materials division of the Group and Build King's environmental infrastructure projects in the PRC.

YAM Tin Chun, Martin, age 61, joined the Group in July 2007 as Internal Audit Manager of the Company and Build King. Mr. Yam holds a Master Degree of Business Administration from Manchester Business School and a Bachelor Degree in Laws from Peking University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a Certified Information System Auditor, an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute. He has over 25 years of experience in internal audit. Consistent with ensuring the independence and integrity of the internal audit functions, Mr. Yam directly reports to Mr. Zen Wei Pao, William, the Chairman of the Company, and the Audit Committee Chairmen of the Company and Build King.

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

YIU Cheuk Hung, Kenneth, age 56, 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. Mr. Yiu is responsible for Build King's building operation in Hong Kong.

YU Man Kit, Andy, age 47, 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. Mr. Yu is responsible for Build King's civil engineering operation in Hong Kong.

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, principal associates and joint ventures are set out in notes 56, 21 and 23 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2021, the five largest customers of the Group together accounted for approximately 68% of the Group's revenue, with the largest customer accounted for approximately 44%, and the five largest suppliers of the Group together represented approximately 12% by value of the Group's total purchases.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2021 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 82 and 83 respectively.

An interim dividend of HK7 cents per share was paid to shareholders during the year.

The Directors recommend the payment of a final dividend of HK11 cents per share for the year ended 31st December, 2021 to shareholders whose names appear in the register of members of the Company on Monday, 6th June, 2022. The amount of dividends paid for the year is set out in note 14 to the consolidated financial statements.

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 27th May, 2022, the register of members of the Company will be closed from Tuesday, 24th May, 2022 to Friday, 27th 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 Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 23rd 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, 6th June, 2022. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 2nd June, 2022 to Monday, 6th 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 Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 1st June, 2022.

BUSINESS REVIEW

The business review of the Group for the year ended 31st December, 2021 is set out in the sections headed "Financial Highlights" on pages 2 to 3, "Chairman's Statement" on pages 4 to 18, "Corporate Governance Report" on pages 39 to 52, "Consolidated Financial Statements" on pages 82 to 202 and "Financial Summary" on page 203. Description of the principal risks and uncertainties faced by the Group can be found throughout this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 45 and 47 to the consolidated financial statements respectively.

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 86.

DISTRIBUTABLE RESERVES OF THE COMPANY

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

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

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

The reserves of the Company which were available for distribution to the shareholders at 31st December, 2021 were approximately HK$1,574,879,000.

EQUITY-LINKED AGREEMENTS

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

FINANCIAL SUMMARY

A summary of the results and of the financial position of the Group for the past five financial years is set out on page 203.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

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

Non-executive Directors:

Cheng Chi Ming, Brian
Ho Gilbert Chi Hang

Independent Non-executive Directors:

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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Zen Wei Peu, Derek, Mr. Cheng Chi Ming, Brian and Dr. Wong Che Ming, Steve shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

The Company received confirmation of independence from Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel and Mr. Wong Man Chung, Francis, being the Independent Non-executive Directors in respect of the year ended 31st December, 2021, pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31st December, 2021, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained 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 Long position *(note 1)*	Number of shares held Short position	Percentage of the issued ordinary share capital
				%
Zen Wei Pao, William	Personal	251,248,843 *(note 2)*	–	31.68
Zen Wei Peu, Derek	Personal	249,424,078 *(note 2)*	–	31.45
	Securities interest	45,567,000	–	5.75
Wong Che Ming, Steve	Personal	900,000	–	0.11

Notes:

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

2. Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are parties to an agreement that is subject to section 317(1)(b) of the SFO. Each of them is thereby deemed to be interested in shares held by the other. Accordingly, for the purposes of section 317(1)(b) of the SFO, each of Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are deemed to be interested in a total of 500,672,921 shares, representing 63.13% of shares in issue of the Company, as at 31st December, 2021.

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations

Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long position		Number of shares held Short position	Percentage of the issued share capital	
						%	
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000	*(note 1)*	–	0.11	*(note 2)*
	Wai Kee (Zens) Construction & Transportation Company Limited *(note 4)*	Personal	2,000,000	*(note 1)*	–	10.00	
	Wai Luen Stone Products Limited	Personal	30,000	*(note 1)*	–	37.50	
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	123,725,228	*(note 1)*	–	9.96	
	Road King Infrastructure Limited	Personal	24,649,000	*(notes 1 & 3)*	–	3.29	
	Wai Kee (Zens) Construction & Transportation Company Limited *(note 4)*	Personal	2,000,000	*(note 1)*	–	10.00	
	Wai Luen Stone Products Limited	Personal	30,000	*(note 1)*	–	37.50	
	WK Growth Fund Limited	Personal	3,800	*(note 1)*	–	16.66	*(note 5)*
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	1,116,000	*(note 1)*	–	0.09	
	Road King Infrastructure Limited	Personal	205,000	*(note 1)*	–	0.03	
Wong Che Ming, Steve	Build King Holdings Limited	Personal	407,448	*(note 1)*	–	0.03	

Notes:

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

2. As at 31st December, 2021, the issued share capital of Build King Holdings Limited was 1,241,877,992 shares. Accordingly, the percentage has been adjusted.

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

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

5. As at 31st 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 nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (Cont'd)

Interests in debentures

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

Notes:

1. This company is a wholly owned subsidiary of Road King Infrastructure Limited.
2. Long position.
3. The principal amount of US$400,000 of US$300 million 7% senior guaranteed perpetual capital securities is held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

SHARE OPTIONS

(I) The Company

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

(II) Associated Corporation

A share option scheme was adopted by Road King on 8th May, 2013 ("Road King Share Option Scheme"). As at 31st December, 2021, Road King has granted 3,500,000 share options under Road King Share Option Scheme to two existing Directors of the Company, all share options granted to those Directors have been exercised.

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

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company and/or its subsidiaries from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

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

COMPETING INTERESTS

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name of shareholder	Capacity/ Nature of interest	Number of shares held Long position *(note 1)*	Number of shares held Short position	Percentage of the issued ordinary share capital
				%
Cheng Yu Tung Family (Holdings) Limited *(note 2)*	Corporate	91,134,000	–	11.49
Cheng Yu Tung Family (Holdings II) Limited *(note 3)*	Corporate	91,134,000	–	11.49
Chow Tai Fook Capital Limited *(note 4)*	Corporate	91,134,000	–	11.49
Chow Tai Fook (Holding) Limited *(note 5)*	Corporate	91,134,000	–	11.49
Chow Tai Fook Enterprises Limited *(note 6)*	Corporate	91,134,000	–	11.49
New World Development Company Limited *(note 7)*	Corporate	91,134,000	–	11.49
NWS Holdings Limited *(note 8)*	Corporate	91,134,000	–	11.49
NWS Service Management Limited (incorporated in the Cayman Islands) *(note 9)*	Corporate	91,134,000	–	11.49
NWS Service Management Limited (incorporated in the British Virgin Islands) *(note 10)*	Corporate	91,134,000	–	11.49
Vast Earn Group Limited *(note 11)*	Beneficial owner	91,134,000	–	11.49

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Cont'd)

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

DISCLOSURES PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

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

(2) On 18th March, 2021, Trend Pacific Limited, a wholly owned subsidiary of the Company, as borrower, the Company as guarantor and five independent third party licensed banks in Hong Kong, one of which also acts as agent for the lending syndicate, entered into a facility agreement in respect of HK$1,150 million term loan facility (the "2021 Facility") with final maturity date falling on 48 months from the first utilisation date of the 2021 Facility. Throughout the life of the 2021 Facility, (i) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek and such other person(s) nominated by either or both of them should collectively represent a majority of the executive directors of the Company; (ii) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek collectively own (directly or indirectly) at least 40% of the beneficial shareholding interest in the issued share capital of the Company; and (iii) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek collectively maintain to be the largest beneficial shareholder of the Company.

Save as disclosed above, as at 31st December, 2021, the Company did not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

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

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

Name of Director	Details of changes
Zen Wei Pao, William	Mr. Zen's annual salary has been revised from HK$8,001,600 to HK$10,401,600 with effect from 1st April, 2022.

CONNECTED TRANSACTIONS

Continuing Connected Transaction

(i) Business Services Agreement with New World Development Company Limited

On 26th October, 2018, the Company entered into a business services agreement (the "2019 Business Services Agreement") with New World Development Company Limited ("NWD", which is a connected person of the Company by virtue of its being a substantial shareholder of the Company) for provision of services covering construction, maintenance, and project management related services including provision of services as main contractor, project manager, consultant and sub-contractor for a variety of works including superstructure, foundation, civil engineering, port and infrastructure facilities, maintenance, construction and interior decoration and other related services (the "Services") which may from time to time be provided by the Group to NWD and its subsidiaries during the term of the 2019 Business Services Agreement.

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

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

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

For the financial year ended 31st December, 2021, the relevant maximum aggregate value of the transactions was approximately HK$5,309,000 and the transaction is disclosed in note 53 to the consolidated financial statements.

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

CONNECTED TRANSACTIONS (Cont'd)

Continuing Connected Transaction (Cont'd)

(ii) Framework Agreement with Quon Hing Concrete Company Limited

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

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

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

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

For the financial year ended 31st December, 2021, the relevant maximum aggregate value of the transactions was approximately HK$37,282,000 and the transaction is disclosed in note 53 to the consolidated financial statements.

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

CONNECTED TRANSACTIONS (Cont'd)

Continuing Connected Transaction (Cont'd)

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

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

(b) on normal commercial terms; and

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$135,000.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2021, the Group had 3,374 employees (2020: 3,071 employees), of which 3,095 (2020: 2,907) were located in Hong Kong, 278 (2020: 163) were located in the PRC and 1 (2020: 1) was located in UAE. For the year ended 31st December, 2021, the Group's total staff costs were HK$1,463 million (2020: HK$1,279 million).

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as the performance of the individual.

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

AUDITOR

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

On behalf of the Board

Zen Wei Pao, William
Chairman

Hong Kong, 29th March, 2022

CORPORATE GOVERNANCE CODE

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

Throughout the year of 2021, the Company has complied with the code provisions of Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules.

THE BOARD

Composition

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

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

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

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

There is no financial, business and family relationship among members of the Board, other than the Chairman, Mr. Zen Wei Pao, William, and the Vice Chairman and Chief Executive Officer, Mr. Zen Wei Peu, Derek, who are brothers.

THE BOARD (Cont'd)

Appointment and Re-election

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

Non-executive Directors

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

Independence of Independent Non-executive Directors

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

Role and Delegation

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

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

THE BOARD (Cont'd)

Role and Delegation (Cont'd)

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

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

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

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

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

THE BOARD (Cont'd)

Board Meetings

The Board meets regularly at least four times each year and additional meetings are arranged if and when required. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. During the year, the attendance records of individual Director at the Board meetings, meetings of three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, and the annual general meeting held on 25th 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 25th May, 2021**
Executive Directors					
Zen Wei Pao, William *(Chairman)*	7/7	–	2/2	3/3	1
Zen Wei Peu, Derek *(Vice Chairman and Chief Executive Officer)*	7/7	–	2/2	3/3	1
Chiu Wai Yee, Anriena	7/7	–	–	–	1
Non-executive Directors					
Cheng Chi Ming, Brian	6/7	–	–	–	1
Ho Gilbert Chi Hang	6/7	–	–	–	1
Independent Non-executive Directors					
Wong Che Ming, Steve	7/7	2/2	2/2	3/3	1
Wan Siu Kau, Samuel	7/7	2/2	2/2	3/3	1
Wong Man Chung, Francis	7/7	2/2	2/2	3/3	1

Note:

"-" Not applicable

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

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

THE BOARD (Cont'd)

Board Meetings (Cont'd)

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

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

Induction and Continuous Professional Development

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

During the year, the Group provided training course to management.

All Directors are requested to provide the Company with their respective training records pursuant to the Code. Trainings received by each of the Directors during the period from 1st January, 2021 to 31st December, 2021 are summarized as follows:

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

Directors' and Officers' Liability Insurance and Indemnity

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

Chairman and Chief Executive Officer

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

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

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

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

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

Board Diversity Policy

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

BOARD COMMITTEES

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

Audit Committee

Composition

The Audit Committee was formed in 1998 and currently comprises three members, namely Mr. Wong Man Chung, Francis (Chairman of the Audit Committee), Dr. Wong Che Ming, Steve and Mr. Wan Siu Kau, Samuel, all of whom are Independent Non-executive Directors.

Role and Function

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

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31st December, 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 31st December, 2020 and 2021, and the interim results of the Group for the six months ended 30th 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 31st December, 2021;

- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation; and

- Recommendation to the Board to re-appoint the external auditor at the 2021 and 2022 annual general meetings;

BOARD COMMITTEES (Cont'd)

Audit Committee (Cont'd)

Summary of Work Done (Cont'd)

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

Role and Function

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

BOARD COMMITTEES (Cont'd)

Nomination Committee (Cont'd)

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31st December, 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;
- Review of the Nomination Policy and the Board Diversity Policy (collectively the "Policies");
- Review of the measurable objectives for implementing the Policies; and
- Determination of the rotation of the Directors for the annual general meeting to be held in May 2022.

Nomination Policy

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

Nomination Procedures

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

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

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

Remuneration Committee

Composition

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

BOARD COMMITTEES (Cont'd)

Remuneration Committee (Cont'd)

Role and Function

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

Summary of Work Done

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

- Review and approval of the Company's remuneration policy for 2021 and 2022;
- Approval of year end bonus of Executive Directors for 2020 and 2021;
- Approval of emoluments of Executive Directors (where Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek abstained from voting in determining their own remuneration) and senior management;
- Approval of the service contracts of Executive Directors;
- Approval of 2021 and 2022 salary adjustment; and
- Recommendations on remuneration of Non-executive Directors (including Independent Non-executive Directors).

Remuneration policy

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

The remuneration of a Director is determined with reference to his/her duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of Directors for the year ended 31st December, 2021 are set out in note 11 to the consolidated financial statements of this annual report. The emoluments paid to senior management for the year ended 31st December, 2021 were within the following bands:

	Number of Senior Management
Up to HK$2,000,000	3
HK$2,000,001 to HK$3,000,000	4
HK$3,000,001 to HK$4,000,000	2
HK$4,000,001 to HK$5,000,000	2
HK$5,000,001 to HK$6,000,000	3
HK$6,000,001 to HK$7,000,000	3
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 31st 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 inside information in relation to the Group.

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu has been re-appointed as the Company's external auditor at the annual general meeting of 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 31st December, 2021 are as follows:

Type of services	**Fee paid/ payable** HK$
Audit	3,794,000
Non-audit services	
Interim review	1,140,000
Other services	258,000
Total	5,192,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding its reporting responsibilities is set out in the Independent Auditor's Report on pages 76 to 81 forming part of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's risk management and internal control systems put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31st December, 2021. The Audit Committee considered that the risk management and internal control systems of the Company and its subsidiaries were effective and adequate.

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

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

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

SHAREHOLDERS' RIGHTS

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

Any vote of shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and the Stock Exchange on the day of the general meeting. 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.

MESSAGE FROM THE CHAIRMAN

Dear shareholders,

On behalf of the board of directors ("Board") of Wai Kee Holdings Limited ("Wai Kee"), I am pleased to present our sixth Environment, Social and Governance ("ESG") Report which covers our sustainability performance from 1st January, 2021 to 31st December, 2021.

As quarrying and the production of construction materials are Wai Kee's major businesses, we recognise both the environmental and social impacts of our operations. Consequently, we have firmly embedded ESG concerns and sustainability principles in the management and operations of our business. Our commitment to sustainable development includes:

1. Enhancement and promotion of environmental protection in our operations by implementing environmental protection measures and practices by conforming to an Environmental Management System ("EMS");

2. Provision of a safe and healthy workplace for our employees and the offer of fulfilling career pathways through structured training and learning programmes; and

3. Fostering strong long-term relationships with the communities in which we conduct our business.

Our Sustainability Working Group has identified key ESG management improvement opportunities towards Wai Kee's long-term sustainable operations. The group collaborates with departments across the company, including administration and human resources, the company secretarial department, construction materials and quarrying, finance and accounts, information technology and internal auditing. While the Board has overall responsibility for Wai Kee's ESG reporting and decision making, our management team is responsible for monitoring and managing ESG-related issues, risks, and the efficacy of our ESG management systems.

Stakeholders play a very important role in prioritising Wai Kee's material ESG topics. During the reporting period, we leveraged the findings and progress from the 2020 Stakeholder Engagement that we conducted to better understand their expectations and needs in terms of ESG practices. Based on the feedback we received, Wai Kee prioritised and identified a set of material ESG-related issues that enhance our ESG management.

The Board regularly reviews progress around these material topics as we continue to improve our overall ESG performance. As such, and in alignment with the new requirements of the Hong Kong Stock Exchange, our reporting practices continue to evolve to better meet new mandatory disclosures requirements.

On behalf of the Board, I would like to express my appreciation and gratitude to the entire Wai Kee team for their efforts delivering on our sustainability commitments in 2021, while striving to help make Wai Kee a more responsible business.

Zen Wei Pao, William
Chairman

29th March, 2022

ABOUT THIS REPORT

This report provides an overview of the Company, our stakeholder engagement, and our management approach to the material issues that impact our business, employees, customers, and value chain partners.

Our ESG Report and Annual Report cover operations within Wai Kee Holdings Limited, however the property development and toll road operated by Road King Infrastructure Limited, and construction businesses operated by Build King Holdings Limited are outside its scope.

This report was developed in alignment and compliance with the 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 it and to demonstrate compliance with the HKEx ESG Guide.

Stakeholder Engagement

In 2020, Wai Kee conducted a comprehensive Stakeholder Engagement involving 49 participants, 19 of whom were internal, 30 external. Participants included key groups for the business: employees, customers, consultants, suppliers, advisers, government department and bankers. As a result of this engagement, three top sustainability priorities emerged as possible areas of focus for the Company:

(1) Health and Safety

(2) Anti-Corruption

(3) Waste Management

In 2021, Wai Kee continued to focus on and make progress across these priorities by leveraging the results of the 2020 Stakeholder Engagement. Our continued response to the novel coronavirus ("COVID-19") pandemic is highlighted under the Health and Safety section of this report.

We encourage you to refer to the 2020 ESG Report for more information on the process, goals, and participants.

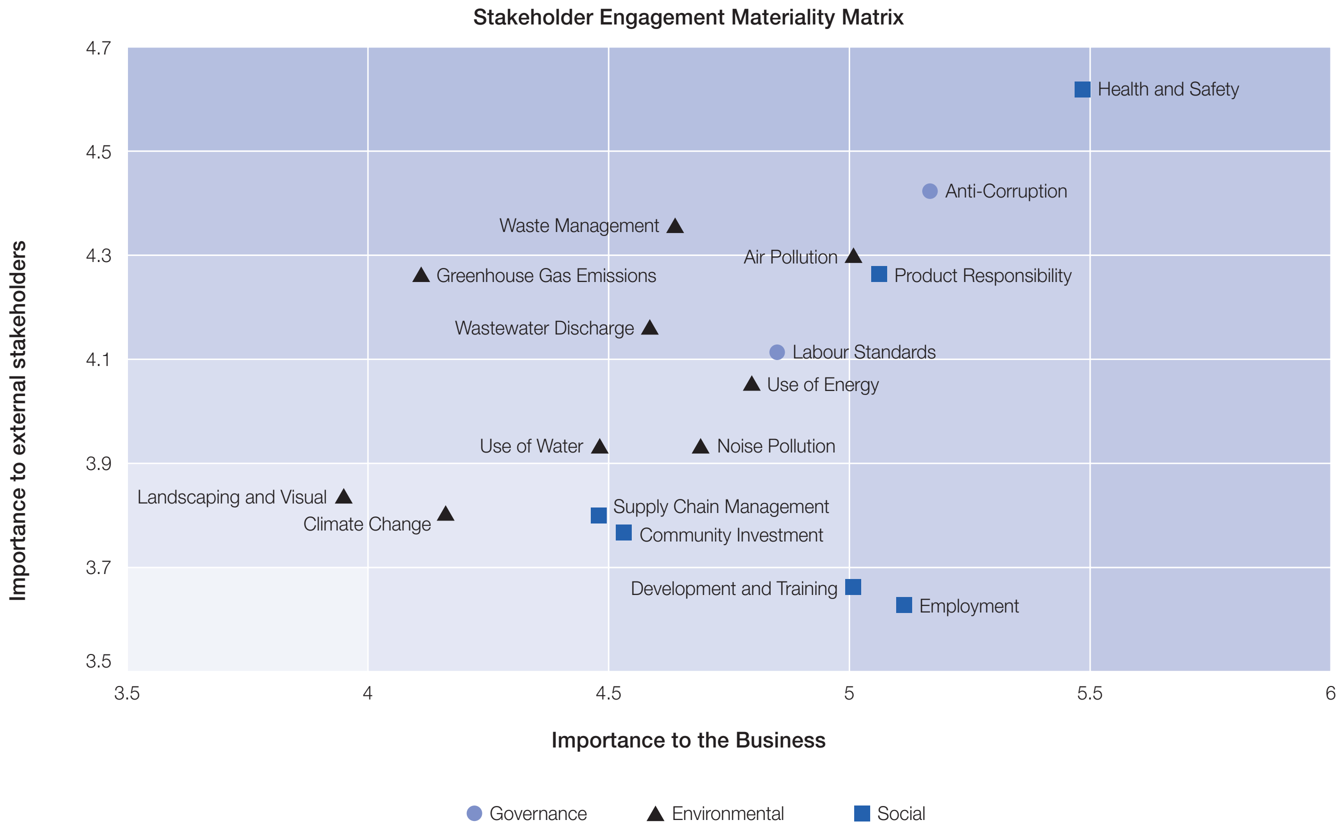
ABOUT THIS REPORT (Cont'd)

Material ESG Topics

Our 2020 Materiality Assessment processed 17 ESG issues from a 6-point scale.

In 2021, Wai Kee continued to focus on and progress in these material topics by leveraging the results of the 2020 Materiality Assessment. For more information on the process, please refer to the 2020 Annual Report (Environmental, Social and Governance Report, P. 53).

Each of these ESG topics are further discussed at length in the body of this report. Each section covers definition, progress, initiatives, and/or metrics.



ENVIRONMENTAL

Wai Kee aims to efficiently use finite resources and minimise the environmental impact of our operations. Consequently, we are constantly seeking ways to improve our environmental performance, especially the usage of fuel, electricity, and water in the production of our construction materials such as concrete, aggregates and asphalt. We regularly monitor our resource management performance through analysis of consumption and waste. Where highly unusual activities are identified, remedial measures are then immediately identified and implemented.

At a minimum, we operate under licenses and regulations issued by Hong Kong's Environmental Protection Department ("EPD"). However, our efforts go beyond regulatory requirements; our *Environmental Policies*[1], implemented in 2011, outlined our approach to minimising impact and highlighted all relevant contractual obligations and statutory requirements, in collaboration with key stakeholders.

Wai Kee encourages its employees to apply resource-saving considerations in their day-to-day work. We ensure that every employee is appraised of and takes an active role in complying with all relevant environmental legislation. Through the provision of information, training, and resources in sustainable development, this includes, but is not limited to laws and regulations for air pollution, water pollution, noise control and waste disposal. These policies are also displayed on bulletin boards in our office and site offices and details are outlined in staff training sessions.

We further monitor our impact on the environment through EMS which meets ISO 14001:2015 requirements[2]. Wherever possible, we identify and address any significant environmental aspects that we can quickly and effectively influence. Significant risks are assessed and reviewed to ensure that we respond to them promptly, with appropriate mitigating actions.

The following section elaborates on Wai Kee's approach and performance on various environmental disclosures including waste management, air pollution, use of water and wastewater discharge, greenhouse gas emissions, use of energy, noise pollution, landscaping and visual and climate change.

Wai Kee ensures compliance with Hong Kong environmental laws and ordinances such as:

- Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong)
- Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong)
- Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong)
- Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong)
- Environmental Impact Assessment Ordinance (Cap. 499 of the Laws of Hong Kong)
- Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611 of the Laws of Hong Kong)

1 Separate environmental policies have been launched for Faith Oriental Investment Limited (the operator of Lam Tei Quarry), Excel Concrete Limited (the operator of concrete batching plants at Lam Tei Quarry and Yau Tong) and Excel Asphalt Limited (the operator of an asphalt plant at Lam Tei Quarry).

2 Management system certificates have been issued by Fugro Certificate Services Limited for Faith Oriental Investment Limited, Excel Concrete Limited, and Excel Asphalt Limited.

ENVIRONMENTAL (Cont'd)

Waste Management

Wai Kee provides our employees with waste management guidance and instructions to encourage waste reduction and ensure proper disposal. For instance, recyclable materials such as metal, paper, plastic, and milled bituminous materials are sorted on-site and delivered to an appropriate recycling outlet for processing. Waste disposal processes are embedded in pre-existing systems such as the Trip-Ticket System for construction waste. The Trip-Ticket System is a recording system for the orderly disposal by truck of construction waste to relevant disposal facilities. The implementation of the system has ensured a certain level of accountability between the project proponent, the engineer/architect and the contractor. Moreover, it facilitates the recording of waste as it arrives at the landfill or public filling area and also minimises the potential for cross-contamination with other waste which the vehicle operator may otherwise possibly pick-up and route to the disposal facility.

In 2021, we built on progress made in 2020 by continuing to adhere to and monitor our hazardous and non-hazardous waste disposal practices. Hazardous waste is continually segregated through stockpiling, then stored at a secure area with clearly labelled containers to avoid contamination. In fact, due to these processes, Wai Kee maintained the same amount of non-hazardous waste (less than a 1% decrease) after the relocation of production plants at Lam Tei Quarry, despite scaling up operations and accounting for waste generated from the relocation.

Key highlights in 2021 include:

- A 60% decrease in hazardous waste due to the shift from using diesel engine oil to 100% electric when operating crusher and other heavy equipment. As a result, significantly less diesel waste was sent for post-processing.

Waste	2021	2020	2019	Change from 2020-2021
Wastewater (tonnes)	**6,192**	5,342	5,572	15.91%
Hazardous waste (tonnes)	**2.2**	5.5	12.2	–60.00%
Non-hazardous waste (tonnes)	**40,238**	40,549	31,177	–0.77%

Air Pollution

The generation of respirable suspended particles and nitrogen oxides at our production sites, as well as from the transportation of materials during quarrying activities, concrete and asphalt production, is unavoidable in our business operations.

ENVIRONMENTAL (Cont'd)

Air Pollution (Cont'd)

However, Wai Kee continues to demonstrate that consistent management has resulted in a gradual year-on-year reduction of emissions. In 2021, we achieved an average omission reduction of 5.16% across nitrogen oxides, sulphur oxides and particulate matters. Wai Kee had a total of 6,415.48 kg emissions in 2021 compared to 6,854.04 in 2020.

Types of Emissions	2021	2020	2019	Change from 2020-2021
Nitrogen oxides (kg)	**5,976.93**	6,386.73	6,392.62	–6.42%
Sulphur oxides (kg)	**4.42**	4.55	8.12	–2.86%
Particulate matter (kg)	**434.13**	462.76	462.91	–6.19%
Total Emissions	**6,415.48**	6,854.04	6,863.65	

Air pollution is a material topic for Wai Kee and we strive to conduct strict and regular monitoring of exhaust gases generated from our vehicles. This means that the concentration of ambient respirable suspended particulates is tested at least once every six days. We also employ external environmental consultants to undertake regular inspections and reports on various environmental aspects of our production sites, including air quality. All testing for our plants and machinery, including stationary machinery and non-road mobile machinery, have come in below the Air Pollution Control Ordinance Emission Limits, as stated in the Specified Processes Licenses issued by the EPD.

When it comes to our vehicle fleet, we have given due consideration to the environmental performance of vehicles before purchase and give preference to vehicles that comply with international environmental standards (e.g. the European Emissions Standard). We also perform regular inspection and maintenance of our vehicles.

Our regular efforts to minimise particulate matters at our production sites includes managing our construction dust through processes including:

- Installation of dust suppression water sprayers for stockpiles and whenever the plants are in operation;
- Maintenance of excess soil deposits or mud that accumulate along haul roads and inside the plant;
- Hard paving all haul roads which are sprayed at least once every two hours;
- Installation of effective vehicle cleaning facilities to thoroughly wash muddy materials from the vehicle before leaving the site;
- Trucks carrying crushed and screened products are covered with tarpaulin sheets before leaving the premises; and
- Daily use of water tank trucks and street washing vehicles support dust suppression both in public and site areas.

Should any testing indicate an excess in emission limits – a rare occurrence – we perform an inspection, revisit our maintenance procedures then redo the test until the air quality meets acceptable standards.

ENVIRONMENTAL (Cont'd)

Use of Water and Wastewater Discharge

Wai Kee recognises the critical role of water in its operations as well as our responsibility to ensure that we minimise our impact on the water quality of the communities that we operate in. To promote the preservation of our waterways, we encourage reduced water usage and responsible wastewater discharge across all our operations.

Wastewater Reduction

Company-wide water consumption is primarily used for dust suppression and washing facilities, machinery and vehicles. Where there is an excess of water accumulation on-site during the rainy season, we work with a licensed collector to collect it for recycling, as outlined below.

However, in 2021 we saw an increase in water consumption due to increased concrete production in Lam Tei Quarry. As production increased, so did the need for street washing along Fuk Hang Tsuen Road outside Lam Tei Quarry.

Responsible Discharge

To minimise the amount of sewage that we discharge into the surrounding environment, all washing water is collected, stored, and recycled instead of being directly discharged outside our operations. Regular efforts to limit wastewater discharge include:

- Reducing water consumption and maximising the reuse of surface run-off water within the site;
- Recycling and reuse of water used for washing vehicles, cleaning drum mixers, in-wheel washing facilities, and dust suppression activities;
- Ensuring that silt and grit deposits are removed regularly from our facilities; and
- Operating a water treatment plant to properly settle and filter runoff.

Greenhouse Gas Emissions

To reduce greenhouse gas ("GHG") emissions created by our operations, we monitor the carbon content of the procured raw materials that we use in production and use alternative by-products where suitable. For example, we use ground granulated blast furnace slag ("GGBS"), an eco-friendly cementitious option. GHG emissions in concrete manufacturing have been significantly reduced as GGBS requires less energy to produce for our concrete production than traditional Portland cement. We produced more than 30,000m^3 of GGBS concrete in 2021, compared to nominal amount of GGBS concrete in 2020. This has therefore helped to reduce our greenhouse gas emissions in 2021.

With an estimated 30,000m^3 GGBS production of concrete in 2021, the total reduction in CO_2 emissions amounted to 5,838.3 tonnes. As we increase the shift to GGBS concrete production from traditional concrete production, we anticipate additional emission reductions in 2022.

ENVIRONMENTAL (Cont'd)

Greenhouse Gas Emissions (Cont'd)

A number of our concrete products are certified under the Construction Industry Council carbon labelling scheme, under which the life cycle carbon footprint of a concrete product is measured and benchmarked to help users identify products with a low-carbon profile. Five of our concrete products achieved the highest rating of Platinum and three concrete products achieved the second highest rating of Gold. To ensure that we continue to comply with regulations and meet our environmental commitments, Wai Kee continues to invest in its employee development: as of 2021, four Wai Kee staff members completed the Carbon Auditor Training Course (ready-mixed concrete), making a total of five carbon auditors at Wai Kee.

For additional information on Wai Kee's overall GHG emission performance, as a result of the company's shift from diesel fuel to electricity energy for its crushing facility, please refer to the Use of Energy section.

Use of Energy

Wai Kee recognises our responsibility around energy management and the need to minimise our environmental impact across our operations. To promote energy efficiency, we monitor our current and future energy usage trends through our EMS to identify targets and actions that reduce our energy consumption.

One example is the use of energy-efficient machinery such as the Euro 5 standard diesel machinery, while we conduct daily inspections and maintenance of machinery to ensure optimal performance. To promote energy efficiency, daily deliveries are also planned in advance so as to reduce the number of trips required, thereby cutting down both on fuel and vehicle wear and tear.

In 2020, we replaced two diesel-fuelled crushing facilities with a new electricity-powered crushing facility, allowing us to shift from using diesel fuels to 100% electricity. The impact of this change is reflected in both the energy usage and changes in GHG emissions from 2020 to 2021.

2021 saw a 32% reduction in diesel consumption while electricity consumption increased by 31%. Wai Kee's GHG emission consumption for 2021 saw a 32% reduction in Scope 1 due to the reduction of diesel fuel consumption, but a 31% increase in Scope 2 due to the higher electricity usage.

Total Resources Consumption	**2021**	2020	2019	Change from 2020-2021
Electricity (kWh)	**8,413,663**	6,430,246	3,841,473	30.85%
Diesel (litres)	**953,007**	1,401,176	1,891,327	–31.99%
Petrol (litres)	**10,821**	11,718	13,972	–7.65%
Water (m^3)	**209,616**	185,244	124,986	13.16%

Greenhouse Gas Emissions	**2021**	2020	2019	Change from 2020-2021
Total emissions ($kgCO_2e$)	**5,644,972**	6,086,015	7,110,312	–7.25%
Scope 1 ($kgCO_2e$)	**2,531,917**	3,706,824	4,995,774	–31.70%
Scope 2 ($kgCO_2e$)	**3,113,055**	2,379,191	2,114,538	30.85%

ENVIRONMENTAL (Cont'd)

Noise Pollution

We recognise that our quarrying and production of construction materials generate noise and may be heard by neighbouring communities. To mitigate any noise nuisance during production activities, we have:

- Positioned all noisy activities and machinery as far away as possible from local residents;
- Purchased equipment that generates lower noise;
- Fully enclosed noise sources, such as concrete mixers, conveyors, and a rock crusher; and
- Regularly maintain our plants and machinery to keep them running smoothly.

Landscaping and Visual

Operating a quarry often involves removing trees and plant life as digging commences, leading to a loss in biodiversity and an increase in soil erosion around the quarry site. As a legal and contractual requirement to combat this issue – as well as our own ethical position – we deliver landscape rehabilitation that focuses on stabilising the physical condition of eroded or degraded land, mitigating the visual impact of quarry scars and re-establishing ecologically suitable tree cover.

Before making any decision to remove trees at our quarrying and concrete manufacturing site, Wai Kee conducts an environmental impact analysis based on criteria including the existing site condition, legal requirements, proposed designs and construction methods and potential environmental constraints. Based on this analysis, we plant trees, use screening around the production site and reduce light pollution wherever needed.

In 2021, under the direction of an ecologist, we planted 1,608 trees across approximately 1,100 square metres through hydroseeding.

Climate Change

With respect to increasing global concerns about climate change, Wai Kee recognises that climate-related mitigation is a strategically important issue for the quarrying and construction materials industry. Our major operations – quarrying, concrete, and asphalt manufacturing – inevitably involve the consumption of fossil fuels and directly or indirectly generate GHG emissions.

These risks are closely monitored and controlled via our EMS where we review and assess our energy consumption performance and identify the ways to reduce both Scope 1 and Scope 2 GHG emissions. To monitor and minimise the carbon content of procured raw materials, we use cement substitutes such as pulverized fly ash and GGBS for concrete production as they consume less energy and possess a lower amount of embedded carbon as compared to traditional products.

Looking ahead, we will continue to explore innovative options and solutions that will help us to adapt and contribute to the mitigation of climate change. We intend to investigate other green and recycled materials and look at conserving energy with technology such as adopting low-temperature binders in asphalt mixing. We may also consider migrating to a greener mode of logistics by sourcing and procuring more energy-efficient machines and vehicles.

SOCIAL

Wai Kee believes that excellent human resources and community engagement practices are the bedrock of sustainable corporate development. As such, we aim to be a great employer, business partner, and community member. By valuing positive communication and mutual trust between employees and the company, as well as with our business partners, suppliers, and the communities in which we operate, we create quality products for our customers. To achieve this, we have prioritised the health and safety of our team – especially during the COVID-19 pandemic – and have done our best to maintain the highest standards of business ethics and operational practices.

Many of our policies and procedures, including our Code of Conduct, Health and Safety Policy, and adherence to quality control standards such as ISO 9001:2015 have helped to ensure that Wai Kee remains an employer of choice and a responsible business.

During the reporting period, we have not been made aware of any non-compliance with any employment, health and safety, child or forced labour, or any product and service quality laws and regulations. Nor have we been made aware of, or identified, any compliance issues regarding business fraud laws and regulations.

Health and Safety

Wai Kee is committed to providing the highest standards of health and safety working environments for all stakeholders of our operations including employees, subcontractors, customers and the general public. To ensure a comprehensive and holistic perspective on workplace health and safety, we promote and develop our programme through discussions and consultation with employee and subcontractor representatives at all levels.

To the best of our knowledge, we operate in compliance with relevant local laws and regulations including the Hong Kong Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), the Factories and Industrial Undertakings Ordinance (Cap. 59 of the Laws of Hong Kong) and Occupiers' Liability Ordinance (Cap. 314 of the Laws of Hong Kong).

As part of our Safety Management System ("SMS"), we provide excellent workplace housekeeping practices, safety equipment, protective measures, welfare facilities, as well as instruction, training, and supervision.

A Site Safety and Environmental Management Committee ("SSEMC"), composed of top management and project leads, has been set up to implement and review SMS measures and related policies.

In compliance with all legal and contractual requirements as well as in-house safety rules, the SSEMC's target is to minimise the number of accidents and incidents while continually improving the company's safety management system.

In 2021, the SSEMC retained a zero-accident record with an accident frequency rate of 0 per 100,000 man-hours worked, against the target rate of 0.21.

Occupational Health and Safety	**2021**	2020	2019
Work-related injuries	**0**	0	1
Work-related fatalities	**0**	0	0
Accident Frequency Rate (per 100,000 man hours)	**0**	0	0.26
Accident Frequency Rate (per 1,000 workers)	**0**	0	6.33
Lost days due to injury	**0**	0	163

SOCIAL (Cont'd)

Health and Safety (Cont'd)

SSEMC further implemented and maintained a number of 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 respective site safety personnel, SSEMC introduced different safety inspection programmes on the corporate level. SSEMC has therefore worked with Build King to join the Cross Site Safety and Environment Assessment carried out by the Senior Safety and Environment Officers, where safety knowledge and continual improvement of safety performance practices are exchanged.

In recognition of our efforts in 2021, we were delighted to have been awarded the Merit Award from the Joyful@Healthy Workplace Best Practices Awards (Enterprise/Organisation Category).

Response to novel coronavirus pandemic:

The outbreak continued to affect our employees personally and professionally. Two key changes that affected our employees are work-from-home set-up and cross-border travel restrictions.

As work-from-home becomes a "new norm" for both our employees and customers, they have had to navigate new technology for communication and workflow management. While this had an impact on efficiency and productivity, we are proud of our employees who rose to the challenge, learned new skills, and continued to provide the same Wai Kee quality of service.

The stress of a new work environment was compounded by the cross-border travel restriction. It not only isolated some of our operations geographically, but it also isolated our employees from their extended families who could have been a source of comfort during stressful times.

Building on safety measures developed in 2020 to manage the outbreak of COVID-19, in 2021 Wai Kee again followed all guidelines and directives announced by the government as its base guidelines, while also adding its own operation-specific safety measures.

SOCIAL (Cont'd)

Health and Safety (Cont'd)

Throughout 2021, we focused on employee health and safety, helping our entire team to adapt to the "new normal". Precautionary measures taken by the company have included:

- All employees and visitors were required to undergo a check temperature upon entry to our premises. If any person had a fever or respiratory symptoms, entry would be refused and they were advised to seek medical attention;
- All employees were required to wear face masks; where employees needed a mask, Wai Kee provided N95 masks;
- We provided alcohol-based sanitisers to all employees;
- 1:99 diluted bleach was used for daily cleaning and disinfection;
- We hired professional office cleaners for disinfection and sterilisation every three months;
- We installed an intelligent disinfection station at the manufacturing plant which provides full-body coverage by killing virus and germs using a sanitising spray;
- We implemented appropriate measures to monitor the possibility of infection and provided funding for COVID-19 testing whenever needed;
- We encouraged staff to take the COVID-19 vaccination and granted vaccination leave for those staff taking it; and
- All staff who had not received their first dose of a vaccine were required to undergo COVID-19 tests every two weeks. Consequently, the percentage of vaccinated company staff grew from 66% to 93%.

One of the most significant operational shifts for our employees was the adoption of virtual meetings to minimise contact and thereby help to prevent the spread of the virus. To support the efficacy and efficiency of online meetings, training and guidance were also provided to employees as they adjusted to a new virtual etiquette.

To help our team adapt to the new normal, we also:

- Reviewed, updated, and modified our crisis management plans as appropriate and ensured that employees complied with any changes implemented during the pandemic; and
- Continued to follow the recommendations of the Construction Industry Council and the Hong Kong Construction Association to implement compulsory testing measures. These required that all site staff present negative COVID-19 test results issued within the past 14 days when entering construction sites for work.

SOCIAL (Cont'd)

Anti-Corruption

Wai Kee believes that compliance and integrity start with everyone, a belief that we reinforce among our employees by providing relevant tools, resources and training that ensure everyone acts responsibly. We uphold a high standard of business ethics and prohibit any form of bribery or corrupt practices within the company. Our Code of Conduct requires us to demonstrate consistency between our words and actions by adhering to the standards and policies set out by the company.

Wai Kee has a zero-tolerance approach to corruption, bribery, extortion, money-laundering, and any other kind of business fraud. One example is our policy that addresses gifts or money offered from suppliers or customers. Employees must declare the offering and receipt of gifts or bribes from other parties, including Lai-sees and festival gifts offered during holidays.

Additionally, employees are restricted from conducting business activities that directly compete with the operations of the company, while employees are requested to report any potential conflicts of interest throughout the year.

We have also implemented internal whistle-blowing procedures and a whistle-blowing channel for the reporting of any violation(s).

All employees, including senior leadership, have received e-integrity training to enhance their ethical awareness and knowledge on the anti-corruption laws and best practices as set out by Wai Kee. In 2021, no legal cases regarding corrupt practices or violations of the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) were brought against Wai Kee or its employees.

Product Responsibility

Products and Services Quality Assurance

Wai Kee recognises that customer satisfaction and support are essential for our growth and profitability. As we are committed to providing products and services that consistently meet customer requirements, we have adopted several international standards on quality control practices. One example, a certification on ISO9001:2015 – Quality Management Systems for manufacturing construction materials and quarrying processes, focuses on:

- Design, production and supply of ready-mixed concrete;
- Design, production and supply of bituminous materials;
- Provision of road paving services; and
- Stone quarry for construction, production and supply of aggregate.

In addition, we have also acquired product certificates for:

- Quality Scheme for the Production and Supply of Concrete (QSPSC) 2014; and
- Quality Scheme for the Production and Supply of Aggregates for Concrete (QSPS-AC).

SOCIAL (Cont'd)

Product Responsibility (Cont'd)

Products and Services Quality Assurance (Cont'd)

Our cement adheres to the British Standard (BS) EN 197-1, (Type CEM I), our pulverized-fuel ash adheres to BS3892: Part 1:1997 and the General Specification for Civil Engineering Works, while our GGBS adheres to BS EN 15167-1 and the General Specification for Civil Engineering Works.

Furthermore, we have set out product quality-related targets across our operations which are overseen by quality control personnel. These personnel regularly review the effectiveness of our quality management systems and seek customer feedback, including through annual customer satisfaction surveys of a representative sample of customers. They also attend to customer complaints, so that we can respond with timely and appropriate measures that also help us to improve our services.

Data Privacy

Wai Kee values the confidentiality of personal and sensitive commercial data. In addition to compliance with the Personal Data (Privacy) Ordinance, we also implement internal control measures to preserve the confidentiality of our operational data, including information regarding our suppliers, business partners, customers, and ourselves. Our Code of Conduct and our terms of employment outline our requirements for strict adherence to the Company's data privacy and confidentiality policies.

For 2021, there were no substantiated complaints concerning breaches of data privacy or losses of data during the reporting period.

Labour Standards

Wai Kee has a stringent and strict set of policies to safeguard its workforce against child and forced labour practices. Through the use of established processes and control checkpoints, our Human Resources Team is vigilant in ensuring that our operations comply with all labour laws and regulations. Given our internal processes and the nature of our business, the potential for forced or child labour in our operations is extremely low. Regardless, we strictly prohibit any child or forced labour and comply with all applicable local laws and regulations. This is similarly applied to relevant laws for youth employment or student work, such as internships.

We adhere to the guidance of and remain in compliance with the Employment of Children Regulations under the Hong Kong Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Crimes Ordinance (Cap. 200 of the Laws of Hong Kong) and Immigration Ordinance (Cap. 115 of the Laws of Hong Kong).

Wai Kee expects its business partners to uphold similar standards.

SOCIAL (Cont'd)

Labour Standards (Cont'd)

Anti-Child Labour

Control mechanisms are embedded in our hiring procedures whereby applicants are required to submit valid identification issued by an official authority to verify their age before starting employment. A copy of the identification is kept on file for all employees during the entire period of employment.

To ensure the safety of young workers employed under youth employment or student work, they will not be:

- Placed under work conditions where they are required to perform physically strenuous work or work that involves hazardous waste;
- Perform any work that is dangerous, jeopardises their mental or psychological well-being, impairs their intellectual, moral, and social development; and
- Allowed to work overtime or on night shift.

Where any instance of child labour is discovered, Wai Kee will take measures to ensure the child ceases work immediately and the child is provided appropriate compensation for the loss of employment.

Anti-Forced Labour

Wai Kee believes that freedom of workers must not be restricted and must always be protected. If employees are forced to work under threat of penalty, employees can report the issue to the personnel department or the management. In response, Wai Kee will take appropriate disciplinary actions.

Wai Kee strictly prohibits the use of forced labour and expects the same of its business partners. Any violation discovered among our business partners will result in the termination of the business relationship.

Supply Chain Management

Wai Kee believes that an effective supply chain involves ensuring sound and ethical business practices and creating inclusive relationships with our suppliers and business partners. We believe it is important for us to work with suppliers and partners who share our values. We would not be the business we are today without their continued loyalty and collaborative spirit.

As suppliers have a direct impact on our own sustainability performance, we have incorporated responsible procurement and supplier relations practices in our procurement activities. Our supplier selection process considers the environmental and social performance of suppliers, such as their choice of raw materials, use of natural resources, product health and safety, employment practices and occupational safety measures. We also monitor their performance periodically and encourage our suppliers and contractors to implement environmental and social measures as best they can.

Additionally, where the option is available, we support the local economy by purchasing products and services locally, as much as possible. In 2021, our supply chain network included 329 local suppliers and 3 suppliers outside Hong Kong. This means that 99% of our vendors are local suppliers.

SOCIAL (Cont'd)

Community Investment

Wai Kee cares for our community and we believe that strong relationships with communities in Lam Tei and the other areas in which we operate are indispensable to our success. Over the years, we have developed close ties with local community groups through our Liaison Committees. Regular meetings are held to discuss the impact that our activities may have on the neighbourhood. Where concerning issues are identified and surfaced, they are promptly resolved, often to the mutual satisfaction of Wai Kee and the community.

To amplify our impact, we also encourage our employees to participate in these meaningful community events.

In 2021, Wai Kee donated HK$113,000, while our employees participated in the following socially-distanced events:

- Hong Kong and Kowloon Walk for Millions
- Skip Lunch Day
- Mooncakes for Charity
- Corporate and Employee Contribution Programme
- Dress Casual Day
- Love Teeth Day
- "Red Twinkle Star" Campaign

In recognition of our efforts in 2021, we were delighted to have been awarded the Bronze Award for Corporate and Employee Contribution Program 2020/2021.

Development and Training

Wai Kee encourages personal and professional development through structured training and development programmes. A wide range of training formats are available for all our employees including workshops, talks, seminars, peer learning, and on-the-job coaching.

While the pandemic accelerated a shift in Wai Kee's training format towards virtual training, Wai Kee's philosophy on training and facilitation retains the same core values whether in-person or in an online session: we believe that authentic and transparent coaching promotes open, two-way conversations between the employee and their supervisors regarding their development plans. As a result, Wai Kee employees offered an average of 5.65 hours of training to each employee in 2021, a 9% increase from 2020 where average training per employee was at 5.20 hours, despite the global pandemic.

SOCIAL (Cont'd)

Development and Training (Cont'd)

In 2021, we remained committed to maximising our employees' potential and enhancing their capabilities by continuing to subsidise and authorise education leave to support appropriate external professional training.

	2021	2020	2019
Training and Development			
Average Training Hours	**5.65**	5.20	4.35
Percentage of Employees Trained			
by Professional Profile:			
Director	**100%**	100%	100%
Managerial	**85%**	85%	85%
Supervisory	**100%**	100%	100%
General	**90%**	85%	85%
Operational	**100%**	100%	100%

Employment Practices and Equal Opportunity

Our employees are key to Wai Kee's success. Through our compliance with company and labour policies, we strive to create an appropriate work-life balance while ensuring that all employees have a psychologically and physically safe work environment.

We aim to create a harmonious working environment for all employees by:

- Providing competitive renumeration packages that are commensurate with individual responsibilities, qualifications, experience, and performance;

- Engaging in meritocratic hiring practices to provide equal opportunities across diversity segments such as age, sex, nationality, disability and religion;

- Adhering to fair human resource policies and practices regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity hiring, diversity, anti-discrimination and other employee welfare; and

- Strictly implementing a no discrimination policy. All employees are encouraged to report any witnessed or suspected discriminatory practices to management.

PERFORMANCE DATA SUMMARY 2021

Environment	**2021**	2020	2019
Total Resources Consumption *(Note 1)*			
Electricity (kWh)	**8,413,663**	6,430,246	3,841,473
Diesel (litres)	**953,007**	1,401,176	1,891,327
Petrol (litres)	**10,821**	11,718	13,972
Water (m^3)	**209,616**	185,244	124,986
Types of Emissions			
Nitrogen oxides (kg)	**5,976.93**	6,386.73	6,392.62
Sulphur oxides (kg)	**4.42**	4.55	8.12
Particulate matter (kg)	**434.13**	462.76	462.91
Greenhouse Gas Emissions *(Notes 1 and 2)*			
Total emissions (kgCO_2e)	**5,644,972**	6,086,015	7,110,312
Scope 1 (kgCO_2e)	**2,531,917**	3,706,824	4,995,774
Scope 2 (kgCO_2e)	**3,113,055**	2,379,191	2,114,538
Waste			
Wastewater (tonnes)	**6,192**	5,342	5,572
Hazardous waste (tonnes)	**2.2**	5.5	12.2
Non-hazardous waste (tonnes)	**40,238**	40,549	31,177

Note 1: The data of 2019 and 2020 was revised due to better data collection method.

Note 2: Adhering to the reporting principles of materiality and consistency, Scope 3 Greenhouse Gas Emissions of three years will not be disclosed due to the complexity of its estimation and the former definition having been considered imprecise.

PERFORMANCE DATA SUMMARY 2021 (Cont'd)

Employment	2021	2020	2019
Total Workforce	**152**	149	158
by Age:			
<30	**7**	8	13
30-39	**26**	24	22
40-49	**33**	33	34
≥50	**86**	84	89
by Gender:			
Female	**40**	31	29
Male	**112**	118	129
by Professional Profile:			
Director	**4**	4	4
Managerial	**24**	22	24
Supervisory	**25**	23	28
General	**28**	24	25
Operational	**71**	76	77
by Employment Type:			
Full-time	**152**	149	158
Part-time	**0**	0	0
by Geographical Region:			
Hong Kong	**139**	143	149
PRC	**13**	6	9

PERFORMANCE DATA SUMMARY 2021 (Cont'd)

Employment	**2021**	2020	2019
Employee Turnover			
by Age:			
<30	**6 (80%)**	15 (143%)	5 (30%)
30-39	**7 (28%)**	8 (35%)	7 (30%)
40-49	**6 (18%)**	13 (39%)	10 (26%)
≥50	**13 (15%)**	28 (32%)	24 (25%)
by Gender:			
Female	**6 (17%)**	7 (23%)	7 (24%)
Male	**26 (23%)**	57 (46%)	39 (27%)
by Geographical Region:			
Hong Kong	**32 (23%)**	61 (42%)	44 (27%)
PRC	**0 (0%)**	3 (40%)	2 (20%)
Overall:	**32 (21%)**	64 (42%)	46 (27%)
Occupational Health and Safety			
Work-related injuries	**0**	0	1
Work-related fatalities	**0**	0	0
Accident Frequency Rate (per 100,000-man-hours)	**0**	0	0.26
Accident Frequency Rate (per 1,000 workers)	**0**	0	6.33
Lost days due to injury	**0**	0	163
Training and Development			
Average Training Hours	**5.65**	5.20	4.35
Percentage of Employees Trained			
by Professional Profile:			
Director	**100%**	100%	100%
Managerial	**85%**	85%	85%
Supervisory	**100%**	100%	100%
General	**90%**	85%	85%
Operational	**100%**	100%	100%

HKEX CONTENT INDEX

HKEX – Aspects and KPIs	Reporting Location	Explanation/Remarks (where relevant)
Aspect A1 Emissions: General Disclosure	ENVIRONMENTAL	
KPI A1.1	ENVIRONMENTAL Emissions	Types of emission: Wai Kee tracked and measured Nitrogen Oxide (NOx), Sulphur Oxide (SOx), and Particulate Matter (pm).
KPI A1.2	Performance Data Summary 2021	GHG emission was reduced overall by 7.25%. From 2020 to 2021, Scope 1 was reduced by almost 32%, and Scope 2 increased by almost 31%. The change is primarily due to the shift from diesel crushers to stationary crusher (using electricity).
KPI A1.3		Hazardous wastes were reduced by 60% from 2020 to 2021.
KPI A1.4		Non-hazardous wastes were reduced by 0.77% from 2020 to 2021.
KPI A1.5		Emission targets: Wai Kee is considering formulating relevant target(s).
KPI A1.6		Hazardous and non-hazardous targets: Wai Kee is considering formulating relevant target(s).
Aspect A2 Use of Resources: General Disclosure	ENVIRONMENTAL Use of Resources	
KPI A2.1	Performance Data Summary 2021	Energy consumption for 2021 tracks electricity (kWh), diesel (litres), petrol (litres).
KPI A2.2		
KPI A2.3	–	Energy efficiency targets: Wai Kee is considering formulating relevant target(s).
KPI A2.4	ENVIRONMENTAL Use of Resources	Water efficiency targets: Wai Kee is considering formulating relevant target(s).
KPI A2.5	–	This is currently not considered a material issue.
Aspect A3 Environment and Natural Resources: General Disclosure	ENVIRONMENTAL Environment and Natural Resources	
KPI A3.1		
Aspect A4 Climate Change: General Disclosure	ENVIRONMENTAL Climate Change	
KPI A4.1		

HKEX CONTENT INDEX (Cont'd)

HKEX – Aspects and KPIs	Reporting Location	Explanation/Remarks (where relevant)
Aspect B1 Employment: General Disclosure	SOCIAL Employment	
KPI B1.1	Performance Data Summary 2021	From 2020 to 2021, Wai Kee increased its employment count by 2%, despite COVID-19 economic challenges.
KPI B1.2		
Aspect B2 Health and Safety: General Disclosure	SOCIAL Health and Safety	
KPI B2.1	Performance Data Summary 2021	Wai Kee does not have any recorded work-related injury or illness in 2021.
KPI B2.2		
KPI B2.3	SOCIAL Health and Safety	
Aspect B3 Development and Training: General Disclosure	SOCIAL Development and Training	
KPI B3.1	Performance Data Summary 2021	Employee by gender breakdown in 2021: 26% female, 74% male
KPI B3.2		
Aspect B4 Labour Standards: General Disclosure	SOCIAL Labour Standards	
KPI B4.1		Wai Kee has stringent anti-child and anti-forced labour policies for its own hiring practices. Wai Kee expects the same standards from its partners.
KPI B4.2		
Aspect B5 Supply Chain Management: General Disclosure	SOCIAL Supply Chain Management	
KPI B5.1		This report only covers 1 region: Hong Kong
KPI B5.2		
KPI B5.3		As suppliers have a direct impact on our own sustainability performance, we have incorporated responsible procurement and supplier relations practices in our procurement activities.
KPI B5.4		

HKEX CONTENT INDEX (Cont'd)

HKEX – Aspects and KPIs	Reporting Location	Explanation/Remarks (where relevant)
Aspect B6 Product Responsibility: General Disclosure	SOCIAL Product Responsibility	
KPI B6.1		
KPI B6.2		
KPI B6.3		
KPI B6.4		Wai Kee adopted several international standards on quality control practices. We are certified with ISO9001:2015 – Quality Management Systems for construction materials manufacturing and quarrying processes.
KPI B6.5		In addition to compliance with the Personal Data (Privacy) Ordinance, we also implement internal control measures to preserve the confidentiality of our operational data, including information regarding our suppliers, business partners, customers, and ourselves.
Aspect B7 Anti-Corruption: General Disclosure	SOCIAL Anti-Corruption	
KPI B7.1		
KPI B7.2		Wai Kee implemented internal whistle-blowing procedures and a whistle-blowing channel for the reporting of violation(s).
KPI B7.3		In 2021, all employees (including directors) were provided e-integrity training to enhance their ethical awareness and knowledge on anti-corruption laws and best practices.
Aspect B8 Community Investment: General Disclosure	SOCIAL Community Investment	
KPI B8.1		
KPI B8.2		

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Wai Kee Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 82 to 202, which comprise the consolidated statement of financial position as at 31st 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 31st 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 those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
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$9,842,516,000, which represents 95.8% 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.

KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and contract assets	
We identified the expected credit loss ("ECL") of trade receivables and contract assets as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole, combined with the significant degree of estimations by the management of the Group in estimation of ECL of trade receivables and contract assets which may affect their carrying values. As disclosed in note 4 to the consolidated financial statements, the management estimates the amount of lifetime ECL of trade receivables with significant balances and contract assets individually based on the historical default rates, past-due status and financial capability of individual debtor and the forward-looking information. For the remaining balances of trade receivables, the Group's management estimates the amount of lifetime ECL on a collective basis, grouped by internal credit rating. The estimation is based on the Group's historical loss rates taking into consideration of forward-looking information. As disclosed in notes 29 and 30 to the consolidated financial statements, trade receivables and contract assets of the Group carried at HK$438,057,000 and HK$2,883,915,000, respectively, which represent 2.4% and 15.7% of the Group's total assets, respectively.	Our procedures in relation to the recoverability of trade receivables and contract assets included: • Obtaining an understanding of how the management estimates the amount of lifetime ECL of trade receivables and contract assets individually and on a collective basis; • Obtaining aged analysis of trade receivables and contract assets and testing the accuracy of information used by the management by comparing individual items in the analysis with relevant supporting documents, on a sample basis; • 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; and • For trade receivables assessed on a collective basis which grouped by internal credit rating, checking the appropriateness of classification on a sample basis and assessing the reasonableness of the loss rate taking into consideration of historical loss rates and forward-looking information.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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.

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

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
29th March, 2022

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue from goods and services	5	**10,276,850**	7,976,955
Cost of sales		**(9,374,569)**	(7,176,966)
Gross profit		**902,281**	799,989
Other income	7	**122,884**	210,875
Other gains and losses	8	**(17,802)**	112,055
Selling and distribution costs		**(86,744)**	(83,117)
Administrative expenses		**(465,962)**	(444,492)
Finance costs	9	**(64,720)**	(58,978)
Share of results of associates		**458,907**	755,512
Share of results of joint ventures		**36,828**	6,917
Profit before tax	10	**885,672**	1,298,761
Income tax expense	13	**(84,964)**	(27,391)
Profit for the year		**800,708**	1,271,370
Profit for the year attributable to:			
Owners of the Company		**676,165**	1,083,462
Non-controlling interests		**124,543**	187,908
		800,708	1,271,370
		HK$	*HK$*
Earnings per share	15		
– Basic		**0.85**	1.37

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2021

	2021 *HK$'000*	2020 *HK$'000*
Profit for the year	**800,708**	1,271,370
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**12,094**	23,971
Fair value gains on hedging instruments designated in cash flow hedges	**11,421**	–
Exchange differences arising on translation of an associate	**376,040**	524,542
Exchange differences arising on translation of joint ventures	**974**	(751)
Share of cash flow hedging reserve of an associate	**22,912**	(22,912)
Other comprehensive income for the year	**423,441**	524,850
Total comprehensive income for the year	**1,224,149**	1,796,220
Total comprehensive income for the year attributable to:		
Owners of the Company	**1,093,464**	1,596,669
Non-controlling interests	**130,685**	199,551
	1,224,149	1,796,220

Consolidated Statement of Financial Position

At 31st December, 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	16	**551,602**	427,965
Right-of-use assets	17	**60,136**	57,464
Intangible assets	18	**446,148**	323,812
Goodwill	19	**29,838**	29,838
Interests in associates	21	**9,960,246**	9,172,564
Loan to an associate	22	**2,700**	2,700
Interests in joint ventures	23	**278,333**	288,874
Financial assets at fair value through profit or loss ("FVTPL")	25	**117,644**	–
Other financial asset at amortised cost	26	**36,782**	36,955
Derivative financial instruments	27	**11,421**	–
Debtors, deposits and prepayments	29	**24,561**	24,424
		11,519,411	10,364,596
Current assets			
Inventories	28	**48,234**	30,238
Debtors, deposits and prepayments	29	**784,083**	601,547
Contract assets	30	**2,883,915**	1,775,017
Amounts due from associates	31	**12,006**	10,208
Amount due from a joint venture	31	**720**	701
Amounts due from other partners of joint operations	31	**22,521**	61,373
Tax recoverable		**41,195**	38,738
Financial assets at FVTPL	25	**912,549**	682,495
Cash held on behalf of customers	32	**25,729**	17,168
Pledged bank deposits	33	**90,910**	40,661
Time deposits with original maturity of not less than three months	33	**20,210**	79,540
Bank balances and cash	33	**2,042,022**	1,649,636
		6,884,094	4,987,322
Current liabilities			
Creditors and accrued charges	34	**4,099,308**	2,827,088
Contract liabilities	35	**405,696**	568,706
Amount due to an associate	36	**21,416**	19,896
Amounts due to other partners of joint operations	36	**344**	1,176
Amounts due to non-controlling shareholders	36	**3,359**	3,359
Lease liabilities	37	**27,936**	39,878
Tax liabilities		**82,996**	33,109
Bank loans	38	**943,798**	874,065
Bonds	39	**–**	13,965
		5,584,853	4,381,242
Net current assets		**1,299,241**	606,080
Total assets less current liabilities		**12,818,652**	10,970,676

Consolidated Statement of Financial Position

At 31st December, 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Payable for extraction right	40	–	90,831
Provision for rehabilitation costs	41	–	22,770
Deferred tax liabilities	42	**18,468**	5,750
Obligations in excess of interests in associates	21	**15,949**	16,094
Obligations in excess of interests in joint ventures	23	**130**	106
Amount due to an associate	43	**1,827**	2,258
Lease liabilities	37	**23,286**	33,531
Bank loans	38	**1,150,000**	136,800
Other creditors	44	**23,000**	23,000
Bonds	39	**121,293**	115,517
		1,353,953	446,657
Net assets		**11,464,699**	10,524,019
Capital and reserves			
Share capital	45	**79,312**	79,312
Share premium and reserves		**10,595,859**	9,775,627
Equity attributable to owners of the Company		**10,675,171**	9,854,939
Non-controlling interests	46	**789,528**	669,080
Total equity		**11,464,699**	10,524,019

The consolidated financial statements on pages 82 to 202 were approved and authorised for issue by the Board of Directors on 29th March, 2022 and are signed on its behalf by:

Zen Wei Pao, William
Chairman

Zen Wei Peu, Derek
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2021

	Equity attributable to owners of the Company									
	Share capital *HK$'000* *(note 45)*	**Share premium** *HK$'000*	**Translation reserve** *HK$'000* *(note 46)*	**Special reserve** *HK$'000* *(note a)*	**Assets revaluation reserve** *HK$'000*	**Other reserve** *HK$'000* *(note b)*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000* *(note 46)*	**Total equity** *HK$'000*
At 1st January, 2020	79,312	731,906	14,332	(29,530)	2,319	413,775	7,299,956	8,512,070	495,301	9,007,371
Profit for the year	–	–	–	–	–	–	1,083,462	1,083,462	187,908	1,271,370
Other comprehensive income (expense) for the year	–	–	536,119	–	–	(22,912)	–	513,207	11,643	524,850
Total comprehensive income (expense) for the year	–	–	536,119	–	–	(22,912)	1,083,462	1,596,669	199,551	1,796,220
Sub-total	79,312	731,906	550,451	(29,530)	2,319	390,863	8,383,418	10,108,739	694,852	10,803,591
Distribution to non-controlling shareholders	–	–	–	–	–	–	–	–	(25,772)	(25,772)
Dividends paid *(note 14)*	–	–	–	–	–	–	(253,800)	(253,800)	–	(253,800)
At 31st December, 2020	79,312	731,906	550,451	(29,530)	2,319	390,863	8,129,618	9,854,939	669,080	10,524,019
Profit for the year	–	–	–	–	–	–	676,165	676,165	124,543	800,708
Other comprehensive income for the year	–	–	382,966	–	–	34,333	–	417,299	6,142	423,441
Total comprehensive income for the year	–	–	382,966	–	–	34,333	676,165	1,093,464	130,685	1,224,149
Sub-total	79,312	731,906	933,417	(29,530)	2,319	425,196	8,805,783	10,948,403	799,765	11,748,168
Capital contribution paid on behalf of the non-controlling interest	–	–	–	–	–	(19,078)	–	(19,078)	19,078	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	(8,286)	–	(8,286)	8,286	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(16)	(16)
Distribution to non-controlling shareholders	–	–	–	–	–	–	–	–	(37,585)	(37,585)
Dividends paid *(note 14)*	–	–	–	–	–	–	(245,868)	(245,868)	–	(245,868)
At 31st December, 2021	**79,312**	**731,906**	**933,417**	**(29,530)**	**2,319**	**397,832**	**8,559,915**	**10,675,171**	**789,528**	**11,464,699**

Notes:

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

(b) The other reserve represents (i) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received which is recognised directly in equity and attributed to owners of the Company regarding the changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries; (ii) the share of other reserve of an associate of the Group; (iii) the hedging reserve; and (iv) the capital contribution paid on behalf of the non-controlling interest.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2021

	2021	2020
	HK$'000	*HK$'000*
Operating activities		
Profit before tax	**885,672**	1,298,761
Adjustments for:		
Finance costs	**64,720**	58,978
Share of results of associates	**(458,907)**	(755,512)
Share of results of joint ventures	**(36,828)**	(6,917)
Dividend income from financial asset at FVTPL	**(2,695)**	(3,243)
Interest on financial asset at FVTPL	**(46,907)**	(13,980)
Interest on other receivables	**(10,715)**	(9,716)
Interest on bank deposits	**(2,571)**	(11,311)
Interest on loan to an associate	**(74)**	–
Interest on other financial asset at amortised cost	**(958)**	(987)
Gain on bargain purchase on acquisition of additional interest in an associate	**(111,612)**	(121,475)
Loss (gain) on change in fair value of financial assets at FVTPL, net	**143,322**	(32,705)
Gain on disposal of property, plant and equipment, net	**(2,481)**	(6,078)
Gain on lease modification and rent concession	**(3,068)**	(945)
Profit from construction work of service concession arrangement	**(3,103)**	(7,596)
Reversal of allowance for credit losses	**(2,635)**	(1,929)
Amortisation of intangible assets	**28,720**	3,877
Depreciation of property, plant and equipment	**91,296**	73,950
Depreciation of right-of-use assets	**33,252**	30,731
Remeasurement gain of interest in a joint operation	**(40,617)**	–
Loss on disposal of a subsidiary	**628**	–
Write-down of inventories	**609**	3,115
Impairment loss on intangible assets	**–**	13,463
Impairment loss on property, plant and equipment	**–**	30,601
Impairment loss on interest in a joint venture	**34,265**	–
Impairment loss on amount due from other partner of a joint operation	**–**	7,013
Operating cash flows before movements in working capital	**559,313**	548,095
Decrease (increase) in other financial asset at amortised cost	**173**	(811)
Decrease in inventories	**38,223**	93,067
(Increase) decrease in debtors, deposits and prepayments	**(378,182)**	39,605
(Increase) decrease in contract assets	**(1,057,587)**	360,567
Increase in financial assets at FVTPL	**(486,315)**	(525,733)
Increase (decrease) in creditors and accrued charges	**924,089**	(144,724)
Decrease in contract liabilities	**(163,010)**	(211,010)
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 (used in) from operations	**(525,276)**	266,604
Dividends received from financial asset at FVTPL	**2,695**	3,243
Interest received from financial asset at FVTPL	**46,907**	13,980
Income taxes paid	**(40,400)**	(202,601)
Net cash (used in) from operating activities	**(516,074)**	81,226

Consolidated Statement of Cash Flows

For the year ended 31st December, 2021

	Notes	2021 HK$'000	2020 HK$'000
Investing activities			
Interest received		**6,552**	14,604
Dividends received from associates		**232,277**	351,014
Dividends received from joint ventures		**4,447**	12,224
Additions of service concession arrangement		**(62,062)**	(151,911)
Proceeds from disposal of property, plant and equipment		**15,297**	11,181
Purchase of property, plant and equipment		**(249,582)**	(262,554)
Payments for right-of-use assets		**(10,334)**	(721)
Acquisition of intangible asset		**(15,000)**	–
Net cash outflow arising on disposal of a subsidiary		**(4,141)**	–
Net cash inflow on acquisition of a business	55	**337,323**	–
Acquisition of additional interests in associates		**(50,472)**	(90,653)
Capital contribution to a joint venture		**–**	(12)
Loans to a joint venture		**(5,347)**	(18,160)
Loan repayment from a joint venture		**15,000**	–
Advances to joint ventures		**–**	(701)
Advances to associates		**(1,798)**	(2,819)
Placement of time deposits with original maturity of not less than three months		**(281,998)**	(79,540)
Withdrawal of time deposits with original maturity of not less than three months		**341,345**	76,782
(Placement) withdrawal of pledged bank deposits		**(50,249)**	23,509
Net cash from (used in) investing activities		**221,258**	(117,757)
Financing activities			
Interest paid on bank loans, bonds and other borrowings		**(47,569)**	(37,422)
Interest paid on lease liabilities		**(1,494)**	(1,519)
Dividends paid	14	**(245,868)**	(253,800)
Distribution to non-controlling shareholders		**(37,585)**	(25,772)
Advances from associates		**414**	–
Repayments to joint ventures		**–**	(1,142)
New bank loans raised		**1,753,168**	496,383
Repayments of bank loans		**(672,463)**	(435,569)
Loans from other creditors		**–**	23,000
Repayments of bonds		**(14,000)**	(116,000)
Repayments of lease liabilities		**(44,651)**	(39,098)
Net cash from (used in) financing activities		**689,952**	(390,939)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2021

	2021 *HK$'000*	2020 *HK$'000*
Net increase (decrease) in cash and cash equivalents	**395,136**	(427,470)
Cash and cash equivalents at the beginning of the year	**1,649,636**	2,061,360
Effect of foreign exchange rate changes, net	**(2,750)**	15,746
Cash and cash equivalents at the end of the year	**2,042,022**	1,649,636
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**2,042,022**	1,649,636

1. GENERAL INFORMATION

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, principal associates and joint ventures are set out in notes 56, 21 and 23 respectively.

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

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 1st 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 the consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

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".

At 1st January, 2021, the Group has certain bank loans with the interests of which are indexed to benchmark rate that may be subject to interest rate benchmark reform. At 31st December, 2021, the outstanding contracts are banks loans with carrying amount of HK$2,093,798,000 and derivative financial assets with notional amount of HK$800,000,000, the interests of which are indexed to Hong Kong Interbank Offered Rate ("HIBOR") as benchmark rate that 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 49.

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") (Cont'd)

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 30th 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 1st April, 2021.
2 Effective for annual periods beginning on or after 1st January, 2022.
3 Effective for annual periods beginning on or after 1st January, 2023.
4 Effective for annual periods beginning on or after a date to be determined.

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

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

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

Amendments to HKFRS 3 "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.

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 1st January, 2022. The application of the amendments is not expected to have material impact on the Group's financial position and performance.

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 material impact on the Group's financial position and performance.

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

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

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)"

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".

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.

At 31st December, 2021, the Group's right to defer settlement for borrowings of HK$1,150,000,000 are subject to compliance with certain financial ratios within 12 months from the reporting date. Such borrowings were classified as non-current as the Group met such ratios at 31st December, 2021. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess the potential impacts of the amendments in relation to the borrowings with financial and other covenants. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities at 31st December, 2021.

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

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

Amendments to 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 material impact on the Group's financial position or performance 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 material impact on the Group's consolidated financial statements.

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

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

Amendments to 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.

The amendments are effective for annual reporting periods beginning on or after 1st January, 2023, with early application permitted. At 31st December, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$47,813,000 and HK$51,222,000 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 material impact on the Group's financial position and performance.

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 that 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 the 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 (Cont'd)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Basis of consolidation (Cont'd)

Changes in the Group's interests in existing subsidiaries (Cont'd)

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

3.2 Significant accounting policies (Cont'd)

Business combinations or asset acquisitions (Cont'd)

Business combinations

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

Except for certain recognition exemption, 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 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 "Share-based Payment" 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Business combinations or asset acquisitions (Cont'd)

Business combinations (Cont'd)

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Business combinations or asset acquisitions (Cont'd)

Business combinations (Cont'd)

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

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the 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 accounting policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Investments in associates and joint ventures

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Investments in associates and joint ventures (Cont'd)

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Interests in joint operations

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

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

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

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

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 (Cont'd)

3.2 Significant accounting policies (Cont'd)

Revenue from contracts with customers (Cont'd)

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

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

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

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

Output method

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

Variable consideration

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than property 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 subsequent accumulated impairment losses, if any.

Property in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include 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. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 property 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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation of intangible assets with finite useful lives is recognised on units of production method to reflect the expected pattern of production of the expected future economic benefits embodied in an intangible asset or 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Intangible assets (Cont'd)

Intangible assets acquired separately (Cont'd)

Service concession arrangements

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

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

Subsequent to initial recognition, intangible assets 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Service concession arrangements

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

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

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

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

Provisions

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

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Provisions (Cont'd)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

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 ("FVTOCI") 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. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

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

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

Dividends and interest earned on these financial assets are included in the "other income" line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loan to an associate, other financial asset at amortised cost, trade debtors, other debtors and deposits, bills receivables, amounts due from associates, a joint venture and other partners of joint operations, cash held on behalf of customers, pledged bank deposits, time deposits with original maturity of not less than three months and bank balances) and other item (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 represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments 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.

For all other instruments, the Group measures the loss allowance equal to 12-month 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past-due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

(v) Measurement and recognition of ECL

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.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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, amounts due to associates, other partners of joint operations and non-controlling shareholders, bank loans, bonds and other creditors are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform (Cont'd)

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).

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of other reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Cash flow hedges (Cont'd)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the other reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Leases (Cont'd)

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.

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Right-of-use assets (Cont'd)

Right-of-use assets are measured at cost, less accumulated depreciation and any 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.

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

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

The Group 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

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.

The Group as a lessor

Classification and measurement of leases

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessor (Cont'd)

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

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 dollar) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Foreign currencies (Cont'd)

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

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

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.

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 "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 expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Taxation (Cont'd)

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

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

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

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

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

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 lease 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Taxation (Cont'd)

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. 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.

Employee benefits

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

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

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 (Cont'd)

3.2 Significant accounting policies (Cont'd)

Share-based payments

Equity-settled share-based payment transactions

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

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

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

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

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

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

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

The recoverable amount of property, plant and equipment, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

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

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 3.2, the directors of the Company are required to make judgments, estimates and assumptions about the amounts recognised in the consolidated financial statements that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated impairment of interest in an associate

Determining the recoverable amount of the Group's interest in Road King Infrastructure Limited ("Road King"), an associate of the Group, requires an estimation of the value in use of the investment. The value in use calculation requires the Group to estimate the future cash flows to be generated by Road King with key assumptions of suitable growth rate and discount rate in order to calculate the present value. At 31st December, 2021, the carrying amount of the Group's interest in Road King is HK$9,956,413,000 (2020: HK$9,168,337,000). Details of the recoverable amount calculation are disclosed in note 21.

Provision for rehabilitation costs

The provision for rehabilitation costs (see note 41) is based upon the management's estimate on the costs to be incurred for the drainage, landscaping, irrigation system and slope stabilisation work on the quarry site before returning the quarry site to the Government of the Hong Kong Special Administrative Region ("HKSAR") in ready-to-develop status. Where the actual future costs are substantially greater than the estimated costs, material additional rehabilitation costs may arise during the contract period ending in April 2023.

Income tax

At 31st 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$1,092,867,000 (2020: HK$1,014,969,000) (see note 42) due to unpredictability of future profit streams. The realisability of the unrecognised deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In case where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal or further recognition takes place.

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

Measurement of value of construction works

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

Provision of ECL for trade receivables and contract assets

Trade receivables with significant balances and contract assets are assessed for ECL individually and the provision rates are based on the Group's historical default rates, past-due status and the financial capability of individual debtor taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. The Group assesses the remaining balances of trade receivables on a collective basis, grouped by internal credit rating. The loss rates are based on past-due status as groupings of various debtors that have similar loss patterns. The estimation is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 49(b), 29 and 30 respectively.

5. REVENUE FROM GOODS AND SERVICES

(a) Disaggregation of revenue from contracts with customers

Year ended 31st December, 2021

	Construction, sewage treatment and steam fuel *HK$'000*	Construction materials *HK$'000*	Quarrying *HK$'000*	Consolidated *HK$'000*
Type of goods and services				
Construction contracts	9,842,516	–	–	9,842,516
Sewage treatment plant operation	57,553	–	–	57,553
Steam fuel plant operation	59,875	–	–	59,875
Sale of construction materials	–	204,958	–	204,958
Sale of quarry products	–	–	111,948	111,948
Total	**9,959,944**	**204,958**	**111,948**	**10,276,850**
Geographical markets				
Hong Kong	9,777,351	204,958	111,948	10,094,257
Other regions in the People's Republic of China (the "PRC")	182,593	–	–	182,593
Total	**9,959,944**	**204,958**	**111,948**	**10,276,850**
Timing of revenue recognition				
At a point in time	–	204,958	111,948	316,906
Over time	9,959,944	–	–	9,959,944
Total	**9,959,944**	**204,958**	**111,948**	**10,276,850**

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

	Segment revenue *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue from contracts with customers			
Construction, sewage treatment and steam fuel	10,030,017	(70,073)	9,959,944
Construction materials	482,264	(277,306)	204,958
Quarrying	212,655	(100,707)	111,948
	10,724,936	**(448,086)**	**10,276,850**

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

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

Year ended 31st December, 2020

	Construction, sewage treatment and steam fuel *HK$'000*	Construction materials *HK$'000*	Quarrying *HK$'000*	Consolidated *HK$'000*
Type of goods and services				
Construction contracts	7,501,399	–	–	7,501,399
Sewage treatment plant operation	35,073	–	–	35,073
Steam fuel plant operation	26,514	–	–	26,514
Sale of construction materials	–	305,414	–	305,414
Sale of quarry products	–	–	108,555	108,555
Total	7,562,986	305,414	108,555	7,976,955
Geographical markets				
Hong Kong	7,341,892	305,414	108,555	7,755,861
The PRC	221,094	–	–	221,094
Total	7,562,986	305,414	108,555	7,976,955
Timing of revenue recognition				
At a point in time	–	305,414	108,555	413,969
Over time	7,562,986	–	–	7,562,986
Total	7,562,986	305,414	108,555	7,976,955

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

	Segment revenue *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue from contracts with customers			
Construction, sewage treatment and steam fuel	7,628,388	(65,402)	7,562,986
Construction materials	428,643	(123,229)	305,414
Quarrying	192,587	(84,032)	108,555
	8,249,618	(272,663)	7,976,955

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

(b) Performance obligations for contracts with customers

Construction service

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

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

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

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

Sewage treatment and steam fuel plant services

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

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

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

Sales of construction materials and quarry products

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

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

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

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. This is also the basis upon which the Group is organised. No operating segments have been aggregated in arriving at the reportable segments of the Group. The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are summarised as follows:

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

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

Quarrying
- production and sale of quarry products

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

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

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

Year ended 31st December, 2021

	Segment revenue			
	Gross *HK$'000*	**Inter-segment elimination** *HK$'000*	**External** *HK$'000*	**Segment profit** *HK$'000*
Construction, sewage treatment and steam fuel	**10,030,017**	**(70,073)**	**9,959,944**	**167,180**
Construction materials	**482,264**	**(277,306)**	**204,958**	**33,131**
Quarrying	**212,655**	**(100,707)**	**111,948**	**28,057**
Property development and investment, toll road, investment and asset management	**–**	**–**	**–**	**457,486**
Total	**10,724,936**	**(448,086)**	**10,276,850**	**685,854**

Year ended 31st December, 2020

	Segment revenue			
	Gross *HK$'000*	Inter-segment elimination *HK$'000*	External *HK$'000*	Segment profit (loss) *HK$'000*
Construction, sewage treatment and steam fuel	7,628,388	(65,402)	7,562,986	250,259
Construction materials	428,643	(123,229)	305,414	14,068
Quarrying	192,587	(84,032)	108,555	(9,148)
Property development and investment, toll road, investment and asset management	–	–	–	755,856
Total	8,249,618	(272,663)	7,976,955	1,011,035

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

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

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

	2021	2020
	HK$'000	*HK$'000*
Total segment profit	**685,854**	1,011,035
Unallocated items		
Other income	**34,450**	14,084
Other gains and losses	**42,339**	134,810
Administrative expenses	**(64,195)**	(41,005)
Finance costs	**(36,063)**	(27,278)
Share of results of associates	**1,176**	1,410
Share of results of joint ventures	**12,604**	(9,594)
Profit attributable to owners of the Company	**676,165**	1,083,462

Segment assets and liabilities

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

6. SEGMENT INFORMATION (Cont'd)

Other segment information

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

Year ended 31st December, 2021

	Construction, sewage treatment and steam fuel *HK$'000*	Construction materials *HK$'000*	Quarrying *HK$'000*	Property development and investment, toll road, investment and asset management *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amortisation of intangible assets *(note)*	(28,720)	–	(30,943)	–	(59,663)	–	(59,663)
Depreciation of property, plant and equipment *(note)*	(82,250)	(7,966)	(26,519)	–	(116,735)	(446)	(117,181)
Depreciation of right-of-use assets	(27,838)	(375)	–	–	(28,213)	(5,039)	(33,252)
Impairment loss on interest in a joint venture	(34,265)	–	–	–	(34,265)	–	(34,265)
Reversal of allowance for credit losses	–	13	2,622	–	2,635	–	2,635
Gain (loss) on disposal of property, plant and equipment, net	2,447	61	(27)	–	2,481	–	2,481
Interest income	35,413	1	–	–	35,414	25,811	61,225
Finance costs	(19,014)	(6,067)	(3,576)	–	(28,657)	(36,063)	(64,720)
Share of results of associates	245	–	–	457,486	457,731	1,176	458,907
Share of results of joint ventures	24,224	–	–	–	24,224	12,604	36,828
Income tax expense	(84,964)	–	–	–	(84,964)	–	(84,964)

6. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

Year ended 31st December, 2020

	Construction, sewage treatment and steam fuel *HK$'000*	Construction materials *HK$'000*	Quarrying *HK$'000*	Property development and investment, toll road, investment and asset management *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amortisation of intangible assets *(note)*	(3,877)	–	(47,647)	–	(51,524)	–	(51,524)
Depreciation of property, plant and equipment *(note)*	(61,076)	(11,812)	(29,838)	–	(102,726)	(291)	(103,017)
Depreciation of right-of-use assets	(25,540)	(528)	–	–	(26,068)	(4,663)	(30,731)
Impairment loss on intangible assets	–	–	–	–	–	(13,463)	(13,463)
Impairment loss on property, plant and equipment	–	–	–	–	–	(30,601)	(30,601)
Impairment loss on amount due from other partner of a joint operation	(7,013)	–	–	–	(7,013)	–	(7,013)
Reversal of allowance for credit losses	–	302	1,627	–	1,929	–	1,929
Gain on disposal of property, plant and equipment, net	964	5,114	–	–	6,078	–	6,078
Interest income	28,000	–	–	–	28,000	7,994	35,994
Finance costs	(16,995)	(9,378)	(5,327)	–	(31,700)	(27,278)	(58,978)
Share of results of associates	(1,754)	–	–	755,856	754,102	1,410	755,512
Share of results of joint ventures	16,511	–	–	–	16,511	(9,594)	6,917
Income tax expense	(27,391)	–	–	–	(27,391)	–	(27,391)

Note: Included in amortisation of intangible assets and depreciation of property, plant and equipment in quarrying segment, HK$30,943,000 (2020: HK$47,647,000) and HK$25,885,000 (2020: HK$29,067,000) were capitalised in inventories respectively.

Geographical information

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

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

	Revenue from external customers		Non-current assets *(note)*	
	2021 ***HK$'000***	2020 *HK$'000*	**2021** ***HK$'000***	2020 *HK$'000*
Hong Kong	**10,094,257**	7,755,861	**10,428,627**	9,675,017
The PRC	**182,593**	221,094	**715,170**	457,567
Others	**–**	–	**182,506**	167,933
	10,276,850	7,976,955	**11,326,303**	10,300,517

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

6. SEGMENT INFORMATION (Cont'd)

Information about customers

Revenue from one customer (2020: one customer) of the construction, sewage treatment and steam fuel segment located in Hong Kong of the corresponding years contributing over 10% of the Group's revenue is as follows:

	2021 **HK$'000**	2020 HK$'000
Customer A	**4,495,748**	4,102,282

7. OTHER INCOME

	2021 **HK$'000**	2020 HK$'000
Other income mainly includes:		
Dividend income from financial asset at FVTPL	**2,695**	3,243
Interest on financial asset at FVTPL	**46,907**	13,980
Interest on other receivables	**10,715**	9,716
Interest on bank deposits	**2,571**	11,311
Interest on loan to an associate	**74**	–
Interest on other financial asset at amortised cost	**958**	987
Government subsidy for project in the PRC	**8,110**	–
Government subsidy	**1,256**	1,058
Employment Support Scheme	**–**	123,030
Operation fee income	**30,523**	30,127
Rental income from land and buildings	**528**	436
Rental income from plant and machinery	**3,606**	3,068
Service income from an associate	**60**	60

8. OTHER GAINS AND LOSSES

	2021 **HK$'000**	2020 *HK$'000*
Gain on bargain purchase on acquisition of additional interest in an associate *(note)*	**111,612**	121,475
(Loss) gain on change in fair value of financial assets at FVTPL, net	**(143,322)**	32,705
Gain on disposal of property, plant and equipment, net	**2,481**	6,078
Loss on disposal of a subsidiary	**(628)**	–
Remeasurement gain of interest in a joint operation *(note 55)*	**40,617**	–
Impairment loss on intangible assets *(note 18(b))*	**–**	(13,463)
Impairment loss on property, plant and equipment *(note 18(b))*	**–**	(30,601)
Impairment loss on interest in a joint venture	**(34,265)**	–
Impairment loss on amount due from other partner of a joint operation	**–**	(7,013)
Gain on lease modification and rent concession	**3,068**	945
Reversal of allowance for credit losses	**2,635**	1,929
	(17,802)	112,055

Note: During the year ended 31st December, 2021, the Group purchased 5,717,000 (2020: 8,579,000) ordinary shares in Road King at an aggregate consideration of HK$50,268,000 (2020: HK$90,653,000). The Group's interest in Road King increased in aggregate by 0.76% (2020: 1.14%) resulting in gain on bargain purchase of HK$111,612,000 (2020: HK$121,475,000) on acquisition of additional interest in Road King.

9. FINANCE COSTS

	2021 **HK$'000**	2020 *HK$'000*
Interest on bank loans	**46,034**	33,099
Interest on bonds	**650**	4,199
Interest on other borrowings	**920**	351
Interest on lease liabilities	**1,494**	1,519
Imputed interest on bonds	**5,776**	5,501
Imputed interest on payable for extraction right	**7,423**	12,006
Imputed interest on provision for rehabilitation costs	**1,748**	1,652
Imputed interest on non-current interest-free amount due to an associate	**675**	651
	64,720	58,978

10. PROFIT BEFORE TAX

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

	2021 *HK$'000*	2020 *HK$'000*
Auditor's remuneration		
Current year	**3,794**	3,679
(Overprovision) underprovision in prior year	**(9)**	28
	3,785	3,707
Amortisation of intangible assets *(note)*	**59,663**	51,524
Depreciation of property, plant and equipment *(note)*	**117,181**	103,017
Depreciation of right-of-use assets	**33,252**	30,731
Exchange gain, net	**(7,212)**	(3,887)
Hire charges for plant and machinery	**340,058**	316,426
Share of income tax expense of associates (included in share of results of associates)	**1,016,778**	849,735
Staff costs		
Directors' remuneration *(note 11)*	**40,206**	18,636
Other staff costs	**1,367,896**	1,214,014
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$1,079,000 (2020: HK$989,000)	**54,464**	46,360
	1,462,566	1,279,010
Write-down of inventories	**609**	3,115

Note: Included in amortisation of intangible assets and depreciation of property, plant and equipment, HK$30,943,000 (2020: HK$47,647,000) and HK$25,885,000 (2020: HK$29,067,000) were capitalised in inventories respectively.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

The remuneration paid or payable to each of the eight (2020: eight) directors including the Chief Executive Officer were as follows:

Year ended 31st December, 2021

	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Zen Wei Pao, William	–	8,176	12,542	800	21,518
Zen Wei Peu, Derek	–	8,730	3,595	860	13,185
Chiu Wai Yee, Anriena	–	2,451	817	242	3,510
	–	19,357	16,954	1,902	38,213
Non-executive directors:					
Cheng Chi Ming, Brian	292	–	–	–	292
Ho Gilbert Chi Hang	292	–	–	–	292
	584	–	–	–	584
Independent non-executive directors:					
Wong Che Ming, Steve	457	–	–	–	457
Wan Siu Kau, Samuel	476	–	–	–	476
Wong Man Chung, Francis	476	–	–	–	476
	1,409	–	–	–	1,409
	1,993	19,357	16,954	1,902	40,206

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

Year ended 31st December, 2020

	Fee *HK$'000*	Salary and other benefits *HK$'000*	Performance related incentive payments *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:					
Zen Wei Pao, William	–	409	1,084	41	1,534
Zen Wei Peu, Derek	–	2,238	8,540	694	11,472
Chiu Wai Yee, Anriena	–	2,411	989	237	3,637
	–	5,058	10,613	972	16,643
Non-executive directors:					
Cheng Chi Ming, Brian	292	–	–	–	292
Ho Gilbert Chi Hang	292	–	–	–	292
	584	–	–	–	584
Independent non-executive directors:					
Wong Che Ming, Steve	457	–	–	–	457
Wan Siu Kau, Samuel	476	–	–	–	476
Wong Man Chung, Francis	476	–	–	–	476
	1,409	–	–	–	1,409
	1,993	5,058	10,613	972	18,636

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

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

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

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

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

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

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

12. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals included two directors (2020: one director) set out in note 11. The emoluments of the remaining three (2020: four) highest paid individuals are as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Salary and other benefits	**8,934**	10,424
Performance related incentive payments	**11,882**	14,239
Retirement benefits scheme contributions	**755**	995
	21,571	25,658

The 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
HK$6,500,001 to HK$7,000,000	**1**	1
HK$7,000,001 to HK$7,500,000	**1**	1
HK$7,500,001 to HK$8,000,000	**1**	–

13. 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
Underprovision (overprovision) in prior years		
Hong Kong	**8,352**	843
The PRC	**771**	(1,242)
	9,123	(399)
Deferred tax *(note 42)*		
Credit for the 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 can be reconciled to the profit before tax as follows:

	2021 **HK$'000**	2020 *HK$'000*
Profit before tax	**885,672**	1,298,761
Income tax expense at the applicable rate of 16.5% (2020: 16.5%)	**146,136**	214,296
Tax effect of expenses not deductible for tax purpose	**31,185**	12,879
Tax effect of income not taxable for tax purpose	**(37,273)**	(57,801)
Underprovision (overprovision) in prior years	**9,123**	(399)
Tax effect of tax losses not recognised	**19,254**	66,303
Tax effect of utilisation of tax losses previously not recognised	**(6,401)**	(76,423)
Tax effect of share of results of associates	**(75,720)**	(124,659)
Tax effect of share of results of joint ventures	**(6,077)**	(1,141)
Effect of different rates for subsidiaries operating in other jurisdictions	**2,288**	(62)
Others	**2,449**	(5,602)
Income tax expense	**84,964**	27,391

14. DIVIDENDS

Dividends paid and recognised as distributions during the year:

	2021	2020
	HK$'000	*HK$'000*
2020 final dividend – HK24 cents per share (2020: 2019 final dividend – HK24 cents per share)	**190,350**	190,350
2021 interim dividend – HK7 cents per share (2020: 2020 interim dividend – HK8 cents per share)	**55,518**	63,450
	245,868	253,800

A final dividend for the year ended 31st December, 2021 of HK11 cents (2020: HK24 cents) per ordinary share amounting to HK$87,244,000 (2020: HK$190,350,000) has been proposed by the board of directors of the Company (the "Board") and is subject to approval by the shareholders in the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

15. EARNINGS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**676,165**	1,083,462

	2021	2020
Number of ordinary shares for the purpose of basic earnings per share	**793,124,034**	793,124,034

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

16. PROPERTY, PLANT AND EQUIPMENT

	Property under construction *HK$'000*	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Vessels *HK$'000*	Total *HK$'000*
COSTS								
At 1st January, 2020	100,585	21,542	15,057	534,216	53,989	90,518	393,324	1,209,231
Exchange realignment	1,340	595	–	1,627	130	99	–	3,791
Additions	114,111	–	1,406	119,493	3,095	2,644	21,805	262,554
Transfer	(107,266)	–	–	107,266	–	–	–	–
Disposals	–	–	–	(33,325)	(65)	(33,426)	–	(66,816)
At 31st December, 2020	108,770	22,137	16,463	729,277	57,149	59,835	415,129	1,408,760
Exchange realignment	2,694	260	–	1,084	72	82	–	4,192
Additions	182,593	25,618	606	31,844	4,018	2,882	2,021	249,582
Transfer	(175,218)	48,561	–	126,324	333	–	–	–
Disposals	–	–	–	(73,355)	(46)	(1,209)	–	(74,610)
At 31st December, 2021	118,839	96,576	17,069	815,174	61,526	61,590	417,150	1,587,924
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2020	19,631	11,046	9,654	367,153	47,117	76,119	378,075	908,795
Exchange realignment	–	2	–	4	48	41	–	95
Provided for the year	–	1,033	3,044	81,187	3,248	6,952	7,553	103,017
Transfer	(19,631)	–	–	19,631	–	–	–	–
Impairment loss	10,995	200	–	14,189	–	5,217	–	30,601
Eliminated on disposals	–	–	–	(28,523)	(20)	(33,170)	–	(61,713)
At 31st December, 2020	10,995	12,281	12,698	453,641	50,393	55,159	385,628	980,795
Exchange realignment	–	13	–	73	30	24	–	140
Provided for the year	–	1,997	2,635	98,689	3,028	1,926	8,906	117,181
Transfer	(10,995)	–	–	10,995	–	–	–	–
Eliminated on disposals	–	–	–	(60,539)	(46)	(1,209)	–	(61,794)
At 31st December, 2021	–	14,291	15,333	502,859	53,405	55,900	394,534	1,036,322
CARRYING VALUES								
At 31st December, 2021	**118,839**	**82,285**	**1,736**	**312,315**	**8,121**	**5,690**	**22,616**	**551,602**
At 31st December, 2020	97,775	9,856	3,765	275,636	6,756	4,676	29,501	427,965

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

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

Buildings	4% – 16%
Leasehold improvements	$33^1/_3$% or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% – 25%
Furniture, fixtures and equipment	25%
Motor vehicles	$16^2/_3$% – 25%
Vessels	10% – 50%

The buildings are located in Hong Kong and the PRC.

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

17. RIGHT-OF-USE ASSETS

	Leasehold lands *HK$'000*	**Leased properties** *HK$'000*	**Total** *HK$'000*
At 31st December, 2021			
Carrying values	**12,323**	**47,813**	**60,136**
At 31st December, 2020			
Carrying values	2,129	55,335	57,464
For the year ended 31st December, 2021			
Depreciation charge	**198**	**33,054**	**33,252**
For the year ended 31st December, 2020			
Depreciation charge	51	30,680	30,731

	2021 *HK$'000*	2020 *HK$'000*
Expense relating to short-term leased properties	**7,219**	3,228
Total cash outflow for leases	**63,698**	44,566
Additions to right-of-use assets	**36,173**	56,594

17. RIGHT-OF-USE ASSETS (Cont'd)

For both years, the Group leases offices premises and site areas 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.

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.

18. INTANGIBLE ASSETS

	Construction licenses *HK$'000* *(note a)*	Extraction right of rock reserve *HK$'000* *(note b)*	Rehabilitation costs for quarry site *HK$'000* *(note b)*	Service concession arrangements *HK$'000* *(notes c & d)*	Customer contract *HK$'000* *(note e)*	Total *HK$'000*
COSTS						
At 1st January, 2020	32,858	535,728	26,889	88,034	–	683,509
Exchange realignment	–	–	–	5,861	–	5,861
Additions	–	–	–	159,507	–	159,507
At 31st December, 2020	32,858	535,728	26,889	253,402	–	848,877
Exchange realignment	–	–	–	6,931	–	6,931
Additions	15,000	–	–	65,165	–	80,165
Acquisition of a business *(note 55)*	–	–	–	–	95,378	95,378
At 31st December, 2021	47,858	535,728	26,889	325,498	95,378	1,031,351
AMORTISATION AND IMPAIRMENT						
At 1st January, 2020	–	425,293	21,346	12,600	–	459,239
Exchange realignment	–	–	–	839	–	839
Charge for the year	–	45,370	2,277	3,877	–	51,524
Impairment loss	–	12,820	643	–	–	13,463
At 31st December, 2020	–	483,483	24,266	17,316	–	525,065
Exchange realignment	–	–	–	475	–	475
Charge for the year	–	29,464	1,479	10,423	18,297	59,663
At 31st December, 2021	–	512,947	25,745	28,214	18,297	585,203
CARRYING VALUES						
At 31st December, 2021	**47,858**	**22,781**	**1,144**	**297,284**	**77,081**	**446,148**
At 31st December, 2020	32,858	52,245	2,623	236,086	–	323,812

18. INTANGIBLE ASSETS (Cont'd)

Notes:

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

The construction licenses are granted by the Works Branch, Development Bureau of 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 support that the construction licenses have no foreseeable limit to the period over which the construction licenses are expected to generate net cash inflow for the Group. As a result, the construction licenses are considered by the management of the Group as having indefinite useful lives because they are expected to contribute net cash inflow indefinitely. The construction licenses will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding the impairment testing on construction licenses are disclosed in note 20.

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

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

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

During the year ended 31st December, 2020, due to the drop in the demand and the competitive pricing of concrete, asphalt and quarry products in the market, operating results of the Group's construction materials and quarrying segments were worse than originally budgeted and triggered the impairment assessment. Based on the impairment assessment of the Group, the management considered that the total recoverable amounts of the intangible assets, comprising extraction right of rock reserve and rehabilitation costs for quarry site, and property, plant and equipment of these CGUs were less than their carrying amounts, therefore impairment losses of HK$13,463,000 and HK$30,601,000 in respect of intangible assets and property, plant and equipment were recognised in profit or loss for the year ended 31st December, 2020. At 31st December, 2020, the carrying amounts of intangible assets and property, plant and equipment, net of impairment, were HK$54,868,000 and HK$55,221,000, respectively.

18. INTANGIBLE ASSETS (Cont'd)

Notes: (Cont'd)

(b) (Cont'd)

The management of the Group performed impairment assessment on the extraction right of rock reserve and the rehabilitation costs for the quarry site during the year ended 31st December, 2021 and 31st December, 2020 by reference to the valuation prepared by an independent professional valuer. For the purpose of impairment assessment, assets were allocated to three individual CGUs i.e., concrete, asphalt and quarrying CGUs and the recoverable amounts of these CGUs were determined based on the value in use calculation. That calculation used cash flow projections based on financial budgets approved by the management covering the remaining contract period of the extraction right and a discount rate of 10.68% (2020:11.61%). Other key assumptions for the value in use calculation related to the estimation of the prices and budgeted gross margin of concrete, asphalt and quarry products and the volume of rock reserve to be extracted.

During the year ended 31st December, 2021, no impairment loss was recognised on intangible assets, comprising extraction right of rock reserve and rehabilitation costs for quarry site, and property, plant and equipment of these CGUs.

(c) Wuxi Qianhui Sewage Treatment Co., Ltd. ("Wuxi Qianhui"), a subsidiary of the Company, entered into a service concession arrangement with the local government whereby Wuxi Qianhui is required to build the infrastructure of a sewage treatment plant phase II (see note 26 for details of sewage treatment plant phase I) and is granted an exclusive operating right for provision of sewage treatment services to the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province of the PRC for a term of 30 years.

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

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

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

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.

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

18. INTANGIBLE ASSETS (Cont'd)

Notes: (Cont'd)

(d) (Cont'd)

Pursuant to the 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 arrangements are accounted for as a service concession arrangement and the right to charge the users of the public service is recognised as an intangible asset. The Group estimates the fair value of the intangible asset to be equal to the construction costs plus certain margin. Amortisation of the intangible asset will be provided for over the operation period of 30 years on a straight-line basis when the steam fuel supply plant commences its operation.

(e) During the year ended 31st 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 55). The intangible asset is 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.

19. GOODWILL

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

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

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

For the purpose of impairment testing, intangible assets with indefinite useful lives as set out in note 18(a) have been allocated to two CGUs, BKCL and IEC, which are included in construction, sewage treatment and steam fuel segment.

The recoverable amounts of the above groups of CGUs have been determined on the basis of value in use calculations and are based on certain key assumptions. All value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, a discount rate of 10% (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 with indefinite useful lives.

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

	2021	2020
	HK$'000	*HK$'000*
Cost of investments in associates		
Listed in Hong Kong *(note a)*	**2,029,507**	1,979,926
Unlisted	**15,415**	15,090
	2,044,922	1,995,016
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	**7,899,375**	7,161,454
	9,944,297	9,156,470
Represented by:		
Interests in associates	**9,960,246**	9,172,564
Obligations in excess of interests in associates *(note b)*	**(15,949)**	(16,094)
	9,944,297	9,156,470
Fair value of listed investments	**2,382,136**	3,246,363

Notes:

(a) Included in the cost of investments in the associate listed in Hong Kong, there is goodwill of HK$30,964,000 (2020: HK$30,964,000) arising on acquisition of additional interest in the associate during the year ended 31st December, 2007.

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

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

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

Name of associate	Form of business structure	Place of incorporation/ operation	Effective interest held by the Company		Proportion of voting rights held by the Group		Principal activities
			2021	2020	**2021**	2020	
			%	%	**%**	%	
B Bim Creation Limited	Incorporated	Hong Kong	**17.03** *(note a)*	17.03 *(note a)*	**30**	30	Consultancy services
Genetron Engineering Company Limited	Incorporated	Hong Kong	**17.03** *(note a)*	17.03 *(note a)*	**30**	30	Civil engineering
Grand China Cayman Investors III, Limited	Incorporated	Cayman Islands	**34.6**	34.6	**34.6**	34.6	Investment in rental properties in the United States of America (the "USA")
Hong Kong Landfill Restoration Group Limited	Incorporated	Hong Kong	**19.58** *(note a)*	19.58 *(note a)*	**34.5**	34.5	Civil engineering
Road King Infrastructure Limited *(note b)*	Incorporated	Bermuda	**44.52**	43.76	**44.52**	43.76	Property development, development, operation and management of toll roads, and investment and asset management

Notes:

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

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

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

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

At 31st December, 2021, the carrying amount of the Group's interest in Road King of HK$9,956,413,000 (2020: HK$9,168,337,000) was higher than its fair value of HK$2,382,136,000 (2020: HK$3,246,363,000). During the year ended 31st December, 2021, the management of the Group carried out impairment assessment on the entire carrying amount of its interest in Road King (including goodwill) as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its entire carrying amount. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to be generated by Road King. The key assumptions included terminal growth rate of 4% and use of 6% to discount the cash flow projections to net present value. Based on the assessment, the recoverable amount of the Group's interest in Road King exceeded its entire carrying amount. Hence, no impairment against the Group's interest in Road King is considered necessary.

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate, Road King, is set out below. Road King is engaged in property development, development, operation and management of toll roads, and investment and asset management. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

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

	2021 ***HK$'000***	2020 *HK$'000*
Current assets	**67,855,142**	71,973,129
Non-current assets	**40,380,589**	31,307,758
Current liabilities	**(40,106,596)**	(44,274,881)
Non-current liabilities	**(32,330,755)**	(25,964,152)
Net assets	**35,798,380**	33,041,854
Equity attributable to owners of the associate	**22,337,418**	20,927,845
Perpetual capital securities	**6,954,296**	6,952,437
Non-controlling interests	**6,506,666**	5,161,572
Total equity	**35,798,380**	33,041,854
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**11,432,416**	12,183,058
Current financial liabilities (excluding trade and other payables and provisions)	**(15,017,246)**	(19,912,258)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(30,900,338)**	(24,701,943)

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

Summarised financial information of material associate (Cont'd)

	2021 ***HK$'000***	2020 *HK$'000*
Revenue	**24,677,949**	24,196,103
Profit for the year	**1,984,489**	2,783,596
Other comprehensive income for the year	**979,800**	1,311,821
Total comprehensive income for the year	**2,964,289**	4,095,417
Dividends received from the associate by the Group during the year	**230,243**	349,304
The above profit for the year includes the following income (expenses):		
Interest income	**307,695**	244,588
Depreciation	**(49,728)**	(58,053)
Finance costs	**(1,073,317)**	(1,172,693)
Income tax expense	**(2,289,737)**	(1,949,906)

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

	2021 ***HK$'000***	2020 *HK$'000*
Net assets attributable to owners of the associate	**22,337,418**	20,927,845
Proportion of the Group's equity interest in the associate	**44.52%**	43.76%
	9,944,618	9,158,025
Goodwill	**30,964**	30,964
Others	**(19,169)**	(20,652)
Carrying amount of the Group's interest in the associate	**9,956,413**	9,168,337

Aggregate information of associates that are not individually material

	2021 ***HK$'000***	2020 *HK$'000*
The Group's share of profit (loss) and total comprehensive income (expense)	**1,421**	(344)

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

22. LOAN TO AN ASSOCIATE

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

Details of the impairment assessment are set out in note 49(b).

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

	2021	2020
	HK$'000	*HK$'000*
Cost of investments in unlisted joint ventures	**186,048**	186,048
Less: Impairment loss	**(34,265)**	–
	151,783	186,048
Share of post-acquisition profits and other comprehensive income, net of dividends received	**92,316**	58,963
	244,099	245,011
Loans to joint ventures *(note a)*	**34,104**	43,757
	278,203	288,768
Represented by:		
Interests in joint ventures	**278,333**	288,874
Obligations in excess of interests in joint ventures *(note b)*	**(130)**	(106)
	278,203	288,768

Notes:

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

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

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

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

Name of joint venture	Form of business structure	Place of incorporation/ operation	Effective interest held by the Company		Proportion of voting rights held by the Group		Principal activities
			2021	2020	**2021**	2020	
			%	%	**%**	%	
Estates at Fountain Lake LLC *(note a)*	Incorporated	USA	**29.89**	29.89	**33.3**	33.3	Investment in rental properties in the USA
Ruyi Residence Development Sdn. Bhd. ("Ruyi Residence") *(note b)*	Incorporated	Malaysia	**36.33** *(note c)*	36.33 *(note c)*	**33.3**	33.3	Property development
Sunny Harvest Corporation Limited ("Sunny Harvest") *(note d)*	Incorporated	Hong Kong	**28.38** *(note c)*	28.38 *(note c)*	**50**	50	Provision of transportation services
Wisdom H6 LLC *(note e)*	Incorporated	USA	**65.27**	65.27	**66.7**	66.7	Investment in rental properties in the USA
德州恒源熱力有限公司 ("Dezhou Heng Yuan") *(note f)*	Incorporated	PRC	**27.81** *(note c)*	27.81 *(note c)*	**50**	50	Central heating

Notes:

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

(b) Ruyi Residence was formed by the Group with paid up capital of Malaysian ringgit 10,000. Build King 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 31st December, 2021, Build King provided shareholder's loan of approximately HK$23,507,000 (2020: HK$18,160,000) to Ruyi Residence. Build King 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.

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

(d) At 31st December, 2021, Build King has provided shareholder's loan of HK$10,597,000 (2020: HK$25,597,000) to Sunny Harvest.

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

(f) During the year ended 31st December, 2021, an impairment loss of HK$34,265,000 has been recognised as the recoverable amount of the interest in Dezhou Heng Yuan which is determined by fair value of its property, plant and equipment is lower than its carrying amount.

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

Summarised financial information of material joint ventures

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

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

Estates at Fountain Lake LLC

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

	2021	2020
	HK$'000	*HK$'000*
Current assets	**26,259**	20,213
Non-current assets	**374,646**	367,521
Current liabilities	**(20,780)**	(17,031)
Non-current liabilities	**(260,243)**	(257,833)
Net assets	**119,882**	112,870
Revenue	**34,382**	33,674
Profit (loss) for the year	**14,423**	(278)
Other comprehensive income (expense) for the year	**635**	(499)
Total comprehensive income (expense) for the year	**15,058**	(777)

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	2020
	HK$'000	*HK$'000*
Net assets of the joint venture	**119,882**	112,870
Proportion of the equity interest in the joint venture held by the Group	**34.35%**	34.35%
Carrying amount of the Group's interest in the joint venture	**41,179**	38,771

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

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

Wisdom H6 LLC

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

	2021	2020
	HK$'000	*HK$'000*
Current assets	**26,325**	22,612
Non-current assets	**371,527**	355,180
Current liabilities	**(29,723)**	(23,517)
Non-current liabilities	**(179,694)**	(182,059)
Net assets	**188,435**	172,216
Revenue	**30,146**	29,898
Profit (loss) for the year	**18,036**	(18,266)
Other comprehensive income (expense) for the year	**1,003**	(772)
Total comprehensive income (expense) for the year	**19,039**	(19,038)

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	2020
	HK$'000	*HK$'000*
Net assets of the joint venture	**188,435**	172,216
Proportion of the equity interest in the joint venture held by the Group	**75%**	75%
Carrying amount of the Group's interest in the joint venture	**141,326**	129,162

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

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

Dezhou Heng Yuan

Dezhou Heng Yuan is engaged in central heating.

	2021	2020
	HK$'000	*HK$'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)
Net assets	**114,062**	146,292
Revenue	**64,553**	63,296
Profit for the year	**37,699**	31,226
Total comprehensive income for the year	**37,699**	31,226

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	2020
	HK$'000	*HK$'000*
Net assets of the joint venture	**114,062**	146,292
Proportion of the equity interest in the joint venture held by Build King	**49%**	49%
Carrying amount of the Group's interest in the joint venture	**55,890**	71,683

The financial information of the other joint ventures is immaterial.

24. JOINT OPERATIONS

Details of the Group's principal joint operations at 31st December, 2021 and 2020 are as follows:

Name of joint operation	Form of business structure	Place of registration/ operation	Effective interest held by the Company 2021 %	Effective interest held by the Company 2020 %	Principal activities
Build King-Hyundai Joint Venture	Unincorporated	Hong Kong	**39.73**	39.73	Building construction
Build King-Kum Shing Joint Venture	Unincorporated	Hong Kong	**36.89**	36.89	Civil engineering
Build King-Richwell Civil Joint Venture	Unincorporated	Hong Kong	**39.73**	39.73	Civil engineering
Build King-Richwell Civil Joint Venture	Unincorporated	Hong Kong	**35.19**	–	Civil engineering
Build King-Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**34.06**	34.06	Civil engineering
Build King-Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**39.73**	39.73	Civil engineering
Build King-Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**34.06**	–	Civil engineering
Build King-SCT Joint Venture	Unincorporated	Hong Kong	**N/A**	28.95	Civil engineering
Build King-SK ecoplant Joint Venture (formerly known as Build King-SKEC Joint Venture)	Unincorporated	Hong Kong	**34.06**	34.06	Civil engineering
Build King-SK ecoplant Joint Venture (formerly known as Build King-SKEC Joint Venture)	Unincorporated	Hong Kong	**28.95**	28.95	Civil engineering
Build King-STEC Joint Venture	Unincorporated	Hong Kong	**28.95**	28.95	Civil engineering
China State-Build King Joint Venture	Unincorporated	Hong Kong	**27.81**	27.81	Civil engineering
CRBC-Build King Joint Venture	Unincorporated	Hong Kong	**27.81**	27.81	Civil engineering
CRBC-CEC-Kaden Joint Venture	Unincorporated	Hong Kong	**18.45**	18.45	Civil engineering
CRBC-Kaden Joint Venture	Unincorporated	Hong Kong	**34.06**	34.06	Civil engineering
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	**17.03**	17.03	Civil engineering
Kaden-Chun Wo Joint Venture	Unincorporated	Hong Kong	**28.95**	28.95	Civil engineering

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

24. JOINT OPERATIONS (Cont'd)

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

25. FINANCIAL ASSETS AT FVTPL

	2021	2020
	HK$'000	*HK$'000*
Financial assets mandatorily measured at FVTPL		
Listed equity securities in Hong Kong	**51,314**	38,519
Quoted equity securities *(note a)*	**11,354**	8,313
Unlisted equity investment *(note b)*	**6,000**	–
Others *(note c)*	**111,644**	–
	180,312	46,832
Financial assets designated at FVTPL		
Quoted debt securities *(note d)*	**849,881**	635,663
	1,030,193	682,495
Classified under:		
Non-current assets	**117,644**	–
Current assets	**912,549**	682,495
	1,030,193	682,495

Notes:

(a) The quoted equity securities represent investment in equity securities issued by an entity (the "US Entity") incorporated in the USA. The US Entity is engaged in manufacture and sale of pharmaceutical products. 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 and are revalued according to the available quoted OTC price at the end of each reporting period.

(b) 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.

(c) On 30th November, 2021, RK Properties Holdings Limited ("RKP"), an indirect wholly owned subsidiary of Road King and Supreme Gain Limited ("Supreme Gain"), an indirect wholly owned subsidiary of the Company entered into a participation agreement and pursuant to which RKP granted participation rights to Supreme Gain which allow Supreme Gain to enjoy a pro rata portion of 32.5% of the economic interest attributable to RKP's 70% interest (or 22.75% attributable interest) in a property development project with the parcel of land located in Guangzhou. The participation rights represent the right to share economic benefits and consequences under the relevant pro rata portion of RKP's interests. As the participation rights do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI, it is classified as financial assets at FVTPL. At 31st December, 2021, the fair value of the participation rights was HK$111,644,000.

(d) The quoted debt securities represent investment in bonds. They have 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 banks for securing certain banking facilities granted to the Group.

Details of fair value measurements are set out in note 49(c).

26. OTHER FINANCIAL ASSET AT AMORTISED COST

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

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

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

Detail of the impairment assessment are set out in note 49(b).

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 ***HK$'000***	2020 *HK$'000*
Derivative financial assets (under hedge accounting)		
Cash flow hedges		
– Interest rate swaps	**11,421**	–

During the year ended 31st December, 2021, the Group entered into certain interest rate swap contracts to minimise its exposures to forecast cash flow interest rate risk on certain bank loans.

The terms of the interest rate swap contracts have been negotiated to match the terms of the respective designated hedging items and the directors consider that the interest rate swaps are effective hedging instruments and have designated them as cash flow hedging instruments for hedge accounting purpose. Included in bank loans as disclosed in note 38 were bank loans of HK$800,000,000 which were under cash flow hedges. The major terms of these swap contracts at 31st December, 2021 are as follows:

Notional amount	HK$800,000,000
Maturity date	25th March, 2025
Pay fixed rate range	0.62% to 0.73%
Receiving floating rate	One month HKD HIBOR

27. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

All of the above interest rate swap contracts are designated and effective as cash flow hedges. The fair value gain of the above interest rate swap contracts amounting to HK$11,421,000 (2020: nil) is recognised in other comprehensive income and accumulated under the other reserve at 31st December, 2021. The directors of the Company expected the accumulated sum is to be released at various dates in the coming maturity periods after the reporting period. The classification of the fair value measurement of the above derivative financial instruments at 31st December, 2021 is level 2 under the fair value hierarchy (see note 49(c) for details).

28. INVENTORIES

	2021	2020
	HK$'000	*HK$'000*
Raw materials	**3,705**	8,210
Consumables	**6,595**	5,909
Uninstalled construction materials	**36,426**	12,750
Finished goods	**1,508**	3,369
	48,234	30,238

The cost of inventories recognised as an expense during the year is HK$1,265,559,000 (2020: HK$1,133,979,000).

29. DEBTORS, DEPOSITS AND PREPAYMENTS

	2021	2020
	HK$'000	*HK$'000*
Trade debtors – contracts with customers	**438,680**	348,266
Less: Allowance for credit losses	**(623)**	(3,258)
	438,057	345,008
Bills receivables	**26,638**	10,537
Other debtors	**235,438**	190,240
Deposits and prepayments	**108,511**	80,186
	808,644	625,971
Classified under:		
Non-current assets	**24,561**	24,424
Current assets	**784,083**	601,547
	808,644	625,971

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

At 1st January, 2020, trade receivables (net of allowance for credit losses) from contracts with customers amounted to HK$338,456,000.

At 31st December, 2021, the Group's trade debtors included an amount of HK$3,276,000 (2020: HK$23,553,000) due from related companies which are a subsidiary and an associate of a substantial shareholder of the Company.

At 31st December, 2021, the Group's other debtors include the followings:

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

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

(c) The Group advanced a loan with principal amount of US$3,150,000 (equivalent approximately to HK$24,561,000 (2020: HK$24,424,000)) (the "Loan") to the US Entity. On 15th January, 2020, the Group and the US Entity entered into an agreement and pursuant to which the Loan was repayable on 15th June, 2020 and carried interest at 11% per annum. On 15th June, 2020, the Group and the US Entity further agreed that the Loan was extended to be repayable on 15th June, 2023 ("Loan Due Date") and carries interest at 12% per annum. On 13th July, 2020, the US Entity issued contingent common stock purchase warrant (the "Warrant") to the Group to purchase from the US Entity up to its 1,250,000 common shares ("Warrant Shares") at an exercise price of US$2.05 each. Pursuant to the terms of the Warrant, if full repayment of the Loan ("Repayment") is made on or before 15th June, 2022, the Warrant shall become exercisable for 500,000 Warrant Shares during the period from the date of Repayment to 15th June, 2025. If either Repayment is made during the period from 16th June, 2022 to Loan Due Date or no Repayment is made on Loan Due Date, the Warrant shall become exercisable for 1,250,000 Warrant Shares for the period from either the date of Repayment or Loan Due Date to 15th June, 2025. The directors of the Company consider the fair value of the Warrant is immaterial at the end of both reporting periods.

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

	2021 ***HK$'000***	2020 *HK$'000*
Trade debtors		
0 to 60 days	**401,111**	309,529
61 to 90 days	**2,391**	3,463
Over 90 days	**34,555**	32,016
	438,057	345,008

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

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

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

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

Details of impairment assessment of trade and other receivables are set out in note 49(b).

30. CONTRACT ASSETS

	2021 ***HK$'000***	2020 *HK$'000*
Analysed as current:		
Unbilled revenue of construction contracts *(note a)*	**2,228,564**	1,279,587
Retention receivables of construction contracts *(note b)*	**655,351**	495,430
	2,883,915	1,775,017
Retention receivables of construction contracts		
Due within one year	**83,803**	148,699
Due after one year	**571,548**	346,731
	655,351	495,430

At 1st 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 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 represent 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 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.

30. CONTRACT ASSETS (Cont'd)

At 31st December, 2021, the Group's unbilled revenue and retention receivables of construction contracts included amounts of HK$9,901,000 (2020: HK$14,948,000) and HK$6,748,000 (2020: HK$15,155,000) respectively receivables from related companies which are subsidiaries of a substantial shareholder of the Company.

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

Details of the impairment assessment are set out in note 49(b).

31. AMOUNTS DUE FROM ASSOCIATES, A JOINT VENTURE AND OTHER PARTNERS OF JOINT OPERATIONS

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

32. CASH HELD ON BEHALF OF CUSTOMERS

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

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

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

At 31st December, 2021, cash held on behalf of customers included aggregate amount of HK$485,000 (2020: HK$8,796,000) held on behalf of certain directors of the Company. The same amount is payable to these directors of the Company and included in creditors and accrued charges.

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

At 31st December, 2021, bank deposits of the Group amounting to HK$90,910,000 (2020: HK$40,661,000) were pledged to banks for securing certain banking facilities granted to the Group. The pledged bank deposits carry interest at market rates which range from 0.001% to 2.75% (2020: 0.001% to 2.43%) per annum.

At 31st 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.

At 31st December, 2021, bank balances (include time deposits of HK$196,134,000 (2020: HK$349,460,000) with original maturity of less than three months) carry interest at market rates which range from 0.001% to 0.45% (2020: 0.001% to 0.46%) per annum.

At 31st December, 2021, the Group's bank balances included carrying amounts of HK$67,188,000 (2020: HK$40,381,000) and HK$224,696,000 (2020: HK$69,654,000) which are denominated in Renminbi and United States dollar respectively that are the currencies other than the functional currencies of the relevant group entities.

34. CREDITORS AND ACCRUED CHARGES

	2021 **HK$'000**	2020 *HK$'000*
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	**374,742**	293,060
61 to 90 days	**81,625**	27,476
Over 90 days	**13,941**	35,924
	470,308	356,460
Retention payables	**641,789**	471,869
Accrued project costs	**2,651,185**	1,736,502
Payable for extraction right *(note 40)*	**90,831**	85,989
Other creditors and accrued charges	**245,195**	176,268
	4,099,308	2,827,088
Retention payables		
Due within one year	**88,528**	163,973
Due after one year	**553,261**	307,896
	641,789	471,869

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

35. CONTRACT LIABILITIES

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

At 1st 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 under current liabilities.

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

35. CONTRACT LIABILITIES (Cont'd)

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

Construction contracts

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

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

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

37. LEASE LIABILITIES

	2021	2020
	HK$'000	*HK$'000*
Lease liabilities payable:		
Within one year	**27,936**	39,878
In the second year	**20,435**	19,068
In the third to fifth year inclusive	**2,851**	14,463
Total	**51,222**	73,409
Less: Amount shown under current liabilities	**(27,936)**	(39,878)
Amount shown under non-current liabilities	**23,286**	33,531

The weighted average incremental borrowing rate applied to lease liabilities is 3.53% (2020: 3.85%) per annum.

38. BANK LOANS

	2021 *HK$'000*	2020 *HK$'000*
The maturity of the bank loans that based on repayment schedules of respective loan agreements is as follows:		
Within one year	**774,476**	754,306
In the second year	**153,532**	238,241
In the third to fifth year inclusive	**1,165,790**	18,318
Total	**2,093,798**	1,010,865
Less: Amount shown under current liabilities	**(943,798)**	(874,065)
Amount shown under non-current liabilities	**1,150,000**	136,800
Secured	**303,257**	466,697
Unsecured	**1,790,541**	544,168
	2,093,798	1,010,865

At 31st December, 2021, all bank loans are variable-rate borrowings indexed to benchmark rate which carry interest ranging from 0.92% to 5.30% (2020: 0.82% 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 carry fixed interest rate at 5.87% (2020: 5.87%) per annum. Interest of variable-rate bank loans is repriced every one, two, three or six months.

At 31st December, 2021, bank loans of HK$806,998,000 (2020: HK$628,815,000) contain a repayment on demand clause have been classified as current liabilities, of which bank loans that are repayable after one year after the end of the reporting period with an aggregate carrying amount of HK$169,322,000 (2020: HK$119,759,000).

The share of a subsidiary of the Company, certain bank deposits and the quoted debt securities are pledged to secure certain bank loans and banking facilities granted to the Group for both years.

39. BONDS

On 5th January, 2015 and 28th October, 2015, BKCL, a wholly owned subsidiary of Build King as the issuer and Build King as the guarantor entered into placing agreements with a placing agent, an independent third party, for the purposes of arranging placees for the issue of bonds in denomination of HK$1,000,000 each up to an aggregate principal amount of HK$100,000,000 and HK$50,000,000 respectively. The bonds 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 1st January and 1st July of each calendar year, up to but excluding the maturity date of the bonds. At 31st 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 31st December, 2021, the bonds with total amount of HK$14,000,000 (2020: HK$116,000,000) were repaid.

On 23rd October, 2015, Elite Excellent Investments Limited ("Elite Excellent"), a wholly owned subsidiary of the Company, as the issuer executed a bond instrument for the purposes of issuing of perpetual bonds in denomination of HK$10,000 each with a limit on the aggregate principal amount of HK$61,250,000. On 24th August, 2016, Elite Excellent executed a supplemental deed which increased the limit on the aggregate principal amount to HK$122,500,000. The bonds are redeemable at any time at the option of Elite Excellent. The total amount of the bonds payable on redemption shall be calculated by deduction of the absolute amount of accumulated loss after tax in respect of a quarry site in Hong Kong operated by the Group. On 2nd January, 2019, Elite Excellent executed a supplemental deed to amend the terms and conditions to change from accruing interest at the rate of 5% per annum to interest-free on the principal amount of the perpetual bonds from (and including) 1st January, 2019. At 31st December, 2021, bonds with a total principal amount of HK$115,150,000 (2020: HK$115,150,000) are issued. The effective interest rate of the bonds is 5% (2020: 5%) per annum.

	2021	2020
	HK$'000	*HK$'000*
Analysed as:		
Non-current	**121,293**	115,517
Current	**–**	13,965
	121,293	129,482

40. PAYABLE FOR EXTRACTION RIGHT

During the year ended 31st December, 2015, the Group acquired the extraction right of rock reserve in the quarry site as detailed in note 18(b). Pursuant to the contract with the Government of HKSAR, the total consideration of the extraction right of rock reserve is HK$653,888,000 which is payable by 14 equal semi-annual instalments until October 2022. The payable is carried at amortised cost of effective interest rate of 5.63% (2020: 5.63%) per annum.

Details of the payable are as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Fair value of consideration payable at the beginning of the year	**176,820**	258,226
Imputed interest for the year	**7,423**	12,006
Payments during the year	**(93,412)**	(93,412)
Carrying amount at the end of the year	**90,831**	176,820
Less: Amount shown under current liabilities *(note 34)*	**(90,831)**	(85,989)
Amount shown under non-current liabilities	**–**	90,831

41. PROVISION FOR REHABILITATION COSTS

	2021 ***HK$'000***	2020 *HK$'000*
Fair value of estimated costs to be incurred at the beginning of the year	**35,905**	35,558
Imputed interest for the year	**1,748**	1,652
Payments during the year	**(2,280)**	(1,305)
Carrying amount at the end of the year	**35,373**	35,905
Less: Amount shown under current liabilities (included in other creditors and accrued charges)	**(35,373)**	(13,135)
Amount shown under non-current liabilities	**–**	22,770

The provision for rehabilitation costs represents estimated total costs to be incurred for rehabilitation work to be completed in the quarry site as detailed in note 18(b) before the expiry of the contract period in April 2023. The discount rate of the provision for rehabilitation costs is 7.6% (2020: 7.6%).

42. DEFERRED TAX LIABILITIES

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

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

	HK$'000
At 1st January, 2020 and 31st December, 2020	5,750
Acquisition of a business *(note 55)*	15,737
Credit to profit or loss *(note 13)*	(3,019)
At 31st December, 2021	**18,468**

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

	2021	2020
	HK$'000	*HK$'000*
Tax losses:		
Carried forward indefinitely	**1,092,867**	1,014,969

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

43. AMOUNT DUE TO AN ASSOCIATE

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

44. OTHER CREDITORS

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

45. SHARE CAPITAL

	Number of shares		Share capital	
	2021	2020	**2021**	2020
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At the beginning and the end of the year	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid:				
At the beginning and the end of the year	**793,124**	793,124	**79,312**	79,312

46. TRANSLATION RESERVE AND NON-CONTROLLING INTERESTS

	Translation reserve	**Non-controlling interests**
	HK$'000	***HK$'000***
At 1st January, 2020	14,332	495,301
Profit for the year	–	187,908
Exchange differences arising on translation of foreign operations	12,230	11,741
Exchange differences arising on translation of an associate	524,542	–
Exchange differences arising on translation of joint ventures	(653)	(98)
Distribution to non-controlling shareholders	–	(25,772)
At 31st December, 2020	550,451	669,080
Profit for the year	–	124,543
Exchange differences arising on translation of foreign operations	6,078	6,016
Exchange differences arising on translation of an associate	376,040	–
Exchange differences arising on translation of joint ventures	848	126
Capital contribution paid on behalf of the non-controlling interest	–	19,078
Acquisition of additional interest in a subsidiary	–	8,286
Disposal of a subsidiary	–	(16)
Distribution to non-controlling shareholders	–	(37,585)
At 31st December, 2021	**933,417**	**789,528**

47. SHARE OPTION SCHEME

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

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

(a) Purpose of the Share Option Scheme

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

(b) Participants of the Share Option Scheme

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

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

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

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

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

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

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

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

47. SHARE OPTION SCHEME (Cont'd)

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

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

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

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

(h) The basis of determining the exercise price

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

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

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

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

(i) The remaining life of the Share Option Scheme

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

During the year ended 31st December 2021 and 2020, no share option has been granted or outstanding in the Share Option Scheme.

48. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which include lease liabilities, bank loans, bonds and other creditors as disclosed in notes 37, 38, 39 and 44, and equity attributable to owners of the Company, comprising issued capital and reserves.

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

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

49. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Financial assets at FVTPL	**1,030,193**	682,495
Derivative financial instruments		
– designated as hedging instruments	**11,421**	–
Financial assets at amortised cost	**3,030,012**	2,459,926
	4,071,626	3,142,421
Financial liabilities		
Financial liabilities at amortised cost	**6,264,776**	4,048,309

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan to an associate, financial assets at FVTPL, other financial asset at amortised cost, derivative financial instruments, debtors and deposits, cash held on behalf of customers, pledged bank deposits, time deposits with original maturity of not less than three months, bank balances and cash, creditors, bank loans, bonds and amounts due from/to associates, a joint venture, other partners of joint operations and non-controlling shareholders. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

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

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(i) Currency risk (Cont'd)

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

	Assets		Liabilities	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**178,832**	40,381	**–**	1
United States dollar	**1,099,093**	713,630	**–**	116,053

Sensitivity analysis

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

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

(ii) Interest rate risk

The Group's exposure to cash flow interest rate risk relates primarily to bank loans (note 38) which are at variable-rate and determined by reference to the prevailing market rate. In order to keep the Group's bank loans at fixed rates, the Group entered into interest rate swap contracts to hedge against its exposures to changes in cash flows of certain bank loans. The critical terms of these interest rate swaps are the same to those of hedged bank loans. Interest rate swap contracts are designated as effective hedging instruments and hedge accounting is used (see note 27 for details). Although the Group is also exposed to fair value interest rate risk primarily in relation to fixed rate loan to an associate (note 22), loan to an independent third party (note 29(a)), loan to a partner of a joint venture (note 29(b)), loan to the US Entity (note 29(c)), bank loans (note 38) 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 ("IBORs") with alternative nearly risk-free rates. Several of the Group's 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 management monitors interest rate exposure and will consider hedging additional significant interest rate exposure should the needs arise.

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Sensitivity analysis

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

The analysis is prepared assuming the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (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 on variable-rate bank loans (excluding bank loans under cash flow hedges of HK$800,000,000 (2020: nil)) 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 31st December, 2021 would decrease/increase by HK$10,296,000 (2020: HK$8,086,000). This is mainly attributable to the Group's exposure to fluctuation in interest rates on its variable-rate bank loans which are not hedged against their exposures to cash flow interest rate risk at the end of the reporting period.

(iii) Other price risk

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

Sensitivity analysis

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

If the prices of the respective instruments had been 10% (2020: 10%) higher/lower while all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2021 would increase/decrease by HK$76,198,000 (2020: HK$56,988,000) as a result of the changes in fair values of the listed and quoted equity and debt securities.

The other price sensitivity analysis above represents the exposure of the listed and quoted equity and debt securities at the end of the reporting period only. It may not be representative of the exposure for the year.

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk management and impairment assessment

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

Trade receivables and contract assets arising from contracts with customers

At 31st December, 2021, the Group has concentration of credit risk as the two (2020: two) largest trade receivables balances account for 68% (2020: 53%) of the total trade receivables. The default risk of the two (2020: two) largest trade receivables balances should be low as these customers have good reputation and financially sound.

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

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

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

Other financial asset at amortised cost, other debtors and deposits

The credit risk of other financial asset at amortised cost, other debtors and deposits is managed through an internal process. The Group closely monitors the outstanding amounts of other financial asset at amortised cost, 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.

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk management and impairment assessment (Cont'd)

Cash held on behalf of customers, pledged bank deposits, time deposits with original maturity of not less than three months, bank balances and bills receivables

The credit risk of cash held on behalf of customers, 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 and good reputation established in the PRC and Hong Kong. The Group assessed 12-month ECL for cash held on behalf of customers, 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 12-month ECL on cash held on behalf of customers, 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	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settles in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
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

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk management and impairment assessment (Cont'd)

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

	Notes	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount**	
					2021	2020
					HK$'000	*HK$'000*
Financial assets at amortised cost						
Amounts due from associates	*31*	N/A	Low risk *(note 1)*	12-month ECL	**12,006**	10,208
Amount due from a joint venture	*31*	N/A	Low risk *(note 1)*	12-month ECL	**720**	701
Amounts due from other partners of joint operations	*31*	N/A	Low risk *(note 1)*	12-month ECL	**22,521**	61,373
Loan to an associate	*22*	N/A	Low risk *(note 1)*	12-month ECL	**2,700**	2,700
Other financial asset at amortised cost	*26*	N/A	Low risk	12-month ECL	**36,782**	36,955
Other debtors and deposits	*29*	N/A	Low risk *(note 1)*	12-month ECL	**311,717***	205,438*
Trade debtors	*29*	N/A	Low risk *(note 2)*	Lifetime ECL	**438,057**	342,768
			Loss	Lifetime ECL (credit-impaired)	**623**	5,498
Cash held on behalf of customers	*32*	A3 to Aa3 (2020: A3 to A2)	N/A	12-month ECL	**25,729**	17,168
Pledged bank deposits	*33*	A3 to Aa2 (2020: Baa1 to Aa2)	N/A	12-month ECL	**90,910**	40,661
Time deposits with original maturity of not less than three months	*33*	A2 to A1 (2020: A2 to A1)	N/A	12-month ECL	**20,210**	79,540

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk management and impairment assessment (Cont'd)

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					2021 ***HK$'000***	2020 *HK$'000*
Bank balances	*33*	Baa3 to Aa2 (2020: Baa3 to Aa3)	N/A	12-month ECL	**2,041,212**	1,646,015
Bills receivables	*29*	N/A	N/A	12-month ECL	**26,638**	10,537
Other item						
Contract assets	*30*	N/A	Low risk *(note 3)*	Lifetime ECL	**2,883,915**	1,775,017

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

Notes:

1. For the purposes of internal credit risk management, the Group uses the financial information of the associates, a joint venture and other partners of joint operations and the past-due information of other debtors to assess whether credit risk has increased significantly since initial recognition. The related companies and other partners of joint operations are considered by management to have sound financial position and do not have any past-due amounts. The balances of other debtors and deposits are not past due.

2. For trade debtors, the Group has applied the simplified approach in HKFRS 9 to measure the allowance for credit losses at lifetime ECL. Except for certain trade debtors with significant balance or credit-impaired which are assessed individually, the Group determines the ECL on these items on a collective basis, grouped by internal credit rating.

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

As part of the Group's credit risk management, the Group applies internal credit rating for its customers of the construction materials segment. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis within lifetime ECL (not credit-impaired). Debtors with significant balances or credit-impaired with gross amount of HK$403,076,000 (2020: HK$277,719,000) and HK$623,000 (2020: HK$5,498,000), respectively at 31st December, 2021 were assessed individually.

The major customers of the Group are certain reputable organisations and the management of the Group considered that the credit risk is insignificant after considering their historical settlement and credit quality.

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk management and impairment assessment (Cont'd)

Trade receivables assessed on a collective basis

Internal credit rating	Average loss rate		Gross carrying amount	
	2021	2020	**2021**	2020
	%	*%*	***HK$'000***	*HK$'000*
Low risk	**0.25**	0.13	**34,981**	65,049

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

At 31st December, 2021, the Group's loss allowance on trade receivables of HK$623,000 (2020: HK$3,258,000) were assessed individually. In the opinion of the directors, no allowance for credit losses was made on trade receivables which are assessed on a collective basis as the impact is considered insignificant for both years.

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

	Lifetime ECL (credit-impaired) ***HK$'000***
At 1st January, 2020	5,187
Reversal of allowance for credit losses	(1,929)
At 31st December, 2020	3,258
Reversal of allowance for credit losses	(2,635)
At 31st December, 2021	**623**

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

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

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk management and impairment assessment (Cont'd)

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

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

	Lifetime ECL (credit-impaired) *HK$'000*
At 1st January, 2020	27,315
Impairment loss recognised	7,013
Write-off	(34,328)
At 31st December, 2020 and 31st December, 2021	–

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At 31st December, 2021, the Group has available unutilised banking facilities of HK$1,772,197,000 (2020: HK$1,281,046,000).

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group may be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

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

At 31st December, 2021

	Weighted average effective interest rate	Repayable on demand or not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities								
Non-interest bearing	–	3,372,674	47,380	46,774	392,762	437,017	4,296,607	4,147,978
Fixed interest rate	5.87	58,542	–	–	–	–	58,542	50,572
Variable interest rate	2.56	781,063	146,381	17,721	238,974	1,008,636	2,192,775	2,066,226
		4,212,279	193,761	64,495	631,736	1,445,653	6,547,924	6,264,776
Lease liabilities	3.53	9,071	8,100	14,260	26,520	–	57,951	51,222

At 31st December, 2020

	Weighted average effective interest rate	Repayable on demand or not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities								
Non-interest bearing	–	2,283,706	49,987	115,896	358,172	322,152	3,129,913	3,000,478
Fixed interest rate	6.34	39,236	3,065	11,553	–	–	53,854	52,082
Variable interest rate	2.24	621,543	77,919	156,662	140,382	24,840	1,021,346	995,749
		2,944,485	130,971	284,111	498,554	346,992	4,205,113	4,048,309
Lease liabilities	3.85	11,774	11,111	18,960	32,876	1,679	76,400	73,409

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

Bank loans with a repayment on demand clause are included in the "repayable on demand or not more than 3 months" time band in the above tables. At 31st December, 2021, the aggregate carrying amount of these bank loans amounted to HK$806,998,000 (2020: HK$628,815,000). Taking into account the Group's financial position, the directors do not believe that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates as set out in respective loan agreements as detailed below:

	Not more than 3 months HK$'000	More than 3 months but not more than 6 months HK$'000	More than 6 months but not more than 1 year HK$'000	More than 1 year but not more than 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31st December, 2021	**464,638**	**154,313**	**35,550**	**176,191**	**830,692**	**806,998**
At 31st December, 2020	428,968	61,096	25,241	125,923	641,228	628,815

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

Interest rate benchmark reform

As set out in notes 38 and 27, the Group's certain HIBOR bank loans and derivative financial instruments 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.

49. FINANCIAL INSTRUMENTS (Cont'd)

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

HIBOR (Cont'd)

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of HIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

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.

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.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

49. FINANCIAL INSTRUMENTS (Cont'd)

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

HIBOR (Cont'd)

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

For floating rate bank loans and derivative financial instruments that are linked to HIBOR (the "Contracts"), the management expects the Contracts will continue to maturity and the Group does not intend to transit the Contracts to HONIA.

(c) Fair value measurements of financial instruments

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

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

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

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

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

49. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

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

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2021 *HK$'000*	2020 *HK$'000*			
Listed equity securities in Hong Kong	**51,314**	38,519	Level 1	Quoted bid price in an active market	N/A
Quoted equity securities in the USA	**11,354**	8,313	Level 1	Quoted bid price in the OTC market	N/A
Quoted debt securities	**849,881**	635,663	Level 1	Market bid price or quoted price in an active market	N/A
Unlisted equity investment	**6,000**	–	Level 2	Fair value derived from market value of the shares in recent investment transaction	N/A
Participation rights of a property development project	**111,644**	–	Level 2	Fair value derived from market value of the recent investment transaction	N/A
Derivative financial instruments – Interest rate swap contracts	**11,421**	–	Level 2	Fair value provided by counterparty financial institution which used discount cash flow method	N/A

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

50. 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**	20,775

51. OPERATING LEASE

The Group as lessor

Minimum lease payments receivable on leases are as follows:

	2021 **HK$'000**	2020 *HK$'000*
Within one year	**550**	367
In the second to fifth year inclusive	**1,001**	461
	1,551	828

52. RETIREMENT BENEFITS SCHEMES

The Group has MPF Schemes and state-managed retirement benefit schemes for all eligible employees in Hong Kong and the PRC. The MPF Schemes are registered with the Mandatory Provident Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance").

The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by the MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinance, the Group provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to the stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The amount charged to profit or loss of HK$56,366,000 (2020: HK$47,332,000) 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$1,079,000 (2020: HK$989,000). 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).

53. RELATED PARTY TRANSACTIONS

During the year, other than the participation agreement entered into with RKP as set out in note 25(c), the Group entered into the following transactions with related parties:

	2021 **HK$'000**	2020 *HK$'000*
Associates		
Construction contract revenue	**30,627**	367,995
Service income	**60**	60
Joint operations		
Sale of construction materials	**124,690**	88,502
Related companies *(note)*		
Construction contract revenue	**5,206**	21,213
Project management fee income recognised (reversed)	**103**	(19,169)
Sale of construction materials	**37,282**	85,833
Purchase of construction materials	**–**	2

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

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

The amounts due from/to related parties and the related terms are set out in the consolidated statement of financial position and notes 22, 23, 29, 30, 31, 32, 36 and 43.

At 31st December, 2021, balances with an associate are included in contract assets of HK$72,433,000 (2020: HK$164,958,000).

Compensation of key management personnel

	2021 **HK$'000**	2020 *HK$'000*
Short-term employee benefits	**111,727**	82,411
Post-employment benefits	**5,044**	4,037
	116,771	86,448

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

54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, included in the Group's consolidated statement of cash flows as financing cash flows.

	Dividend payable HK$'000	Amounts due to associates HK$'000 (notes 36 & 43)	Amounts due to joint ventures HK$'000	Amounts due to non-controlling shareholders HK$'000 (note 36)	Lease liabilities HK$'000 (note 37)	Bank loans HK$'000 (note 38)	Bonds HK$'000 (note 39)	Other creditors HK$'000 (note 44)	Total HK$'000
At 1st January, 2020	–	21,503	1,142	3,359	57,606	945,781	239,754	–	1,269,145
New leases entered	–	–	–	–	55,873	–	–	–	55,873
Lease modification and rent concession	–	–	–	–	(972)	–	–	–	(972)
Interest expenses	–	651	–	–	1,519	33,099	9,700	351	45,320
Exchange adjustments	–	–	–	–	–	4,270	–	–	4,270
Dividends declared	253,800	–	–	–	–	–	–	–	253,800
Financing cash flows	(253,800)	–	(1,142)	–	(40,617)	27,715	(119,972)	22,649	(365,167)
At 31st December, 2020	–	22,154	–	3,359	73,409	1,010,865	129,482	23,000	1,262,269
New leases entered	–	–	–	–	25,839	–	–	–	25,839
Lease modification and rent concession	–	–	–	–	(3,375)	–	–	–	(3,375)
Interest expenses	–	675	–	–	1,494	46,034	6,426	920	55,549
Exchange adjustments	–	–	–	–	–	2,228	–	–	2,228
Dividends declared	245,868	–	–	–	–	–	–	–	245,868
Financing cash flows	(245,868)	414	–	–	(46,145)	1,034,671	(14,615)	(920)	727,537
At 31st December, 2021	**–**	**23,243**	**–**	**3,359**	**51,222**	**2,093,798**	**121,293**	**23,000**	**2,315,915**

55. ACQUISITION OF A BUSINESS

On 26th November, 2021, Build King entered into a supplement deed with a joint venture partner and pursuant to which Build King obtains all of the rights, obligation and interest in an existing joint operation where Build King 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, Build King has control over all the relevant activities of the joint operation.

The acquisition has been accounted for as acquisition of 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 31st December, 2021.

Consideration transferred:

	HK$'000
Cash consideration paid	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:

	HK$'000
Intangible asset	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 Build King	(635,403)
Tax liabilities	(122,280)
Deferred tax liabilities	(15,737)
Net assets	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 is expected to be collected in full.

55. ACQUISITION OF A BUSINESS (Cont'd)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	39,024
Add: Fair value of previously held interest in the joint operation	40,617
Less: Net assets acquired	(79,641)
Goodwill arising on acquisition	–

Build King'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 inflow arising from the acquisition:

	HK$'000
Cash consideration paid	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 31st December, 2021 included HK$80,824,000 which was generated from the acquired joint operation.

Had the acquisition been completed on 1st January, 2021, revenue for the year of the Group would have been HK$11,443,535,000, and profit for the year of the Group would have been HK$907,722,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2021, nor is it intended to be a projection of future results.

56. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital or registered capital*	Effective interest held by the Company		Principal activities
			2021	2020	
			%	%	
Build King Civil Engineering Limited	Hong Kong	HK$75,200,000 Ordinary shares	**56.76** *(note a)*	56.76 *(note a)*	Civil engineering
		HK$24,000,000 Non-voting deferred shares	**56.76** *(note a)*	56.76 *(note a)*	
Build King Construction Limited	United Kingdom/ Hong Kong	GBP16,072,500	**56.76** *(note a)*	56.76 *(note a)*	Construction and civil engineering
Build King Holdings Limited *(note b)*	Bermuda/ Hong Kong	HK$124,187,799	**56.76**	56.76	Investment holding
Build King Interior & Construction Limited	Hong Kong	HK$1,000,000	**56.76** *(note a)*	56.76 *(note a)*	Fitting out, improvement and alteration works for buildings
Build King (Zens) Engineering Limited	Hong Kong	HK$66,000,002 Ordinary shares	**56.76** *(note a)*	56.76 *(note a)*	Civil engineering
		HK$14,800,000 Non-voting deferred shares	**56.76** *(note a)*	56.76 *(note a)*	
		HK$5,200,000 Non-voting deferred shares *(note c)*	**–**	–	
Elite Excellent Investments Limited	British Virgin Islands/ Hong Kong	HK$1,000,000	**100**	100	Provision of financial services
Excel Asphalt Limited	Hong Kong	HK$250,000,000	**100**	100	Manufacturing, trading, delivery and laying of asphalt
Excel Concrete Limited	Hong Kong	HK$150,000,000	**100** *(note d)*	94.05 *(note d)*	Manufacturing, trading and delivery of concrete
Faith Oriental Investment Limited	Hong Kong	HK$125,010,000	**100**	100	Investment holding, quarrying, manufacturing, trading and delivery of construction materials

56. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital or registered capital*	Effective interest held by the Company 2021 %	2020 %	Principal activities
Grandeur Building Material (Holdings) Limited	Hong Kong	HK$2	**100**	100	Trading of construction materials
Integral E&M Contracting Limited	Hong Kong	HK$5,520,000	**56.76** *(note a)*	–	Electrical and mechanical engineering
Integral E&M Engineering Limited	Hong Kong	HK$2	**56.76** *(note a)*	56.76 *(note a)*	Electrical and mechanical engineering
Leader Marine Contractors Limited	Hong Kong	HK$200,000	**56.76** *(note a)*	56.76 *(note a)*	Marine engineering and provision of transportation services
Leader Marine Cont. L.L.C.	Sharjah, United Arab Emirates	Dh300,000	**56.76** *(note a)*	56.76 *(note a)*	First class contracting/ specialised in marine construction
Lion Trade Global Limited	British Virgin Islands	US$100	**87**	87	Investment holding
Mega Yield International Holdings Limited ("Mega Yield")	Hong Kong	HK$105,000,000	**100**	94.05	Investment holding
Supreme Gain Limited	Hong Kong	HK$1	**100**	100	Investment holding
Tianjin Wai Kee Earth Investment Co., Ltd. *(note e)*	The PRC	RMB320,000,000*	**48.14** *(note a)*	48.09 *(note a)*	Steam fuel supply
Titan Foundation Limited	Hong Kong	HK$20,000,000	**56.76** *(note a)*	56.76 *(note a)*	Civil engineering
Trend Pacific Limited	Hong Kong	HK$1	**100**	100	Provision of financial services
Wai Kee China Construction Company Limited	Hong Kong/ The PRC	HK$10,000,000	**56.76** *(note a)*	56.76 *(note a)*	Civil engineering
Wai Kee Quarry Asia Limited	Hong Kong	HK$2	**100**	100	Investment holding
Wai Kee (Zens) Holding Limited	British Virgin Islands	US$50,000	**100**	100	Investment holding
WK Fund Management Limited	Hong Kong	HK$21,000,000	**100**	100	Advising on securities and asset management

56. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital or registered capital*	Effective interest held by the Company		Principal activities
			2021 **%**	2020 *%*	
WK Securities Limited	Hong Kong	HK$21,500,000	**100**	100	Dealing in securities and advising on securities
Wuxi Qianhui Sewage Treatment Co., Ltd. *(note e)*	The PRC	US$9,000,000*	**54.26** *(note a)*	54.26 *(note a)*	Sewage treatment
惠記環保工程(上海)有限公司 *(note f)*	The PRC	US$800,000*	**56.76** *(note a)*	56.76 *(note a)*	Environmental engineering

Notes:

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

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

(c) These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the company. On winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the company only after the distribution of substantial amounts as specified in the Articles of Association to the holders of the ordinary shares of the company.

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

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

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

Except for Wai Kee (Zens) Holding Limited, all subsidiaries are indirectly held by the Company.

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

Except for BKCL and Elite Excellent which have issued bonds (see note 39), none of the subsidiaries of the Company had any debt securities outstanding at the end of the year or at any time during the year.

56. PRINCIPAL SUBSIDIARIES (Cont'd)

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

	2021	2020
	HK$'000	*HK$'000*
Current assets	**5,915,365**	4,507,949
Non-current assets	**1,210,827**	935,295
Current liabilities	**(5,239,555)**	(3,779,807)
Non-current liabilities	**(80,010)**	(74,143)
Net assets	**1,806,627**	1,589,294
Equity attributable to owners of the Company	**1,017,104**	897,321
Non-controlling interests of Build King	**748,802**	683,582
Non-controlling interests of Build King's subsidiaries	**40,721**	8,391
Total equity	**1,806,627**	1,589,294
Revenue	**10,030,017**	7,628,388
Expenses, net	**(9,738,126)**	(7,188,163)
Profit for the year	**291,891**	440,225
Profit (loss) for the year attributable to:		
Owners of the Company	**167,181**	250,259
Non-controlling interests of Build King	**127,358**	190,648
Non-controlling interests of Build King's subsidiaries	**(2,648)**	(682)
	291,891	440,225
Other comprehensive income for the year attributable to:		
Owners of the Company	**6,247**	12,102
Non-controlling interests of Build King	**4,760**	9,219
Non-controlling interests of Build King's subsidiaries	**1,382**	2,424
	12,389	23,745
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**173,428**	262,361
Non-controlling interests of Build King	**132,118**	199,867
Non-controlling interests of Build King's subsidiaries	**(1,266)**	1,742
	304,280	463,970
Dividends paid to non-controlling shareholders of Build King	**37,585**	25,772
Net cash inflow (outflow) from:		
Operating activities	**17,909**	132,284
Investing activities	**65,546**	(370,044)
Financing activities	**156,741**	49,385
	240,196	(188,375)

57. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

	2021 *HK$'000*	2020 *HK$'000*
Non-current assets		
Investment in a subsidiary	**123,915**	123,915
Amounts due from subsidiaries	**123,272**	123,228
	247,187	247,143
Current assets		
Other debtors and prepayments	**364**	617
Loan to a subsidiary	**–**	75,180
Amounts due from subsidiaries	**2,679,155**	2,587,292
Bank balances and cash	**177,381**	44,912
	2,856,900	2,708,001
Current liabilities		
Other creditors and accrued charges	**6,593**	2,133
Loan from a subsidiary	**–**	140,000
Amounts due to subsidiaries	**592,505**	300,677
Bank loans	**20,000**	84,000
	619,098	526,810
Net current assets	**2,237,802**	2,181,191
Total assets less current liabilities	**2,484,989**	2,428,334
Non-current liability		
Amounts due to subsidiaries	**98,892**	50,050
Net assets	**2,386,097**	2,378,284
Capital and reserves		
Share capital	**79,312**	79,312
Share premium and reserves	**2,306,785**	2,298,972
Total equity	**2,386,097**	2,378,284

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

Statement of changes in equity

	Share capital *HK$'000* *(note 45)*	Share premium *HK$'000*	Contribution surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1st January, 2020	79,312	731,906	93,995	1,313,125	2,218,338
Profit and total comprehensive income for the year	–	–	–	413,746	413,746
Dividends paid *(note 14)*	–	–	–	(253,800)	(253,800)
At 31st December, 2020	79,312	731,906	93,995	1,473,071	2,378,284
Profit and total comprehensive income for the year	–	–	–	253,681	253,681
Dividends paid *(note 14)*	–	–	–	(245,868)	(245,868)
At 31st December, 2021	**79,312**	**731,906**	**93,995**	**1,480,884**	**2,386,097**

Financial Summary

RESULTS

	Year ended 31st December,				
	2017	2018	2019	2020	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue from goods and services	6,500,117	6,735,845	7,904,105	7,976,955	**10,276,850**
Profit before tax:					
Company and subsidiaries	220,913	205,366	135,758	536,332	**389,937**
Share of results of associates	833,456	1,262,277	1,295,071	755,512	**458,907**
Share of results of joint ventures	9,968	35,020	35,052	6,917	**36,828**
Profit before tax	1,064,337	1,502,663	1,465,881	1,298,761	**885,672**
Income tax expense	(70,048)	(119,132)	(78,259)	(27,391)	**(84,964)**
Profit for the year	994,289	1,383,531	1,387,622	1,271,370	**800,708**
Profit for the year attributable to:					
Owners of the Company	912,462	1,210,625	1,264,484	1,083,462	**676,165**
Non-controlling interests	81,827	172,906	123,138	187,908	**124,543**
	994,289	1,383,531	1,387,622	1,271,370	**800,708**

FINANCIAL POSITION

	At 31st December,				
	2017	2018	2019	2020	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	11,727,746	12,867,705	14,352,815	15,351,918	**18,403,505**
Total liabilities	(4,344,340)	(4,674,571)	(5,345,444)	(4,827,899)	**(6,938,806)**
Net assets	7,383,406	8,193,134	9,007,371	10,524,019	**11,464,699**
Equity attributable to owners of the Company	7,062,729	7,787,045	8,512,070	9,854,939	**10,675,171**
Non-controlling interests	320,677	406,089	495,301	669,080	**789,528**
Total equity	7,383,406	8,193,134	9,007,371	10,524,019	**11,464,699**

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

CHENG Chi Ming, Brian
HO Gilbert Chi Hang

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

CHIU Wai Yee, Anriena

AUDITOR

Deloitte Touche Tohmatsu
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
Bank of Communications (Hong Kong) Limited
China Minsheng Banking Corp., Ltd.
Hang Seng Bank Limited
Cathay United Bank Company, Limited
Bangkok Bank Public Company Limited
China CITIC Bank International Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 1103, 11th Floor
East Ocean Centre
98 Granville Road
Tsimshatsui
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited – 610

WEBSITE

www.waikee.com

Wai Kee Holdings Limited