Build King

Build King Holdings Limited

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

2022
Annual Report

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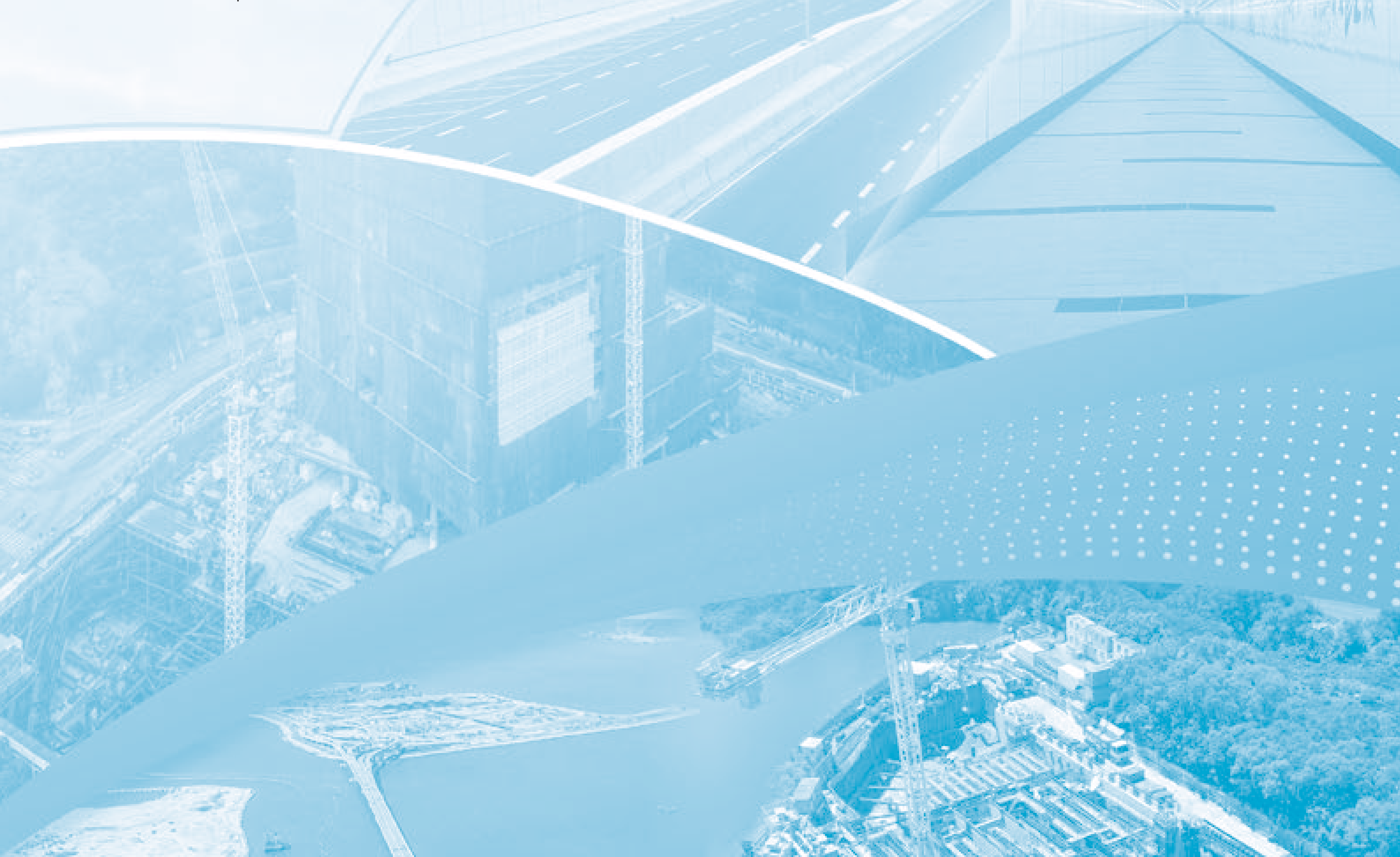


Financial Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	19%
Equity	HK$2,093 million
Equity per share	HK$1.69
Group revenue	HK$12,423 million
Profit attributable to owners of the Company	HK$434 million
Final dividend per share	HK10.5 cents

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

FINAL DIVIDEND

The board of directors (the "Board") of the Company recommends the payment of a final dividend of HK10.5 cents (2021: HK6.0 cents) per ordinary share for the year ended 31 December 2022.

The gain in equity of Build King Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") during 2022 was HK$327 million whilst the equity per share increased by 19% to HK$1.69. Since the listing of the Group in 2004, our cumulative gain in equity has been 1,937%, equivalent to an average of 19% per year (taking into account of the dividend paid over the years as well as the new capital raised in 2010).

Our turnover in 2022 was HK$12.4 billion, an increase of 24% over that of 2021. The profit increased from HK$292 million to HK$429 million. This was mainly due to the healthy operating profit achieved across most projects.

Since my last report, we have been awarded a total of HK$7.3 billion of new works and at the time of writing this report, our outstanding order book stands at HK$25.8 billion. This means we have only two years of workload outstanding. With our turnover expected to continue to rise, we will need more and more new projects to keep our team of capable staff fully employed. Fortunately in 2023 we expect several mega projects to be out for tender including three new MTR lines. We are therefore optimistic of being awarded sufficient new works.

The progress on most of our active projects is good, they are generating satisfactory results and looking ahead we anticipate that we should be able to present a similar or perhaps even better result for 2023 than that in 2022. This is certainly good news for all our staff and our shareholders.

However, the competition in the market is still as fierce as ever and there is no guarantee in the longer term we will be able to maintain this level of healthy operating profit that we currently enjoy. For consistent steady growth in profit, we need to explore new streams of revenue to help smooth the ups and downs of the volatility of construction. I will come to this later.

BUSINESS ANALYSIS

(A) Construction

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

(1) Civil Engineering

This year the turnover of our Civil Engineering Division was HK$7.5 billion, an increase of 42% compared with 2021. The Division contributed HK$815 million in gross profit in the year. We currently have 34 numbers of active Civil projects in hand, including 15 in joint venture with other contractors. At present, most of our current projects are performing well, with only one or two facing temporary difficulties for which where necessary appropriate action is being taken.

Since my last report, we have been awarded a disappointing total of only HK$2.7 billion of new Civil Engineering projects. This lack of success has put great pressure on the division to secure more new projects. Looking ahead at 2023, we see several mega tenders being rolled out including packages for three new MTR lines namely Tung Chung, Tuen Mun, and Kwu Tung lines. These are being invited in six major packages. Currently we have been selected on three packages as one of only two tenderers to commence Phase 2 of each tender. We have high hopes that we will be awarded at least one or even two of these. At the same time, we are also tendering for several other projects in excess of a billion HK dollars including one of over HK$10 billion. Rest assured that we will try very hard indeed to win our share of major works to maintain or even increase our current level of turnover.

BUSINESS ANALYSIS (Continued)

(A) Construction (Continued)

(1) Civil Engineering (Continued)

As I mentioned in my last report, one of the main reasons that our Civil Division has performed well this year is that the Government includes clause which compensates contractors for the changes in labour and material prices ("CPF"). By now, the average CPF paid by Government is over 20%, which contributes a significant element to our turnover and protects our profitability. However it has to be remembered that when the market price of materials reduces, CPF will also go down and we then have to pay cash back to Government reflecting the reduction. Recently this has occurred (up to 5%). It is therefore a fact that our results depend a lot on how the CPF fluctuates and indirectly impacts our profitability. As such and with the volatility of the construction industry, it is always difficult to assess future profitability over a short period of a year or so.

In choosing which tenders to attempt, we try to identify the type of projects which suits our strength and for which our resources will be available. We also consider whether or not the client department is one with whom we have had a good experience in the past. Naturally as part of the tendering process we will continue to put a lot of effort into the technical proposals which include methods of construction, resources including the staff that will be used as well as a programme for completion of the work. Over 50% of our current projects have been awarded to us because of our good technical proposals although we were not the lowest tenderer. Without doubt this practice comes at a cost and our tendering costs are much higher. However we certainly believe this strategy is the right one; it has served us well and we will to continue in future. Our aim is to achieve the following in terms of profitability:

1) No more than one loss project in any one year.

2) Majority of projects generating a net profit margin after overheads.

3) At least one or more projects generating exceptional profits.

However, our biggest challenge in going forward is to find sufficient capable staff to manage our ever increasing number of projects. I will explain more in my paragraph on Staff below.

(2) Building

The turnover of our Building Division this year was HK$4.6 billion, an increase of 10% over that of 2021. This increase is due to the gradual increase in the number of projects we have been awarded. The Division this year contributed HK$92 million gross profit to the Group, which was below our expectations and was somewhat disappointing.

Although there are projects where our performance has been unsatisfactory, one of the main differences to that of civil engineering is that about 50% of our building projects are for the private sector and are therefore fixed price, without CPF clauses. Going forward, we will therefore be even more cautious when tendering for private projects as we expect that most costs, in particular labour costs, are likely to rise quite significantly. This will be due not only the increase in construction activity in the coming years, but also due to the shortage of skilled labour as a result of an ageing workforce and consequent retirement.

BUSINESS ANALYSIS (Continued)

(A) Construction (Continued)

(2) Building (Continued)

The latest updates on the building projects where we had particular difficulties in 2021, that I mentioned in my last report, are as follows:

a) The United Christian Hospital – There has been significant improvement in this project and much of previous delay has been recovered. However we are still a little behind programme. We expect some extension of time for completion to be granted under the contract but nevertheless we hope in time to really catch up the remainder and be able to handover the Hospital to our client on time. There is still a long way to go and there are quite a lot of challenges to come on the way.

b) On the project for the Jockey Club where we have performed poorly, the only good news is that the work is almost complete. Certainly the Board will review where and why we went so badly wrong and put in place measures and procedures to prevent such from happening again. Truly this project has been a bitter lesson.

Although most of the other projects are well under control, we are seeing a disturbing trend of having to re-enter many subcontracts midway through their programme. This is mainly where such subcontractors are new to us and untried and their financial difficulties have resulted in non-performance. Generally appointing another subcontractor then becomes necessary which results in increased costs to the project.

In addition cost control generally is less well controlled in the building division compared to that in the civil division; this is reflected in the respective gross profit achieved. This matter has been a concern to the Board for a while and it has already taken steps to improve; they will however certainly take further steps to increase its efforts.

We have therefore decided to continue the period of consolidation for our building division for a further two years to ensure our in house management is improved and proper control is in place before we consider expanding our building activity any further. In future as we expect labour and material costs to increase with more projects in the pipeline, we will also aim to secure a higher proportion of Government or quasi Government projects with CPF clauses than before and hence to reduce the risk of fix priced contracts.

(3) Specialist Subsidiaries

Our four specialist subsidiaries, namely Integral E&M Engineering Limited (electrical and mechanical design and installation), Build King Interior & Construction Limited (interior design and installation), Titan Foundation Limited (piling and foundation specialists) and Cerebro Strategy Limited (IT/BIM Services) registered a total turnover of HK$920 million in 2022, a slight decrease from HK$958 million for 2021, with a gross profit of HK$54 million, a decrease of HK$24 million from HK$78 million for 2021.

BUSINESS ANALYSIS (Continued)

(A) Construction (Continued)

(4) Staff

We have currently 60 active projects in Civil and Building Divisions and the number of staff/monthly workers we employ has again increased from 3,222 in 2021 to 3,390 in 2022.

However currently there is a shortage of staff at all levels; this is our biggest challenge going forward and we must find sufficient capable staff to manage our ever increasing number of projects. The Government has announced that in the coming ten or fifteen years, the annual expenditure on construction in Hong Kong (both public plus private) will rise from the current HK$200 billion to HK$280 billion, an increase of over 40% even when price increases are taken into account. At present Build King as a whole has over 3,000 staff but currently this is still short of about 200. If our turnover increases in next few years by say 30%, this implies we need extra 1,000 staff which and when added to the current shortfall, it means recruiting some 1,200 staff in the next few years! Late last year we have already taken steps to start recruitment from outside Hong Kong i.e. from Mainland China, China Taiwan, Philippines, Malaysia, Sri Lanka, South Korea, Eastern Europe etc. We hope the first new applicants can start from February 2023 and thereafter hopefully take 20+ per month. By simple calculation, this would be a 4-year plan to meet the shortfall - a daunting task indeed.

(B) Environmental Infrastructure Projects in China

Unfortunately, during 2022, the COVID and its impact has still hit us hard. Only towards end of the year have we started to see some signs of recovery on our projects in China:

(1) Wuxi Sewage Treatment Plant

The plant in running normally and we registered a profit of HK$19 million, more or less in line with our forecast. This project has only slightly been affected by the pandemic.

(2) Dezhou District Heating to Households

The only outstandingly matter on the project is our dispute with our original supply heat source (the power plant). The legal process is proceeding and we are waiting for the Court ruling to be handed down.

We are also requesting the District Management to pay us RMB50 million compensation for the assets which we have handed over to them.

(3) Steam Supply to Factories in Industrial Parks

Due mainly to the pandemic, most of the factories are still running at a low level of output. This low demand together with the frequent restrictions in the movement of both people and materials across provinces, has further disrupted our planned output. This together with more of our plants completed during the year with the consequent depreciation costs incurred, has resulted in a loss of RMB15 million which is more than the loss in 2021 (RMB12 million).

This year our average supply of all our three plants was 62 tons/hour, whereas in principle we need an average of 185 tons/hour to achieve a breakeven position. Hence the substantial loss.

Fortunately, the situation has improved towards end of the year and I will elaborate on this further in my outlook.

BUSINESS ANALYSIS (Continued)

(C) Investment of Securities and other Activities

The China property bond value has still suffered a lot during the year, however towards the end of the year the situation has improved somewhat. Taking into account the coupon/dividend we received, this year sadly we have still registered a loss of HK$26 million.

As all our shareholders are aware, this year as we were sitting on a meaningful sum of cash and wished to make good use of these liquid assets, we had made a HK$800 million investment in 20% of a Shenzhen property which is held by Road King, in the first place. We believe we entered the market at the right time, as almost immediately after we complete the cash injection, several favorable policies to boost property market were rolled out by the Central Government. Very recently we have observed the market sentiment has become much better with the number of transactions increasing substantially. We anticipate that by 2025, when we expect our investment will start to pay back, property prices will have rebounded to a more reasonable market price level and we will hopefully be making a decent return.

OUTLOOK

If the Government prediction for our core business is realized and if Build King can maintain our current market share (6%), our future annual turnover could reach more than HK$16 billion (i.e. HK$280 billion x 0.06). With our current operating profit ratio, there is therefore great potential for improvement in our future bottom line.

With most of the current projects on the right track and with the CPF continuing to work in our favor (though recently this has dropped somewhat), we can expect a similar or even better result next year compared to this year. On this I am optimistic. I also have high hopes that our four subsidiaries will still perform well and make a contribution to the group. However, it would be naïve to assume any construction company is able to achieve good results year in and year out. As such, we do need some more revenue/income streams to cater for rainy days.

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

(1) our Steam Supply to factories in industrial parks, we see a very encouraging surge of demand on the current three plants to roughly 100 tons/hour, this demand will further increase and with two other plants to be in operation by this summer and we expect to very soon reach 185 tons/hour which would be a breakeven point. I am keeping my fingers crossed that this time we can really end up with a small profit next year. For any meaningful profit, we will probably have to wait for 2024.

(2) Naturally as I mentioned earlier, we expect our investment in the Road King Property Project will bring us meaningful return.

(3) There is one other area Build King will explore in 2023; this is the Private Sector Participation Scheme (PSPS) projects which Government announced earlier. This is the affordable housing scheme that Hong Kong was using twenty years ago. With our strong financial position, our ability in design and build projects coupled with Road King's experience in the private residential market, we expect to be a strong contender in this niche market.

OUTLOOK (Continued)

iv) I mentioned last year that we founded a new business investment division. This year we have added a new initiative to encourage innovation and creativity by starting a scheme requesting our younger staff (aged under 35) to form groups of 4 to 6. We have asked each group to come up with a new idea for any kind of business as long as it is remotely related to construction. The company will assign a senior manager to each as their mentor. If ideas are approved and a green light is given all the expenses required for initial development will be met by the Company. However the project proponents will have to work in their own time - meaning working after hours. Naturally we expect most ideas to end without any meaningful potential profit, but all we need is one in five success rate to add one new business per year to Build King. This initiative has received very favorable feedback, and we have received a total of 17 ideas for projects of which six have been approved to go into a real test. We intend to invite such initiatives annually and hopefully in time more and more medium size profit centres can be started each year. Ultimately, we hope to see a significant contribution to profits as a result. Wish us luck and I will report progress in my next report.

CORPORATE GOVERNANCE

Communication with Shareholders

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

Dividend Policy

As I am pleased to advise that based on earning of HK$0.35/share, and since our balance sheet is now around HK$2 billion, as promised last year, we will distribute 30% of our profit to our shareholders, so the Board recommends a dividend of HK$0.105/share.

Appreciation

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

Overall Results

With outstanding works on hand which having been on increasing trend in past few years, the turnover for 2022 continued to rise by 24% from HK$10 billion to HK$12 billion. The turnover growth rate was in fact lower than the budget because the fifth wave of COVID-19 caused intermittent suspension of many construction projects in early 2022. However, the situation was significantly improved in the second half of 2022 and most of closed sites managed to resume work speedily after temporary suspension. Driven mainly by the increasing turnover, the profit after tax increased by 47% to HK$429 million.

The gross profit increased by 33% from HK$740 million to HK$981 million, attributable not only to the rising turnover but also slight improvement of gross margin from 7.4% to 7.9%. The improved margin was mainly attributable to significant contribution from few projects where major additional works were concluded with reasonable profits. The increase of gross profit was partially offset by a 11% increase of administrative expenses and further loss of HK$26 million in corporate bonds portfolio.

Since the issue of Annual Report 2021, we successfully bided new projects of total value HK$7.3 billion, of which only HK$2.7 billion were civil engineering projects and HK$4.6 billion were building works. At the date of this report, the outstanding work on hand was maintained at HK$25.8 billion, comparable to that at the end of 2021. Looking forward, we anticipate Hong Kong construction market with abundant opportunities in major road and rail systems as mentioned in the latest Policy Address and we are gearing up for all these future tenders.

The infrastructure investment projects in the PRC recorded a 11% increase of turnover to HK$202 million but the loss further increased from HK$15 million to HK$24 million. Because of the pandemic, only two newly constructed plants could start operation in the second half of the year but still at below break-even level while other two had been left idle for the whole year. We note that upon recent uplift of pandemic restrictions, more factories in industrial parks resumed production gradually and signs of recovery are encouraging. We are cautiously optimistic to achieve the breakeven level in 2023. For sewage treatment plant in Wuxi City, the operation continued to have its output close to its maximum capacity of 50,000 tons per day and contributed steady income as previous years.

Employees and Remuneration Policies

As at 31 December 2022, the Group had a total of 3,390 employees and total remuneration for the year ended 31 December 2022 was approximately HK$1,560 million. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as performance of the individual.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2022, the Group had liquid assets of HK$2,391 million (as at 31 December 2021: HK$2,155 million) comprising financial assets at FVTPL of HK$119 million (as at 31 December 2021: HK$380 million), time deposits with original maturity of not less than three months of HK$235 million (as at 31 December 2021: HK$20 million) and bank balances and cash of HK$2,037 million (as at 31 December 2021: HK$1,755 million).

As at 31 December 2022, the Group had a total of interest bearing borrowings of HK$313 million (as at 31 December 2021: HK$810 million) comprising bank loans of HK$290 million (as at 31 December 2021: HK$787 million), other creditors of HK$23 million (as at 31 December 2021: HK$23 million). Maturity profile of the interest bearing borrowings for both years are as follows:

	At 31 December 2022 HK$ million	At 31 December 2021 HK$ million
On demand or within one year	**176**	618
In the second year	**114**	96
In the third to fifth year inclusive	**23**	96
	313	810

The Group's borrowings, bank balances and cash and financial assets at FVTPL were principally denominated in Hong Kong dollars. Hence, there is no exposure to foreign exchange rate fluctuations. During the year, the Group had no financial instrument for hedging purpose. As at 31 December 2022, total borrowings of HK$44 million (as at 31 December 2021: HK$51 million) carried interest at fixed rate.

Capital Structure and Gearing

As at 31 December 2022, total equity was HK$2,126 million (as at 31 December 2021: HK$1,807 million) comprising ordinary share capital of HK$124 million (as at 31 December 2021: HK$124 million), reserves of HK$1,969 million (as at 31 December 2021: HK$1,642 million) and non-controlling interests of HK$33 million (as at 31 December 2021: HK$41 million).

As at 31 December 2022, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 15% (as at 31 December 2021: 45%).

Pledge of Assets

As at 31 December 2022, bank deposits of the Group amounting to HK$74 million (as at 31 December 2021: HK$78 million) were pledged to banks for securing the banking facilities granted to the Group.

As at 31 December 2022, quoted debt securities of the Group amounting to HK$103 million (as at 31 December 2021: HK$336 million) were pledged to a bank for securing the banking facility granted to the Group.

EXECUTIVE DIRECTORS

ZEN Wei Peu, Derek, age 70, has been the Chairman of the Company since 23 April 2004. He is a member of the Remuneration Committee and a member of the Nomination Committee of the Company. He is also the Vice Chairman of Wai Kee Holdings Limited ("Wai Kee") and the Chairman of Road King Infrastructure Limited ("Road King"), the shares of both are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a director of Emmaus Life Sciences, Inc., whose common stocks are traded on the OTC Market in USA. Mr. Zen holds a Bachelor of Science degree in Engineering from The University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. He is a member of the Institution of Civil Engineers and The Hong Kong Institution of Engineers and a fellow member of the Institution of Quarrying, the United Kingdom ("UK"). He was the Honorary Treasurer of Hong Kong Construction Association. He has over 45 years of experience in civil engineering.

CHANG Kam Chuen, Desmond, age 57, has been appointed as an Executive Director of the Company since 1 June 2008. He has been appointed as the Company Secretary of the Company since 31 May 2005. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and an associate member of Chartered Institute of Management Accountants, UK. He has over 30 years of experience in accounting profession and financial management. Mr. Chang is responsible for the finance, human resources, information technology, administration and company secretarial departments of the Group.

LUI Yau Chun, Paul, age 62, has been appointed as an Executive Director of the Company since 1 December 2021. He joined the Group in 1998 and is a director of various companies of the Group. He is a member of the Institution of Structural Engineers and the Hong Kong Institution of Engineers. Mr. Lui has over 35 years of experience in civil and marine engineering. He is responsible for the Group's civil and marine engineering operation in Hong Kong.

TSUI Wai Tim, age 60, has been appointed as an Executive Director of the Company since 1 December 2021. He is a director of various companies of the Group and various subsidiaries of Wai Kee. Mr. Tsui is a chartered and registered professional engineer. He is a fellow of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, the Hong Kong Institute of Construction Managers, the Hong Kong Institution of Highways and Transportation, and the Institute of Quarrying, 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, an advisor and 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, quarrying, property development, property management, large-scale civil engineering, building and foundation projects in Hong Kong, the PRC and overseas. He is responsible for the Group's environmental infrastructure projects in the PRC.

NON-EXECUTIVE DIRECTORS

David Howard GEM, age 82, has been appointed as a Non-executive Director of the Company since 9 August 2004. He had been a member of the Audit Committee of the Company since 29 July 2005 and resigned on 12 January 2011. He is a Chartered Engineer and is a member of both the Institution of Civil Engineers, London and The Hong Kong Institution of Engineers. He is also a member of The Chartered Institute of Arbitrators and a fellow of The Hong Kong Institute of Highways and Transportation. He has over 45 years of experience with contractors in the management, design and construction of a wide variety of civil engineering and building projects in UK, Asia and Hong Kong. He was a past Vice President of The Hong Kong Construction Association and Chairman of The Civil Engineering Committee. He was also a past Chairman of the Civil Engineering Division of The Hong Kong Institution of Engineers and a past member of the Construction Advisory Board to the Hong Kong Government.

CHAN Chi Hung, Anthony, age 49, has been appointed as a Non-executive Director of the Company since 4 December 2008. He holds a Bachelor of Science Degree with major in Economics with University of Minnesota, and is an alumni of Stanford Graduate School of Business with a certificate of Stanford Executive Program. He is currently an independent non-executive director of Milan Station Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan was previously the Investment Manager of Springfield Financial Adv. Ltd. in charge of its private equity, fund-of-funds and fixed income investment portfolios. Prior to that, he was with J.P. Morgan Chase.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

HO Tai Wai, David, age 74, has been appointed as an Independent Non-executive Director since 8 September 2004. He is the Chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Ho has over 40 years of experience in finance and accounting. He is a fellow member of the Association of Chartered Certified Accountants of UK, The Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Ho holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is an independent non-executive director of Left Field Printing Group Limited and Lion Rock Group Limited, those shares of which are listed on the Main Board of the Stock Exchange.

LING LEE Ching Man, Eleanor, SBS, OBE, JP, age 75, has been appointed as an Independent Non-executive Director of the Company since 30 September 2014. She is the Chairwoman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee of the Company. Mrs. Ling had over 30 years of management experience with one of the largest multinational group in Asia and is a Fellow of the Institute of Chartered Management. Mrs. Ling has retired but remains involved in public services. She is also active in charitable organizations, such as the Maggie's Cancer Caring Centre. She is a Vice Patron of the Community Chest.

LO Yiu Ching, Dantes, GBS, JP, age 77, has been appointed as an Independent Non-executive Director of the Company since 30 November 2018. He is the Chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Lo is a professional civil and structural engineer. He is fellows of the Institution of Civil Engineers, Institution of Structural Engineers and Hong Kong Institution of Engineers. He has engaged for more than 50 years in the administration, planning, design and construction of various major capital works projects in Hong Kong and overseas. Mr. Lo joined the Hong Kong Government in 1974 as an Engineer and was promoted to Director of Civil Engineering in 1999 and Director of Highways in 2000. From 2002 to 2006, he was appointed as the Permanent Secretary for the Environment, Transport and Works (Works). He retired from the civil service in 2006. Mr. Lo then served as a senior consultant to the Hospital Authority on capital planning. Subsequently, Mr. Lo had been appointed as a board member and later Advisor to the CEO of The Airport Authority Hong Kong. Mr. Lo is a distinguished adjunct professor in the Department of Civil Engineering, University of Hong Kong. He is an independent non-executive director of China Overseas Grand Oceans Group Limited, the shares of which are listed on the Main Board of the Stock Exchange.

NG Cheuk Hei, Shirley, age 53, has been appointed as an Independent Non-executive Director of the Company since 25 May 2020. She is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. She holds a Doctorate Degree in Management from Shanghai University of Finance and Economics, a Master Degree in Chinese Law from Renmin University of China, a Master Degree in Management with major in Marketing Management from Macquarie University (Sydney, Australia) and a Bachelor Degree in Business (International Trade) from Monash University (Melbourne, Australia). She has over 25 years of experience in the fintech digital economy and IT industry, and has extensive knowledge in business and marketing management, product marketing, product development and consulting experience in digital payment solution, IT and telecommunication and system integration solution. Ms. Ng was previously the vice president (strategic solutions and marketing) of Global Payments Inc. from 2016 to 2018. From 2013 to 2016, Ms. Ng was the managing director (Asia Pacific) of GeoSwift Payment Technology Limited. Prior to the aforesaid, Ms. Ng held various senior management positions in a number of large multinational companies.

SENIOR MANAGEMENT

CHAN Wing Ho, Vincent, age 46, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of Build King Construction Limited ("BKCL"), Build King Civil Engineering Limited ("Build King Civil") and Build King (Zens) Engineering Limited ("Build King (Zens) Engineering"). He holds a Master Degree of Science and a Bachelor Degree in Civil Engineering from The University of Hong Kong. He is a member of The Hong Kong Institution of Engineers and a Registered Professional Engineer (CVL). He is a council member of Hong Kong Construction Association and Hong Kong Institution of Highway and Transportation. He has over 20 years of experience in civil engineering construction.

CHEUNG Siu Lun, age 72, is responsible for the Group's business development. He is a director and the Chief Operating Officer of BKCL, and a director of Build King Civil and Build King (Zens) Engineering. He holds a Bachelor of Science Degree in Civil Engineering from The University of Hong Kong. He is a fellow of The Hong Kong Institution of Engineers. He is a member of the Faculty Advisory Committee of the Faculty of Science and Technology of the Technological and Higher Education Institute of Hong Kong. He has over 45 years of experience in both civil engineering and building construction.

FONG Wai Pan, Felix, age 45, is responsible for the Group's civil engineering and building operation in Hong Kong. He is a director of BKCL. He holds a Master Degree of Science and a Bachelor Degree in Civil Engineering from The University of Hong Kong. He is a committee member of Hong Kong Institution of Engineers Civil Division and a Registered Professional Engineer (CVL). He has over 20 years of experience in civil engineering and building construction.

KWOK Chi Ko, Enmale, age 66, is responsible for the Group's contract administration and commercial management for all building and construction related businesses. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He holds an Engineering Doctorate Degree, a Master Degree in Arbitration & Dispute Resolution and a Master Degree in Laws. He is a Chartered Quantity Surveyor, a Registered Professional Surveyor (QS) and an Accredited Mediator and has been a Fellow Member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. He has had over 40 years of experience in building and construction industry.

LEE Man Wai, age 62, is responsible for the Group's tendering activities. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He has over 40 years of extensive experience in tendering and commercial management of civil engineering and building project in Hong Kong.

LIU Sing Pang, Simon, age 61, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He is a member of the Institution of Structural Engineers, a fellow member of the Hong Kong Institution of Engineers and a member of The Hong Kong Institute of Civil and Building Information Management. He is also a Chartered Engineer of UK. He is a member of the 6th Election Committee of Hong Kong Special Administrative Region. He is also Vice President of Council and the Chairman of Civil Engineering Committee of Hong Kong Construction Association. He is also an Elected Ordinary Member of Council of Hong Kong Institution of Engineers. He is also a member of Construction Industry Council and the Chairperson of Construction Workers Registration Board. He has over 35 years of experience in civil engineering and building construction.

MOK Hon Wa, Kenneth, age 59, is responsible for the Group's building operation in Hong Kong. He is a director of BKCL and Build King Civil. He holds a Master Degree of Applied Science in Civil Engineering from University of Windsor. He is a member of the Hong Kong Institution of Engineers, fellow of Hong Kong Institute of Construction Managers and Registered Professional Engineer in Hong Kong, Canada and USA. He has over 35 years of experience in building construction.

SO Yiu Wing, Wilfred, age 48, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He holds a Bachelor degree in Civil Engineering from The University of Hong Kong. He is a member of The Hong Kong Institution of Engineers and a Registered Professional Engineer (CVL). He is a council member of Hong Kong Construction Association. He has over 25 years of experience in civil engineering construction.

SENIOR MANAGEMENT (Continued)

YEOW Chin Lan, Denis, age 52, joined the Group in September 1999 and is the Group Financial Controller responsible for the financial management and accounting of the Group. He is a fellow member of the Association of Chartered Certified Accountants, UK. He has over 25 years of experience in auditing, accounting and financial management.

YIU Cheuk Hung, Kenneth, age 57, is responsible for the Group's building operation in Hong Kong. He is a director of BKCL. He holds an Executive Master Degree of Business Administration from The Chinese University of Hong Kong and a Master Degree of Project Management from University of South Australia. He is a member of the Hong Kong Institution of Engineers, the Chartered Institute of Building (UK) and the Hong Kong Institute of Construction Managers. He is also a Registered Professional Engineer. He has over 35 years of experience in the construction industry including design, construction and project management.

YU Man Kit, Andy, age 48, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of BKCL, Build King Civil, Build King (Zens) Engineering and Cerebro Strategy Limited. He holds a Bachelor Degree in Civil Engineering, a Professional Diploma in Construction Management and a Master Degree of Corporate Governance. 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, The Chartered Association of Building Engineers and Hong Kong Institute of Construction Managers, associate member of Hong Kong Chartered Governance Institute and The Chartered Governance Institute. He is also a Registered Construction Manager in Hong Kong and a Chartered Civil and Building Engineer in UK. In addition, he is a member of Civil Engineering Committee of Hong Kong Construction Association. He has over 20 years of experience in civil engineering.

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 48 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the five largest customers of the Group together accounted for approximately 77% of the Group's turnover, with the largest customer accounted for approximately 51%, and the five largest suppliers of the Group together represented less than 12% by value of the Group's total purchases.

One of the Group's five largest customers is an affiliated company of Road King. Also, Wai Kee held 336,608,428 shares in Road King ("Road King Shares") as at 31 December 2022, representing approximately 44.92% of ordinary Road King Shares then in issue. As such, any Director or any of his/her associates or any shareholder of the Company holding Road King Shares or ordinary shares in Wai Kee ("Wai Kee Shares ") would be deemed to be indirectly interested in such customer. As at 31 December 2022, (i) Mr. Zen Wei Peu, Derek ("Mr. Zen", who is a Director of the Company) was interested in 24,649,000 Road King Shares, of which 1,000,000 Road King Shares was held by the spouse of Mr. Zen; (ii) Mr. Zen was deemed to be interested in Road King Shares through 249,424,078 Wai Kee Shares and a security interest over 45,567,000 Wai Kee Shares held by him; and (iii) Mr. Lui Yau Chun, Paul, a Director of the Company, was deemed to be interested in Road King Shares through 200,000 of Wai Kee Shares held by him.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 74 and 75 respectively.

The Board recommends the payment of a final dividend of HK10.5 cents per ordinary share for the year ended 31 December 2022 to shareholders whose names appear in the register of members of the Company on Thursday, 1 June 2023. The details of the final dividend are set out in note 13 to the consolidated financial statements.

Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the payment of final dividend will be made on Thursday, 15 June 2023.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Wednesday, 24 May 2023, the register of members of the Company will be closed from Friday, 19 May 2023 to Wednesday, 24 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Thursday, 18 May 2023.

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 Thursday, 1 June 2023. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 31 May 2023 to Thursday, 1 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Tuesday, 30 May 2023.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 is set out in the sections headed "Financial Highlights" on page 2, "Chairman's Letter" on pages 3 to 8, "Management Discussion and Analysis" on pages 9 and 10, "Corporate Governance Report" on pages 25 to 40, "Consolidated Financial Statements" on pages 74 to 162 and "Financial Summary" on page 163. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

SEGMENTAL INFORMATION

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

SHARE CAPITAL

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

RESERVES

Details of movement in the reserves of the Group for the year is set out in the consolidated statement of changes in equity on page 78.

DISTRIBUTABLE RESERVES

The reserves of the Company which were available for distribution to the shareholders at 31 December 2022 were HK$8,109,000.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2022, the Company has not entered into any equity-linked agreement.

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWINGS

Details of the Group's bank borrowings for the year ended 31 December 2022 are set out in note 35 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the Company's pension schemes are set out in note 43 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

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

Non-executive Directors

David Howard Gem
Chan Chi Hung, Anthony

Independent Non-executive Directors

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

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

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Zen Wei Peu, Derek, Mr. David Howard Gem, Mrs. Ling Lee Ching Man, Eleanor and Ms. Ng Cheuk Hei, Shirley shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence during the year ended 31 December 2022 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS

As at 31 December 2022, the interests and short positions of the directors (the "Directors") and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

(I) The Company

Interests in Shares

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

Note:

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

DIRECTORS' INTERESTS (Continued)

(II) Associated Corporations

Interests in Shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long position (Note 1)	Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Wai Kee	Personal	249,424,078	–	31.45
		Securities interest	45,567,000	–	5.75
	Wai Kee (Zens) Construction & Transportation Company Limited (Note 2)	Personal	2,000,000	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000	–	37.50
Lui Yau Chun, Paul	Wai Kee	Personal	200,000	–	0.03

Notes:

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

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

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

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" and in note 44 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

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

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers 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 Corporate Governance Code set out in Appendix 14 of the Listing Rules. During the year, no claim was made against the Directors and officers of the Company.

COMPETING INTEREST

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2022, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO:

		Number of Shares held and percentage of shareholding			
		Long position (Note 1)		Short position	
Name of substantial Shareholder	Capacity/ Nature of interest	Number of Shares	%	Number of Shares	%
Top Horizon Holdings Limited ("Top Horizon") (Note 2)	Beneficial owner	721,735,033	58.12	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 3)	Corporate	721,735,033	58.12	–	–
Wai Kee (Note 4)	Corporate	721,735,033	58.12	–	–

Notes:

1. Long position in the Shares.

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

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

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

Save as disclosed above, as at 31 December 2022, no other person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

Connected transaction

Investment Agreement with Road King and Shine Precious Limited

On 6 October 2022, Road King (together with its subsidiaries, "Road King Group"), the Company, Shine Precious Limited ("Shine Precious", an indirect wholly-owned subsidiary of Road King) and Wise Start Limited ("Wise Start", an indirect wholly-owned subsidiary of the Company) entered into an investment agreement ("the Investment Agreement") in respect of the formation of a "joint venture" in relation to Rainbow Triumph Limited (the "Project Company") for the purpose of the development of a urban renewal project involving the demolition and resettlement and re-development of a site located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the PRC (the "Project"). The parties further entered into an extension agreement dated 23 November 2022 in relation to the extension of the long stop date for completion of the transactions contemplated under the Investment Agreement. The Project Company was indirectly wholly owned by Road King and Shine Previous prior to the completion of such transaction.

Pursuant to the Investment Agreement, (i) Shine Precious has agreed to sell and assign, and Wise Start has agreed to purchase and take assignment of 2,000 shares of the Project Company (which represent 20% of the Project Company's shares in issue) at the price of HK$15,700 and the shareholder loans due from the Project Company to Shine Precious (in the principal amount of HK$800,000,000) at the face value, at a total Consideration of HK$800,015,700; and (ii) Shine Precious has agreed to provide the further shareholder loans from Road King Group to the Project Company which, when aggregated with existing shareholder loans due to Road King Group immediately following completion, shall amount to HK$3,200,000,000 ("the RK Commitment").

In addition, Shine Precious has agreed that Wise Start has the right to require the Project Company to repay the shareholder loans (or part thereof) due to Wise Start on specified redemption dates, after which Shine Precious shall require certain balancing transactions to be effected in order to achieve the intended proportionality between the shareholding of Shine Precious and Wise Start in, and shareholder loans (including the RK Commitment) to, the Project Company. The redemption obligation of the Project Company is guaranteed by Road King.

As Wai Kee is a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Road King and Shine Precious are associates of Wai Kee and connected persons of the Company under the Listing Rules. Accordingly, certain transactions contemplated under the Investment Agreement constitute connected transactions of the Company under the Listing Rules.

The transaction was announced by the Company in its announcements dated 6 October 2022 and 23 November 2022 and circular to shareholders dated 23 December 2022. The Investment Agreement as well as the transactions and possible transactions contemplated thereunder were subsequently approved by independent shareholders at the special general meeting of the Company held on 13 January 2023 and completion took place on 18 January 2023. The details of the transaction are disclosed in note 50 to the consolidated financial statements.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transaction

Framework Agreement with Wai Kee

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

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

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

During the year, the relevant maximum aggregate value of the contracts was approximate HK$166,115,000 and the transaction is disclosed in note 44 to the consolidated financial statements.

As the Company expected the aggregate amounts of Concrete to be procured from Wai Kee in 2023 may exceed the existing 2023 annual cap of HK$140 million, the Company entered into a framework agreement (the "2023 Framework Agreement") with Wai Kee on 30 November 2022, whereby the Group may, but is not obliged to purchase Concrete from Wai Kee (or its subsidiaries and/or associates) for the purchase of Concrete from time to time for the period from 1 January 2023 to 31 December 2025, subject to the terms and conditions of the 2023 Framework Agreement.

Under the 2023 Framework Agreement, the Company and Wai Kee agreed that the maximum aggregate values of the contract sum in respect of the sale and purchase of Concrete for the three years ending 31 December 2025 will not exceed the amounts set out below:

Period	Total value not exceeding
1 January 2023 - 31 December 2023	HK$380,000,000
1 January 2024 - 31 December 2024	HK$370,000,000
1 January 2025 - 31 December 2025	HK$430,000,000

The transaction was announced by the Company in its announcement dated 30 November 2022 and approved by independent shareholders at the special general meeting of the Company held on 23 December 2022.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transaction (Continued)

Framework Agreement with Wai Kee (Continued)

The above continuing connected transactions during the year ("2022 Concrete CCT") have been reviewed by the Independent Non-executive Directors of the Company in accordance with Rule 14A.55 of the Listing Rules who have confirmed that the transactions have been entered into:

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

(ii) on normal commercial terms; and

(iii) in accordance with the terms of the 2021 Framework Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report the continuing connected transaction of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the 2022 Concrete CCT disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

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

Name of Director	Details of Changes
Zen Wei Peu, Derek	Mr. Zen's annual salary has been revised to HK$8.65 million with effect from 1 January 2023.
Chang Kam Chuen, Desmond	Mr. Chang's annual salary has been revised to HK$2.52 million with effect from 1 January 2023.
Lui Yau Chun, Paul	Mr. Lui's annual salary has been revised to HK$2.65 million with effect from 1 January 2023.
Tsui Wai Tim	Mr. Tsui's annual salary has been revised to HK$2.65 million with effect from 1 January 2023.
Ho Tai Wai, David	Mr. Ho has been appointed as an independent non-executive director of Lion Rock Group Limited (Stock Code: 1127) with effect from 28 December 2022.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2022.

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$24,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the per cent of its public float exceeds 25% for the year ended 31 December 2022 and up to 21 March 2023, the latest practicable date to ascertain such information prior to the issue of this annual report.

AUDITOR

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

On behalf of the Board

Zen Wei Peu, Derek
Chairman

Hong Kong, 21 March 2023

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 2022, the Company has complied with the code provisions in Part 2 of Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules, except for code provision C.2.1 in respect of the separate roles of the chairman and chief executive officer.

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

THE BOARD

Vision, Culture and Values

Build King envisions to be a leading main contractor in Hong Kong to provide all round construction related service and be a preferred partner for customers, subcontractors, suppliers and joint ventures. Our cultures are found on three core values: professionalism, innovation and integrity. These three values are intertwined in all company policies and work practices.

Professionalism: delivering an integrated range of professional, technical and commercial services;

Innovation: our engineering innovation and resourcefulness have always been appreciated; and

Integrity: fulfilling commitments with honesty and high moral standard.

Role of the Board

The Company recognises the importance of a highly effective Board in the long-term success of the Group. In particular, we prioritise balanced and diverse board composition; independent and objective thinking; proficient and informed Directors; efficient and effective roles, committees and delegation; and prudent policies and processes including risk management.

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 Group, and directing and supervising the Group's affairs in pursuit of the Group's strategic objectives.

The Board 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 Environmental, Social and Governance ("ESG") Reporting and monitoring progress around ESG material topics, approval and monitoring of budgets, internal control and risk management, dividend payout, material transaction (in particular those may involve conflict of interests), preparation and release of financial information, appointment of Directors, other significant financial and operational matters.

THE BOARD (Continued)

Role of the Board (Continued)

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

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

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct manual applicable to employees and the Directors; and
- to review the Company's compliance with the Code and 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 above mentioned policies, practices and code of conduct have been promulgated across the Group in the form of Employees' Handbooks and internal memoranda. Senior management is responsible for implementation, and effectiveness is reviewed on a regular basis by internal audit.

Chairman and Chief Executive Officer

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

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

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

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

THE BOARD (Continued)

Composition

As at the date of this report, the Board comprises ten Directors including four Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. Board members are listed below:

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

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

The Group has several mechanisms in place to encourage independent and objective thinking by its Directors and the Board as a whole. Firstly, Independent Non-executive Directors are well-represented on the Board, with four in number, over one third of the board, and at least one with accounting or related financial management expertise. Secondly, the Chairman encourages open discussion amongst Directors, and solicits independent perspectives from the Independent Non-Executive Directors in particular. Thirdly, at least once per year, the Chairman has a separate meeting with the Independent Non-executive Directors to ensure their voices are being heard effectively. Finally, all Board members individually have access to the Company Secretary and senior management, and independent professional advice would be sought through the Company Secretary. The Board has reviewed the implementation and effectiveness of such mechanism for the year ended 31 December 2022.

There is no financial, business nor family relationship among members of the Board.

Appointment and Re-election

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

Non-executive Directors

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 of not more than three years, subject to re-election at the general meeting.

THE BOARD (Continued)

Independence of Independent Non-executive Directors

The Group values the independent judgement on Board through balanced composition of members. The Chairman encourages open discussion and seeks independent view from Independent Non-executive Directors when necessary, on top of a separate meeting with Independent Non-executive Directors held every year.

The Company received written confirmation of independence from each of the Independent Non-executive Directors in respect of the year ended 31 December 2022, pursuant to Rule 3.13 of the Listing Rules. The Board considers all the Independent Non-executive Directors to be independent.

Board Meetings

The Board meets regularly at least four times each year and additional meetings are arranged if and when required. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. During the year, the attendance records of individual Directors at the Board meetings, meetings of three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, the annual general meeting held on 27 May 2022 and the special general meeting held on 23 December 2022 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 27 May 2022	Special General Meeting held on 23 December 2022
Executive Directors						
Zen Wei Peu, Derek	5/5	–	1/1	2/2	1	1
Chang Kam Chuen, Desmond *(Company Secretary)*	5/5	–	–	–	1	1
Lui Yau Chun, Paul	5/5	–	–	–	1	1
Tsui Wai Tim	5/5	–	–	–	1	0
Non-executive Directors						
David Howard Gem	1/5	–	–	–	0	0
Chan Chi Hung, Anthony	4/5	–	–	–	1	1
Independent Non-executive Directors						
Ho Tai Wai, David	5/5	2/2	1/1	2/2	1	1
Ling Lee Ching Man, Eleanor	5/5	2/2	1/1	2/2	1	1
Lo Yiu Ching, Dantes	5/5	2/2	1/1	2/2	1	1
Ng Cheuk Hei, Shirley	5/5	2/2	1/1	2/2	1	1

"-": Not applicable

THE BOARD (Continued)

Board Meetings (Continued)

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.

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

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

Directors' Induction and Continuous Professional Development

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

THE BOARD (Continued)

Directors' Induction and Continuous Professional Development (Continued)

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

All Directors are requested to provide the Company with their respective training records pursuant to the Code. Trainings received by each of the Directors during the year are summarized as follows:

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

Notes:

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

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

The Company Secretary has undertaken over 15 hours of professional training during the year.

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.

The Nomination Committee has been delegated with the responsibility for implementing, monitoring and reviewing of the Board Diversity Policy. Any revisions to the Board Diversity Policy as recommended by the Nomination Committee would be submitted to Board for consideration and approval. The Board has reviewed the implementation and effectiveness of the Policy for the year ended 31 December 2022.

As at the date of this report, one-fifth of our Directors is female. The Board aims to maintain at least such a level of female representation in its Board. The Board will engage independent professional search firms, as and when appropriate, in its work to increase female representation on the Board and to develop a pipeline of potential successors to the Board to achieve gender diversity.

THE BOARD (Continued)

Board Diversity Policy (Continued)

Although 100% of our non-director senior management are male, percentage of female staff keeps increasing from 21% for 2021 to 27% for 2022. While we would aspire to have more female representation amongst our senior management as part of succession planning and to increase female representation amongst our workforce, we are also mindful of the significant challenges in doing so as the market in which we operate (construction in particular) traditionally has a predominantly male workforce. We will continue to take opportunities to increase the proportion of females amongst our staff, as and when suitable candidates are identified.

BOARD COMMITTEES

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

Audit Committee

Composition

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

Role and Function

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

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2022 and up to the date of this report:

- Approval of remuneration and terms of engagement of the external auditor;
- Review of the annual results of the Group for the years ended 31 December 2021 and 2022, and the interim results of the Group for the six months ended 30 June 2022;
- Review of the Group's financial information, financial reporting procedures, risk management, internal control systems, and financial and accounting policies and practices;
- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to provide non-audit services;
- Review of the audit plan for the financial year ended 31 December 2022;
- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation;

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

Summary of Work Done (Continued)

- Recommendation to the Board to re-appoint the external auditor at the 2022 and 2023 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Review of the 2023 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;
- Review of its terms of reference; and
- Meetings with the external auditor, in the absence of Executive Directors and management.

Nomination Committee

Composition

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

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.

Recognising the other demands placed on Directors, the Nomination Committee has reviewed the capacity of each Director to carry out their duties, and is satisfied with their level, effectiveness and contributions.

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2022 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;

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

Summary of Work Done (Continued)

- 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 2022 and 2023 annual general meetings.

Nomination Policy

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

Nomination Procedures

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

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

The recommendations of this Committee are then put to the Board for consideration and approval. Thereafter, any Director appointed by the Board is subject to re-election at the general meeting after his/her appointment. 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 Mrs. Ling Lee Ching Man, Eleanor (Chairwoman of the Remuneration Committee), Mr. Ho Tai Wai, David, Mr. Lo Yiu Ching, Dantes, Ms. Ng Cheuk Hei, Shirley and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

Role and Function

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

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2022 and up to the date of this report:

- Approval of the service contract of an Executive Director;
- Approval of performance bonus of Executive Directors for 2021 and 2022;
- Approval of emoluments of Executive Directors (where Mr. Zen Wei Peu, Derek abstained from voting in determining his own remuneration) and senior management;
- Approval of salary adjustment in 2023; and
- Review of its terms of reference.

Remuneration policy

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

The remuneration of a Director is determined with reference to his duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of Directors for the year ended 31 December 2022 are set out in note 10 to the consolidated financial statements of this annual report. The emoluments paid to senior management for the year ended 31 December 2022 were within the following bands:

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' Securities Transactions. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2022.

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu has been re-appointed as the Company's external auditor at the annual general meeting of 2022 until the conclusion of the next annual general meeting.

The fees paid/payable to external auditor for audit and non-audit services for the year ended 31 December 2022 are as follows:

Type of services	Fee paid/payable HK$
Audit	2,300,000
Non-audit services	
Interim review	600,000
Other services (Note)	2,275,000
Total	5,175,000

Note: Other services comprise of special review on the financial information in the circular for the major and connected transactions.

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 69 to 73 forming part of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Company's Enterprise Risk Management system is based on the Committee of Sponsoring Organizations of the Treadway Commission's "Internal Control – Integrated Framework" as revised in 2013 (the "Framework"). The Framework features 17 principles across the 5 components, all of which must be present, functioning and operating in an integrated manner in order to effectively reduce risk to an acceptable level. The Framework requires judgement in designing, implementing and conducting internal control, and in assessing its effectiveness. There is no one-size-fits-all approach in designing a Risk Management and Internal Control system.

The Company's Risk Management and Internal Control assessment is carried out at least once per year. The Internal Audit team will work with the responsible line management together to review their responsible operations. All major changes will be followed up and highlighted in the final report.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

One key component of the Framework featured in the report is Risk Assessment, including Fraud. Risk Assessment will be conducted by both the responsible line management and Internal Audit team. The major risks will be identified and classified into 9-box matrix by their impact ranging from severe/critical to limited/minor, and probability from low to high. How to manage the risks and their latest status will be followed up and documented for future reference.

The internal control system comprises a well-defined organizational 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.

Firstly, the Internal Audit team tailors the individual assessment based on previous results. Secondly, the responsible line management for each major unit should take this opportunity to review how to control the operation and how to deal with the major risks. Thirdly, the Internal Audit team will analyze and clarify the information gathered with the responsible line management, if necessary, walk-through exercises and substantive tests may be conducted. Finally, the results of assessment will be prepared and distributed to all Executive Directors, Audit Committee and External Auditor for their information.

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 including ESG risks and internal control systems put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31 December 2022. The management considered that the overall risk management and internal control systems of the Company and its subsidiaries were effective and adequate. The Company will continue to maintain the adequacy of resources for these key functions in the future.

Since the remedial measures have been put forward by the Board which are being implemented by the Group to strengthen its internal controls regarding the Concrete CCT isolated incident in 2021, there was no incident and the deficiency in internal controls being noted regarding the Concrete CCT in 2022. At the request of the Audit Committee, the regular review and monitoring will be arranged by the Internal Audit team to ensure the proper internal control in force.

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

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

The risk management and internal control review is carried out by both Internal Audit team, who are all well qualified and experienced professional, and the responsible line management, who are experienced and familiar with their responsible operations. Such systematic and joint-effort approach will be fine-tuned every year to ensure the best results can be reached. In addition to the yearly risk management and internal control being reviewed, the ad hoc tasks will be arranged to address certain concerns separately, whenever necessary. In 2022, there was no situation being raised by whistleblowers.

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 systems. The internal audit team reports audit findings together with recommendations to the Audit Committee on a timely basis upon completion of the relevant audit review. All critical audit findings and control weaknesses are summarized and presented to the Audit Committee on an annual basis, which in turn reports to the Board.

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT

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

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

28th Considerate Contractors Site Award Scheme presented by Development Bureau, Hong Kong SAR Government and Construction Industry Council

- Considerate Contractors Site Award (Silver Award)
- Considerate Contractors Site Award (Bronze Award)
- 4 numbers of Considerate Contractors Site Award (Merit Award)
- Considerate Contractors Site Award (Non-Public Works – New Works (Group B)) (Merit Award)
- Outstanding Environmental Management and Performance Award (Silver Award)
- 4 numbers of Outstanding Environmental Management and Performance Award (Merit Award)
- Outstanding Environmental Management and Performance Award (Non-Public Works – New Works (Group B)) (Merit Award)
- Innovation Awards for Safety and Environmental Excellence (Silver Award)
- Innovation Awards for Safety and Environmental Excellence (Bronze Award)
- 3 numbers of Innovation Awards for Safety and Environmental Excellence (Merit Award)
- Innovation Awards for Safety and Environmental Excellence (Non-Public Works – New Works (Group B)) (Merit Award)

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT (Continued)

21st Hong Kong Occupational Safety and Health Award presented by Occupational Safety & Health Council

- Safety Management System Award (Construction Category) (Silver Award)
- 5S Good Housekeeping Best Practices Award (Construction Industries) (Bronze Award)
- OSH Enhancement Program Award (Bronze Award)
- Occupational Rehabilitation Award (Gold Award)
- Work Safe Behaviour Award (Gold Award)
- Work Safe Behaviour Award – Pointing and Calling Best Practices Award (Bronze Award)
- Safety Performance Award (Construction Industry) (Excellence Award)
- 2 numbers of Safety Performance Award (Construction Industry) (Outstanding Award)
- 3 numbers of Rookie Safety Performance Award (Construction Industry) (Excellence Award)
- Rookie Safety Performance Award (Construction Industry) (Outstanding Award)
- Best OSH Video Performance Award - Best Program for Work Safety & Health in Hot Weather (Construction Industry) (Merit Award)

Construction Sites Safety and Housekeeping Award Scheme 2021 presented by Drainage Services Department

- Grand Award
- Merit Award (Large Scale Civil Works Contracts Category)
- The Best Construction Site Safety and Housekeeping Award

CEDD Construction Site Safety Award 2021 (Gold Award - Contracts Group) presented by Civil Engineering and Development Department, Hong Kong SAR Government

- Gold Award

NEC Water Contract – NEC Water Contract of the Year 2022 (Runner Up) presented by NEC & ICE

Hong Kong Green Awards 2022 presented by Green Council

- Environmental, Health and Safety Award (Large Corporation) (Silver Award)
- Environmental, Health and Safety Award (Large Corporation) (Bronze Award)
- Green Management Award (Project Management) (Large Corporation) (Gold Award)
- 5 numbers of Green Management Award (Project Management) (Large Corporation) (Silver Award)
- 2 numbers of Green Management Award (Project Management) (Large Corporation) (Bronze Award)
- 2 numbers of Sustained Performance 4 years +

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT (Continued)

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

CONSTITUTIONAL DOCUMENTS

The Company's Bye-laws was amended and adopted by the shareholders at the 2021 annual general meeting. The Company has not made any change to its constitutional documents in 2022. In view of certain amendments to the Listing Rules and the applicable laws of Bermuda, a special resolution approving the adoption of new bye-laws of the Company is proposed to be passed by the shareholders of the Company at the 2023 AGM to be held in May 2023.

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.

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

The 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.

COMMUNICATION WITH SHAREHOLDERS (Continued)

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 in hybrid format and implementing e-voting in 2022 annual general 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.

The Board has reviewed the implementation and effectiveness of the shareholders' communication policy. As there are various channels of communication available for the shareholders, the Board considered that the shareholders' communication policy was effective.

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.

Environmental, Social and Governance Report

Dear shareholders,

On behalf of the board of directors ("the Board") of Build King Holdings Limited ("the Company"), I am pleased to present the seventh Environmental, Social and Governance Report, which covers our sustainability performance from 1 January 2022 to 31 December 2022.

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

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

We value the roles played by our business partners in the path of sustainability journey. We have continuously endeavored to deepen the relationship with our key stakeholders through regular meetings, interviews and events to understand their views and concerns on the ESG issues. Every three years, we appoint an independent third party to facilitate the stakeholder engagement process to help us identify and prioritize the material issues that have significant impacts on our stakeholders and our own operations. The latest independent engagement was conducted in 2022.

On behalf of the Board, I would like to express my appreciation and gratitude to management teams for their effort in delivering on our sustainability commitments in 2022.

Zen Wei Peu, Derek
Chairman

21 March 2023

Environmental, Social and Governance Report

ABOUT THIS REPORT

This Report contains information of our main business in Hong Kong as a main contractor providing all-rounded construction related services to a portfolio of clients including Hong Kong government departments, quasi-government authorities and institutions, and private developers. Currently, there are over 60 active construction projects contributing 98% of the group turnover for the financial year 2022 and employing 91% of the Group employees. Owing to the differences in reporting standards across the regions, the information of environmental infrastructure projects in PRC was not covered in this Report.

This Report discloses our performance and initiatives regarding ESG issues and relevant Key Performance Indicators ("KPIs") of different aspects from 1 January to 31 December 2022. The content can be found on pages 62 to 68.

This Report was developed referencing existing local and globally recognized reporting frameworks, namely Hong Kong Stock Exchange (HKEX) Appendix 27 of the Main Board Listing Rules (HKEX ESG Guide). A summary of our key performance data is shared in the Performance Data Summary 2022 section. A content index is included at the end of the Report as a tool to help readers more easily locate relevant information across the Report and to demonstrate compliance with the HKEX ESG Guide.

FEEDBACK

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

Corporate Website:

https://www.buildking.hk

ESG Report:

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

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

Contact information:

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

ESG MANAGEMENT APPROACH

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

Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance and has complied with the Corporate Governance Code (the "CG Code") sets out in Appendix 14 of the Listing Rules. The detailed content can be found in the Corporate Governance Report on pages 25 to 40.

Governance Structure

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

ESG MANAGEMENT APPROACH (Continued)

Materiality Assessment

Based on the latest stakeholders engagement process conducted in 2022, the following 26 ESG issues were identified:

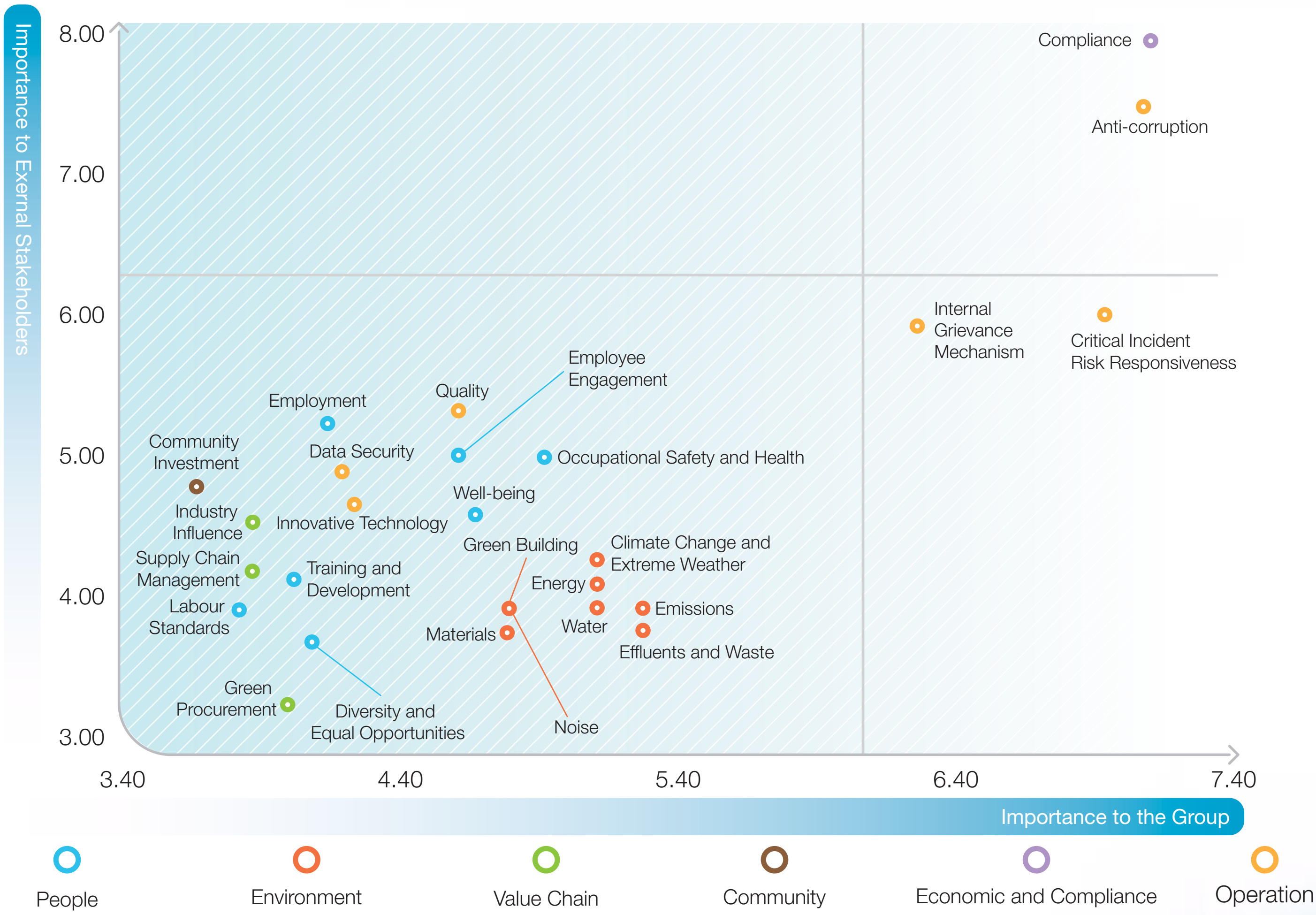
Section in this report	Material Issues	
People	1	Employment
	2	Occupational Safety and Health
	3	Training and Development
	4	Labour Standards
	5	Employee Engagement
	6	Diversity and Equal Opportunities
	7	Well-being
Environment	8	Emissions
	9	Energy
	10	Noise
	11	Effluents and Waste
	12	Water
	13	Materials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

ESG MANAGEMENT APPROACH (Continued)

Materiality Assessment (Continued)

Based on the feedback from stakeholders, the 26 ESG issues were prioritized as in the following materiality matrix, indicating the aspects that are material to our stakeholders and our Group's business. This assessment helped to shape the content of this report and the resources we plan to focus on going forward. In this report, we disclose the performance of these material aspects in six main sections including People, Environment, Value Chain, Community, Economic and Compliance and Operation.

Stakeholder Engagement Materiality Matrix



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

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE

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

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

We respect the fundamental rights of our employees and are committed to build an equal, diverse and inclusive working environment, and provide equal opportunities in all aspects of employment regardless of gender, race, ethnic origin, marital status, education level or disability. In 2022, there was no known report of any incidence of discrimination by our employees in the Group.

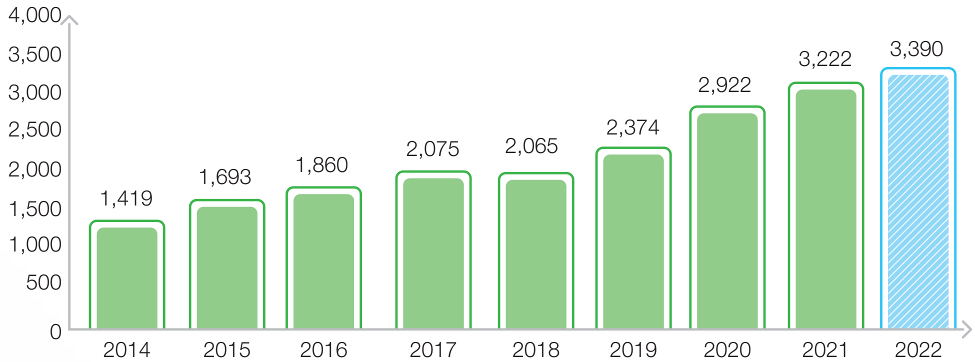
The Group has complied with the regional employment legislations. We prohibit child, forced or compulsory labour in any of our operations. These requirements have been extended to our suppliers and subcontractors to ensure they adhere to all legal standards as well. Self-audit and ad-hoc assessments are conducted regularly to review the employment practices and to detect and rectify any control deficiencies. In 2022, no operation has reported any child or forced labour.

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

Employees Composition

The total number of employees has reached 3,390 in 2022, an increase of around 5% as compared to previous year.

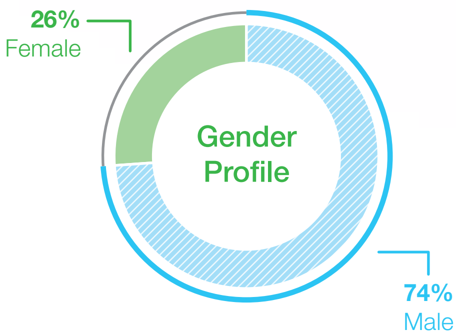
Total Workforce

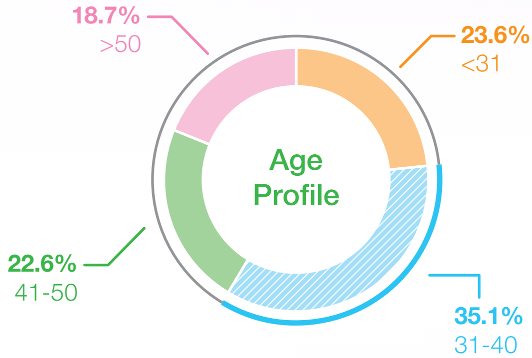


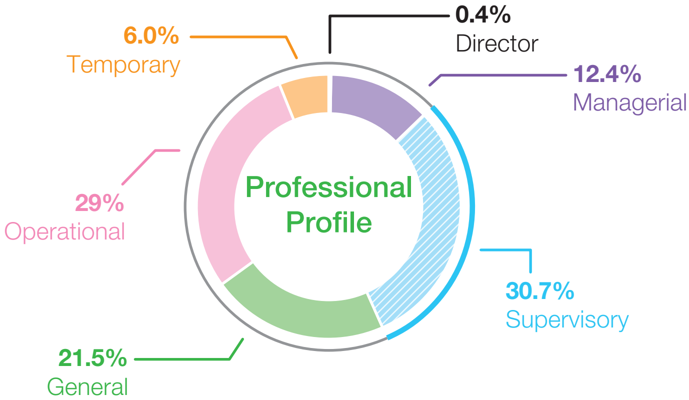
PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

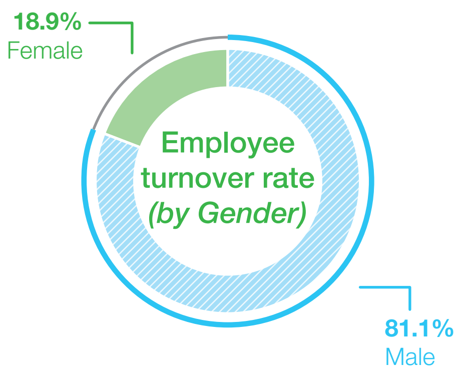
Employees Composition (Continued)

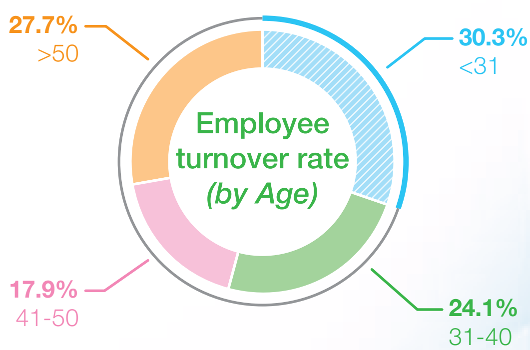
The majority of our new hires were in Hong Kong, representing 99% of total new employees, while the rest were employed in other regions. In 2022, 26% of our total workforces were female and 74% were male, and the workforce was evenly distributed among all age groups.











PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Employee Engagement

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

Diversity and Equal Opportunities

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

Well-being

The Group cares about the well-being of our employees, and is dedicated to provide employees with healthy and safe working environment. In 2022, the Group has been awarded the Caring Company by The Hong Kong Council of Social Service and MPF Good Employer 5 Years+ by Mandatory Provident Fund Schemes Authority. The Company has also adopted family-friendly employment practices that reduce the number of working days for head office and site staff. We believe this could help our employees to balance their responsibilities of the work and families, and could boost the staff morale and sense of belonging.

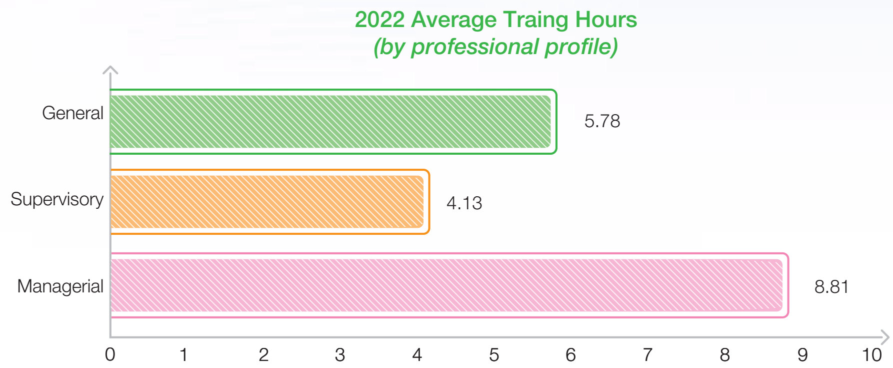
Welfare

The Group commits to continually improving our employees' healthcare and well-being. In 2022, the Group has waived the co-payment of group medical insurance plan for eligible dependents of our staff. In addition, the Group has granted special leave for staff who had infected with COVID-19 to enable them having enough rest.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Training and Development

The Group continues to nurture employees at all levels by providing opportunities to strengthen their job-related professional skills, managerial, supervisory and personal development skills. Besides providing in-house classroom and e-learning training programs, the Group has also organized and sponsored external courses. In addition, the Group provides Bachelor and Master Degree Education Sponsorship to encourage and foster a lifelong and continuous learning culture.



In 2022, the Talent Development Program has been launched, aiming to nourish a group of high-potential middle management staff to become the Group's future leaders. The targeted staff were guided and coached by different responsible directors in accordance to their personal and career development plans.

As the epidemic situation was under control in May 2022, some instructor-led classroom trainings and site visits have been resumed under a high degree of vigilance with all necessary precautionary measures adopted. Besides, some training courses were delivered to both live audience and simultaneously broadcasting to virtual attendees. Classes included 'Water Supply and Drainage Engineering', 'SDGs for the Construction Industry', 'BIM uses and checking', 'Building Inspection', 'Electrical Engineering' etc. Likewise, six new e-learning programs were introduced and uploaded in 2022, including 'How Emotionally Intelligent Are You?', 'Complex problem solving', 'Improving your work creativity', 'Be a better negotiator', 'Enhancing Self-Confidence in the Workplace' and 'Sustainable growth in your career'.

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

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Safety and Health Policy

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

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

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

To achieve continuous improvements of our safety performance, we adopt a risk-based control approach to ensure all working procedures are compliance to laws, regulations and risk assessment. The Group had one fatal accident in 2020 for the past three years. In 2022, the accident frequency rate was significantly improved from 0.17 in 2021 to 0.06 per 100,000 man-hours worked against the target rate of 0.21, and the total lost days due to work injuries was 2,995 (5,703 for 2021).

Control Mechanisms

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

In addition to the routine site safety inspection conducted by the respective site safety personnel, the Group has introduced different safety inspection programs on corporate level. The Cross Site Safety & Environmental Assessment carried out by the Senior S&E Officers has provided a platform for them to exchange innovative safety measures, and the fellow S&E Officers and Assistant S&E Officers could also widen their scope of safety knowledge, and hence continual improvement of safety performance of the Group could be achieved.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Foster Safety Culture

Effective training paved the way for fostering safety culture of our staff. To keep our workers stayed interest and concentrate in the daily training courses, we have invited some experienced workers as "Star Tutor" to share their experience on site safety during the morning briefing sessions in additional to the formal safety training conducted by the safety officers and foremen. Their invlovement has created positive impact and effectiveness to our training. Workers reviewed that the sharing of Star Tutors usually intergrated theory and practical experience, which made the training fun and informative.

Risk Mitigation Measures

Risk management policies and measures are incredibly important in keeping our employees safe from harm. In addition to training and supervision, the Group has also minimized the risk by replacing manual processing tasks with tools. For example, the traditional sheet piling method invloves working at height when the workers removed the shackle at the top of the sheel piles. To eliminate the associated risk, we have adopted the use of ratchet release shackle in performing the task. By applying the ratchet release shackle, workers are no longer required to work at height when releasing the shackle, and could stay on ground level to release the shackle by pulling the release ropes.

BUILDING TOWARDS A BETTER ENVIRONMENT

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

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

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

Pollution Abatement

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

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

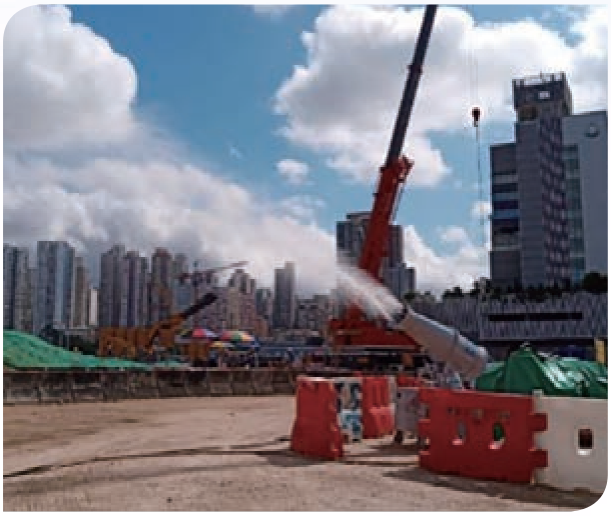
In view of the variety of our projects, each project is required to develop the project-specific Environmental Management Plan ("EMP"). Supervising by the project management team, the EMP covers the mitigation measures to manage and control on-site environmental impacts, including, but not limited to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

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

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Air Quality Management

The misting cannon has been adopted to enhance the dust control effectiveness at our sites. As the machine produces a high volume of mist and spray out into long distance, it has been widely and commonly used for large scale projects and its effect is very significant. In 2022, the group has no conviction record in relation to the Air Pollution Control (Construction Dust) Regulation, against the set target of less than five conviction records annually.



Noise Management

In order to reduce the nuisance to the nearby schools and residents from our construction works, we have installed Real Time Monitor at noise sensitive receivers to measure the noise level. The real time monitoring allow us to manage the noise level effectively and take immediate action if exceeding noise level has been detected.

Effluent and Water Management

In order to conserve the resources, rain water and wastewater were collected by Wastewater Treatment Plant for treatment. The treated effluent was then recirculated to the wheel washing facilities for reuse, which has greatly reduced the amount of effluent discharge from site.

Chemical Waste Management

Although most construction works do not contain asbestos nowadays, but it is not difficult to find materials containing asbestos in old structures. To comply with the Waste Disposal Ordinance, we have hired registered asbestos contractor to carry out the removal of these structures with asbestos.

Green Building

The Group realized that undertaking waste reduction measures and educating our staff to reduce waste could help to reduce the tremendous pressure of landfills. Therefore, the Group has committed to reduce waste from our daily operations, e.g. reuse envelopes for internal mailing, repair appliances rather than disposing and recycle used toner cartridges etc.

Reduce carbon footprint

In order to reduce the carbon footprint, we have tried our best endeavors to reuse the construction and demolition materials generated by one sites to other construction sites. Disposal into the environment is our last resort when it is inevitable.

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Energy Efficiency

In order to reduce fossil fuel consumption, solar energy panels were widely use at sites. The solar panels captured sunlight and converted it into electrical energy for lighting, mosquito traps and warning lanterns etc.

Carbon Reduction

Although diesel fuel is still the widely used, we also adopted biodiesel as an alternative fuel source that promises lower levels of pollutants and climate change fighting properties to reduce carbon emission.

Sustainable Use of Resources and Waste Management

Due to the large demand of land in Hong Kong, it is inevitable to fell tree for land extension and numerous yard waste is generated from construction work as a result. The Group has adhered a sustainable way to deal with yard wastes by converting them into small wood chips through Tree Shredding Facilities. The wood chips can be used as backfilling materials whilst reducing the amount of disposal.

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

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Sustainable Use of Resources and Waste Management (Continued)

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

Climate Change

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

- ***Governance***

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

  – Adopting best practices to improve energy efficiency in operation

  – Increasing the use of renewable energy in construction

  – Exploring the use of low-carbon construction methods and materials to reduce life cycle impacts of buildings

  – Increasing greenery areas at construction sites

  – Collaborating with partners on developing innovations for sustainable buildings

- ***Strategy***

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

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Climate Change (Continued)

- ***Risk Management***

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

- ***Metrics and Targets***

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

MANAGING OUR SUPPLY CHAIN

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

The Group's supply chain network involves 3,203 active suppliers and sub-contractors which are located in Hong Kong. The way we collaborate with them has a significant impact on our sustainability performance.

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

Selection Criteria

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

Management Approach

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

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

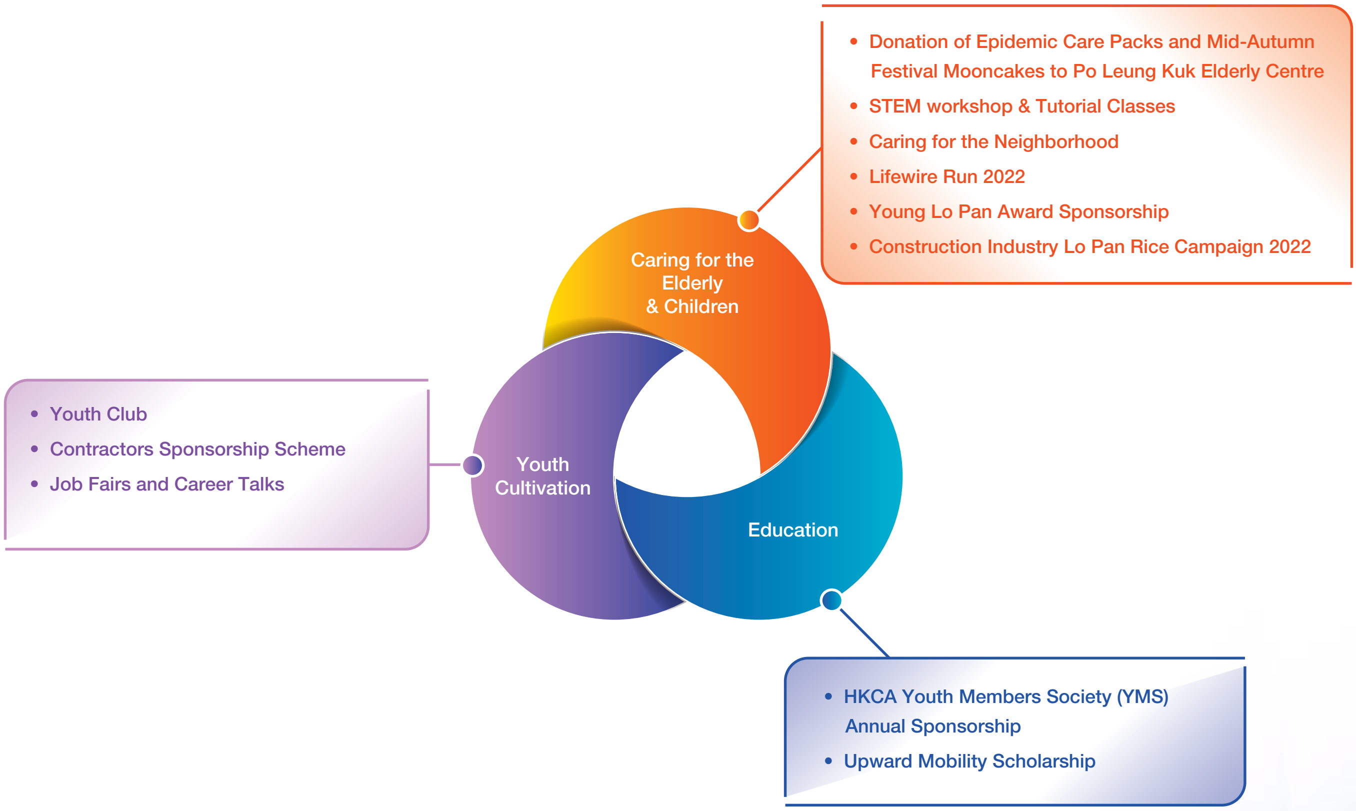
CARING FOR OUR COMMUITY

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

Corporate Social Responsibility Policy

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

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



CARING FOR OUR COMMUITY (Continued)

Youth Cultivation

Youth Club

Since 2016, we have established a Youth Club for our young engineers in providing them a platform for diverse experiences sharing and learning. In 2022, the committee has organized various activities including bubble football, home stretching workshop, roller skating, cross-company site visits etc. The committee has also invited one of our project teams to share their innovative ideas on construction and engineering to broaden the exposure of young engineers.

Contractors Sponsorship Scheme

We continued to sponsor this Scheme in 2022. In addition to the monthly sponsorship, applicants would also be invited to join a 3-month site internship program. The Group hoped to attract more talents to join the construction industry through this scheme, and could in turn recruit more graduates from Hong Kong Institute of Construction.

Job Fairs and Career Talks

A total of 25 general job fairs and on-camp career talks have been organized in 2022. This allows job seekers as well as students to have better understanding about the trends of the construction industry and expectations from the employers while engaging young talents to join the Group.

Education

HKCA Youth Members Society (YMS) Annual Sponsorship

We nurture young engineers to be upcoming leaders of the construction industry. In 2022 we continued to sponsor YMS to enhance members' understanding of the construction industry through various events, also with the hope to assist the professional growth and career development of the young members.

Upward Mobility Scholarship

To provide a better learning environment and learning opportunities for the less privileged students from secondary schools, special needs schools and vocational training schools, we continue to sponsor this Scholarship in the hope that the students can realize their full potential without the current socio-economic constraints.

CARING FOR OUR COMMUITY (Continued)

Caring for the Elderly & Children

Donation of epidemic care packs to Po Leung Kuk Elderly Cent Donation of Epidemic Care Packs and Mid-Autumn Festival Mooncakes to Po Leung Kuk Elderly Centre

To address the increasing need for elderly care in particular those with mental and health problems, we have established a long-term partnership with Po Leung Kuk Elderly Centre, working together to build a warm and caring society.

The Group continued to donate various anti-epidemic products to the Po Leung Kuk Elderly Centre in 2022 to remind elderly to take good care of their health and stay vigilant against the virus. To celebrate Mid-Autumn Festival, mooncakes were handed out to the elderly to show our care at this special time.

STEM Workshop & Tutorial Classes

The Group organized regular STEM workshops to introduce construction projects to students, share the role of an engineer and conduct modelling games, such as constructing bridges, loaders and cranes to stimulate the students' interest in STEM, and increase their understanding of the engineering and construction industry. In addition, we have also conducted tutorial classes for children from low-income families.

Caring for the Neighborhood

Lifewire Run 2022

Our Group has continued its support of the Lifewire Run in 2022 which gathers people from all walks of life to raise funds for children with rare diseases, while enjoying the natural beauty and history as they run along Tung Chung's cultural landmarks. Each patient's story is documented through texts and videos to promote public awareness of these diseases. This year, the Group also sponsored charity organizations in participating this event to benefit families in need and extend the spirit of inclusive society.

Young Lo Pan Award Sponsorship

The Young Lo Pan Award recognizes outstanding young practitioners in different craft fields in the construction industry and provides the opportunity to showcase the development opportunities in the industry to attract new blood. The Group continued to show our support by sponsoring this award, sharing Master Lo Pan's spirit of striving for innovation and providing training to young talents.

CARING FOR OUR COMMUITY (Continued)

Caring for the Neighborhood (Continued)

Construction Industry Lo Pan Rice Campaign 2022

We continued to participate in the "Construction Industry Lo Pan Rice Campaign 2022" organized by the Construction Industry Council, which aims to provide care for the needy in the communities and show support for the volunteer services of the construction industry.

ENHANCEMENT ON OPERATION

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

Innovative Technology

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

Quality Management

The Group has instituted an integrated management system and detail can be found from Quality Assurance, Safety and Environmental Management on pages 37 to 39.

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

Information Security

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

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

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

ENHANCEMENT ON OPERATION (Continued)

Anti-Corruption

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

The ‘Code of Conduct’, along with the ‘Whistle-blowing Policy’, is in place to ensure all employees understand and adhere to the Group policies. We also organize seminars regularly on integrity and corruption prevention for our employees. In 2022, a total of 368 employees have attended these seminars. We believe that these measures form a robust system to prevent risks related to corruption across all our operations. During the year under review, no confirmed incident of corruption concerning the Group or its employees was identified.

Internal Grievance

To maintain the harmonious and harass-free environment, the Group welcomes employees to report or complain in accordance with the Group’s grievance mechanism. A Chairman’s mailbox, which is accessible by Chairman and internal audit department only, has been set up in the intranet. Employees can raise the matter formally and provide information of their grievance in writing directly to our Chairman. If the complaints appear as valid, a formal investigation is conducted by internal audit department and the results of the investigation are reported to audit committee. This mechanism is for employees to file grievances, express opinions and raise concerns about the Group’s governance in an orderly manner.

Critical Incident Risk Responsiveness

A dedicated team of senior managers including Public Relations, Safety, Enviornmental and opearation departments is set up with clear procedures and guidelines to monitor the development of critical incidents. These controls would enhance our preparedness in responding to associated risks in the event a critical incident occurs.

Remote Working

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

Recycling and Reuse

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

PERFORMANCE DATA SUMMARY 2022

	Environment	2022	2021
Environment	***Total Resources Consumption***		
	Electricity (kWh)	**16,021,984.00**	13,419,297.50
	Petrol (litres)	**292,008.42**	290,107.21
	Diesel (litres)	**13,647,638.86**	18,357,629.87
	Water (m^3)	**1,000,399.73**	857,029.65
	Types of emissions		
	NOx emissions (g)	**18,826,130.04**	19,698,723.59
	PM emissions (g)	**1,528,825.99**	1,668,248.98
	SOx emissions (g)	**224,019.51**	299,822.42
	Greenhouse Gases Emissions		
	Total emissions (tCO_2e)	**53,049.56**	58,440.17
	Scope I (tCO_2e)	**36,495.63**	48,044.14
	Scope II (tCO_2e)	**15,766.14**	8,577.61
	Scope III (tCO_2e)	**791.63**	1,818.42
	Waste		
	Hazardous waste (tonnes)	**717.77**	50.33
	Non-hazardous waste (tonnes)	**130,233.00**	184,732.60
	Paper		
	Paper Consumption (tonnes)	**76.51**	306.72
	Paper Recycled (tonnes)	**12.73**	11.43
	Intensity		
	Hazardous waste	**179.44**	12.58
	Non-hazardous waste	**2,831.15**	4,505.67
	Energy consumption	**208,077.71**	285,516.97
	Water consumption	**13,163.15**	20,405.47
	Greenhouse Gases Emissions	**689.01**	—

PERFORMANCE DATA SUMMARY 2022 (Continued)

	Employment	2022	2021
Social	***Total Workforce***		
	by Age		
	<31	**799**	783
	31-40	**1,189**	746
	41-50	**767**	705
	>50	**635**	988
	by Gender		
	Male	**2,492**	2,541
	Female	**898**	681
	by Professional Profile		
	Director	**14**	14
	Managerial	**420**	366
	Supervisory	**1,041**	971
	General	**730**	760
	Operational	**981**	901
	Temporary	**204**	210
	by Employment type		
	Full time	**3,390**	3,222
	Part time	**0**	0
	by Region		
	Hong Kong	**3,093**	2,956
	PRC	**297**	265
	UAE	**0**	1
	Employee Turnover		
	by Age		
	<31	**337**	313
	31-40	**268**	222
	41-50	**199**	104
	>50	**308**	91
	by Gender		
	Male	**902**	594
	Female	**210**	136
	by Region		
	Hong Kong	**995**	662
	PRC	**117**	68

PERFORMANCE DATA SUMMARY 2022 (Continued)

	Employment	2022	2021
Social	*Occupational Health and Safety*		
	Work-related injuries	**18**	52
	Accident Frequency Rate (per 100,000 man-hours)	**0.06**	0.17
	Accident Frequency Rate (per 1,000 workers)	**2.15**	6.12
	Training and Development		
	Average Training Hours	**5.60**	3.35
	Percentage of Employees Trained		
	by Gender		
	Male	**36%**	42%
	Female	**33%**	47%
	by Professional Profile		
	Managerial	**44%**	37%
	Supervisory	**31%**	28%
	General	**34%**	52%
	Average Training hours Completed per Employee		
	by Gender		
	Male	**6.02**	3.74
	Female	**3.87**	3.80
	by Category		
	Managerial	**8.81**	2.92
	Supervisory	**4.13**	1.75
	General	**5.78**	5.16

HKEX ESG CONTENT INDEX

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
A. Environmental		
Aspect A1	**Emissions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment
KPI A1.1	The types of emissions and respective emissions data.	Environment – Pollution Abatement
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2022
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2022
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2022
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment – Pollution Abatement; Environment – Air Quality Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment – Pollution Abatement; Environment – Sustainable Use of Resources and Waste Management
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Environment – Energy Efficiency
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2022
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2022
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment – Pollution Abatement; Environment – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environment – Pollution Abatement; Environment – Effluent and Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable

HKEX ESG CONTENT INDEX (Continued)

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
A. Environmental		
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimizing the issuers' significant impact on the environment and natural resources.	Environment – Sustainable use of Resources and Waste Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment – Sustainable use of Resources and Waste Management
Aspect A4	**Climate Change**	
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environment – Climate Change
B. Social		
Aspect B1	**Employment and Labor Practices**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People
KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Performance Data Summary 2022
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary 2022
Aspect B2	**Health and safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People – Safety and Health Policy
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	People – Safety and Health Policy
KPI B2.2	Lost days due to work injury.	People – Safety and Health Policy
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	People – Control Mechanisms

HKEX ESG CONTENT INDEX (Continued)

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
B. Social		
Aspect B3	**Development and training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	People – Training and Development; Performance Data Summary 2022
KPI B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary 2022
Aspect B4	**Labour standards**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	People
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	People
Aspect B5	**Supply chain management.**	
General disclosure	Policies on managing environmental and social risks of the supply chain.	Value Chain – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Value Chain – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Value Chain – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Value Chain – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Value Chain – Supply Chain Management

HKEX ESG CONTENT INDEX (Continued)

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

Notes:

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

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Build King Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 162, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from construction contracts	
We identified the revenue recognition from construction contracts as a key audit matter due to the significance of the amount to the consolidated financial statements as a whole and estimation uncertainty involved. As disclosed in note 4 to the consolidated financial statements, most construction contracts take several years to complete and the scope of work may change during the construction period. Management estimates the contract sum 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 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 sum 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$12,242,800,000, which represents 98.6% of total revenue of the Group.	Our procedures in relation to the recognition of revenue from construction contracts included: • Obtaining an understanding on relevant internal controls in place on preparation of internal construction progress reports and revenue recognition from construction contracts; • Reviewing Group's latest internal construction progress reports and assessing management's key estimates on preparation of internal construction progress reports; • Comparing internal construction progress reports with the latest certificates issued by independent quantity surveyors and reviewing supporting documents for any reconciling item, on a sample basis; and • Interviewing the project managers for the progress of construction contracts, on a sample basis.

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables and contract assets	
We identified the valuation of trade receivables and contract assets as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole and degree of estimations made by the management of the Group. As disclosed in note 4 to the consolidated financial statements, the management assesses the expected credit loss ("ECL") of trade receivables and contract assets based on the historical default rates, past-due status and financial capability of the individual debtors taking into consideration of forward-looking information. As disclosed in notes 25 and 26 to the consolidated financial statements, trade receivables and contract assets of the Group carried at HK$385,677,000 and HK$2,964,937,000, respectively, which represents 5.3% and 40.5% of the Group's total assets, respectively.	Our procedures in relation to the valuation of trade receivables and contract assets included: • Understanding key internal controls on how management assess the ECL of trade receivables and contract assets; • Obtaining aged analysis of trade receivables and contract assets and testing the accuracy of information used by management by comparing individual items in the analysis with relevant supporting documents, on a sample basis; • Evaluating the reasonableness of management assessment on ECL by reviewing historical repayment records of relevant debtors and forward-looking information management has taken into account, on a sample basis; and • Discussing with the project managers for their evaluation of the impact of disputes with customers and unforeseen delay of construction projects, if any, on the credit risk of trade receivables and contract assets and checking to relevant correspondences and documents to assess the reasonableness of project managers' evaluation, on a sample basis.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Kwok Lai Sheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue from services	5	**12,422,558**	10,030,017
Cost of sales		**(11,441,658)**	(9,290,414)
Gross profit		**980,900**	739,603
Investments and other income	7	**68,948**	98,432
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		**(56,106)**	(74,049)
Administrative expenses		**(436,671)**	(392,586)
Finance costs	8	**(17,061)**	(19,014)
Share of results of joint ventures		**11,566**	24,224
Share of results of associates		**(106)**	245
Profit before tax	9	**551,470**	376,855
Income tax expense	12	**(122,304)**	(84,964)
Profit for the year		**429,166**	291,891
Profit (loss) for the year attributable to:			
Owners of the Company		**434,327**	294,539
Non-controlling interests		**(5,161)**	(2,648)
		429,166	291,891
		HK cents	HK cents
Earnings per share	14		
– Basic		**35.0**	23.7

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Profit for the year	**429,166**	291,891
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(36,870)**	12,095
Share of reserves of joint ventures	**36**	294
Total comprehensive income for the year	**392,332**	304,280
Total comprehensive income (expense) attributable to:		
Owners of the Company	**401,526**	305,546
Non-controlling interests	**(9,194)**	(1,266)
	392,332	304,280

Consolidated Statement of Financial Position

AT 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	15	**467,391**	493,756
Right-of-use assets	16	**80,682**	57,538
Intangible assets	17	**331,304**	422,224
Goodwill	18	**30,554**	30,554
Interests in joint ventures	20	**64,613**	157,439
Interests in associates	21	**4,131**	3,834
Loan to an associate	22	**2,700**	2,700
Other financial asset at amortised cost	23	**32,507**	36,782
Financial assets at FVTPL	28	**1,220**	6,000
		1,015,102	1,210,827
Current assets			
Inventories	24	**114,502**	36,426
Debtors, deposits and prepayments	25	**705,039**	682,385
Contract assets	26	**2,964,937**	2,895,100
Amounts due from fellow subsidiaries	27	**1,812**	—
Amount due from a joint venture	27	**663**	720
Amounts due from associates	27	**8,120**	7,782
Amounts due from other partners of joint operations	27	**23,885**	22,521
Financial assets at FVTPL	28	**118,740**	379,522
Tax recoverable		**21,489**	37,475
Pledged bank deposits	29	**74,019**	77,746
Time deposits with original maturity of not less than three months	29	**235,101**	20,210
Bank balances and cash	29	**2,037,124**	1,755,478
		6,305,431	5,915,365
Current liabilities			
Creditors and accrued charges	30	**3,988,095**	3,893,000
Contract liabilities	31	**512,747**	405,696
Lease liabilities	32	**27,052**	25,592
Amount due to an intermediate holding company	33	**18,810**	18,220
Amounts due to fellow subsidiaries	33	**7,859**	3,181
Amounts due to other partners of joint operations	33	**9,063**	344
Amounts due to non-controlling interests	33	**1,098**	3,094
Amount due to an associate	34	**22,107**	21,002
Tax payable		**230,902**	82,428
Bank loans - due within one year	35	**289,753**	786,998
		5,107,486	5,239,555
Net current assets		**1,197,945**	675,810
Total assets less current liabilities		**2,213,047**	1,886,637

Consolidated Statement of Financial Position

AT 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Capital and reserves			
Ordinary share capital	36	**124,188**	124,188
Reserves		**1,968,731**	1,641,718
Equity attributable to owners of the Company		**2,092,919**	1,765,906
Non-controlling interests		**33,025**	40,721
Total equity		**2,125,944**	1,806,627
Non-current liabilities			
Deferred tax liabilities	37	**5,750**	18,468
Obligations in excess of interests in joint ventures	20	**–**	130
Obligations in excess of interests in associates	21	**14,075**	13,672
Amount due to an associate	34	**1,420**	1,827
Lease liabilities	32	**42,858**	22,913
Other creditors	38	**23,000**	23,000
		87,103	80,010
		2,213,047	1,886,637

The consolidated financial statements on pages 74 to 162 were approved and authorised for issue by the Board of Directors on 21 March 2023 and are signed on its behalf by:

Zen Wei Peu, Derek
Chairman

Chang Kam Chuen, Desmond
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Ordinary share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note a)	Special reserve HK$'000 (Note b)	Asset revaluation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	124,188	14,186	22,238	(1,701)	(63,141)	4,290	1,480,843	1,580,903	8,391	1,589,294
Profit (loss) for the year	–	–	–	–	–	–	294,539	294,539	(2,648)	291,891
Exchange differences arising on translation of foreign operations	–	–	10,713	–	–	–	–	10,713	1,382	12,095
Share of reserves of joint ventures	–	–	294	–	–	–	–	294	–	294
Total comprehensive income (expense) for the year	–	–	11,007	–	–	–	294,539	305,546	(1,266)	304,280
Capital contribution paid on behalf of the non-controlling interest	–	–	–	(33,612)	–	–	–	(33,612)	33,612	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(16)	(16)
Dividend paid	–	–	–	–	–	–	(86,931)	(86,931)	–	(86,931)
At 31 December 2021	**124,188**	**14,186**	**33,245**	**(35,313)**	**(63,141)**	**4,290**	**1,688,451**	**1,765,906**	**40,721**	**1,806,627**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**434,327**	**434,327**	**(5,161)**	**429,166**
Exchange differences arising on translation of foreign operations	**–**	**–**	**(32,837)**	**–**	**–**	**–**	**–**	**(32,837)**	**(4,033)**	**(36,870)**
Share of reserves of joint ventures	**–**	**–**	**36**	**–**	**–**	**–**	**–**	**36**	**–**	**36**
Total comprehensive (expense) income for the year	**–**	**–**	**(32,801)**	**–**	**–**	**–**	**434,327**	**401,526**	**(9,194)**	**392,332**
Acquisition of a subsidiary (Note 46)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,498**	**1,498**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(74,513)**	**(74,513)**	**–**	**(74,513)**
At 31 December 2022	**124,188**	**14,186**	**444**	**(35,313)**	**(63,141)**	**4,290**	**2,048,265**	**2,092,919**	**33,025**	**2,125,944**

Notes:

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Operating activities		
Profit before tax	**551,470**	376,855
Adjustments for:		
Finance costs	**17,061**	19,014
Amortisation of intangible assets	**89,936**	28,720
Depreciation of property, plant and equipment	**72,632**	82,250
Depreciation of right-of-use assets	**29,182**	27,838
Profit from construction work of service concession arrangement	**(1,068)**	(3,103)
Share of results of joint ventures	**(11,566)**	(24,224)
Share of results of associates	**106**	(245)
Gain on disposal of property, plant and equipment	**(5,149)**	(2,447)
Decrease in fair value of financial assets at FVTPL	**56,106**	74,049
Dividends from financial assets at FVTPL	**(877)**	(2,321)
Interest on financial assets at FVTPL	**(10,038)**	(24,346)
Interest on bank deposits	**(7,882)**	(2,269)
Interest on other receivables	**(9,042)**	(7,766)
Interest on other financial asset at amortised cost	**(829)**	(958)
Interest on loan to an associate	**(71)**	(74)
Remeasurement gain on interest previously held in a joint venture	**(6,138)**	—
Net gain arising on lease modification	**(734)**	—
Discharge of amount due to a non-controlling interest	**(1,996)**	—
Impairment loss recognised on interest in a joint venture	**—**	34,265
Loss on disposal of a subsidiary	**—**	628
Remeasurement gain of interest previously held in a joint operation	**—**	(40,617)
Operating cash flows before movements in working capital	**761,103**	535,249
Decrease in other financial asset at amortised cost	**4,275**	173
Increase in inventories	**(27,726)**	(23,676)
Decrease (increase) in debtors, deposits and prepayments	**42,718**	(408,023)
Increase in contract assets	**(69,837)**	(1,050,625)
Decrease in financial assets at FVTPL	**210,364**	38,529
Increase in creditors and accrued charges	**83,956**	1,060,053
Increase (decrease) in contract liabilities	**107,051**	(163,010)
Increase in amounts due from fellow subsidiaries	**(1,812)**	—
Increase in amounts due to fellow subsidiaries	**4,678**	1,651
(Increase) decrease in amounts due from other partners of joint operations	**(1,364)**	38,852
Increase (decrease) in amounts due to other partners of joint operations	**8,719**	(832)
Cash generated from operations	**1,122,125**	28,341
Dividends from financial assets at FVTPL	**877**	2,321
Interest on financial assets at FVTPL received	**10,038**	24,346
Interest on other financial asset at amortised cost received	**829**	958
Interest on bank deposits received	**7,882**	2,269
Interest on loans to an associate received	**71**	74
Income taxes paid	**(30,479)**	(40,400)
Net cash from operating activities	**1,111,343**	17,909

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTE	2022 HK$'000	2021 HK$'000
Investing activities			
Purchases of property, plant and equipment		**(97,733)**	(220,378)
Additions of service concession arrangement		**(21,353)**	(62,062)
Placement of time deposits		**(234,513)**	(281,998)
Repayments from (loans to) a joint venture		**57,397**	(5,347)
(Advances to) repayments from associates		**(338)**	4
Payments for right-of-use assets		**(2,235)**	(10,334)
Proceeds from disposal of property, plant and equipment		**29,123**	15,197
Withdrawal of time deposits		**19,572**	341,345
Withdrawal of pledged bank deposits		**3,727**	–
Dividends received from a joint venture		**23,541**	–
Net cash inflow arising on acquisition of a subsidiary		**333**	–
Loan repayment from a joint venture		**–**	15,000
Placement of pledged bank deposits		**–**	(38,063)
Acquisition of intangible asset		**–**	(15,000)
Net cash inflow on acquisition of a business	46	**–**	337,323
Net cash outflow arising on disposal of a subsidiary		**–**	(4,141)
Purchase of financial assets at FVTPL		**–**	(6,000)
Net cash (used in) from investing activities		**(222,479)**	65,546
Financing activities			
New banks loans raised		**58,090**	583,168
Advance from an intermediate holding company		**590**	1,275
Repayments of bank loans		**(543,490)**	(281,160)
Dividend paid		**(74,513)**	(86,931)
Repayments of lease liabilities		**(28,922)**	(27,307)
Interest paid		**(15,500)**	(17,495)
Interest paid on lease liabilities		**(863)**	(809)
Repayments of bonds		**–**	(14,000)
Net cash (used in) from financing activities		**(604,608)**	156,741
Net increase in cash and cash equivalents		**284,256**	240,196
Cash and cash equivalents at beginning of the year		**1,755,478**	1,515,154
Effect of foreign exchange rate changes, net		**(2,610)**	128
Cash and cash equivalents at end of the year		**2,037,124**	1,755,478
Represented by:			
Bank balances and cash		**2,037,124**	1,755,478

1. GENERAL INFORMATION

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

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and joint ventures are set out in notes 48, 21 and 20 respectively. The Company and its subsidiaries are hereafter collectively referred to as the "Group".

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendment to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after a date to be determined

3 Effective for annual periods beginning on or after 1 January 2024

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

3.1 Basis of preparation of consolidated financial statements (Continued)

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

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

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

3.2 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.

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

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

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

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

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Business combinations or asset acquisitions

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.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) except for transactions and events within the scope of HKAS 37 or HK(IFRIC) - Int 21, in which the Group applies HKAS 37 or HK(IFRIC) - Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

- deferred tax assets or liabilities, and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for (a) which the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

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

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

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).

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

3.2 Significant accounting policies (Continued)

Goodwill (Continued)

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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

Output method

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

Variable consideration

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

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

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

Investments in associates and joint ventures

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

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

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

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

When 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.

Changes in the Group's interest in associates and joint ventures

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.

Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

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 transaction are recognised in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

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

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

3.2 Significant accounting policies (Continued)

Property, plant and equipment

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

Plant in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets is functioning property and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sales proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of HKAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

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

3.2 Significant accounting policies (Continued)

Service concession arrangements

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

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

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Refundable rental deposits

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

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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.

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

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

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

Lease modifications

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate or a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss. Settlements of monetary items which formed part of net investment in foreign operations without changes in the Group's ownership interests is not considered as partial disposals.

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

3.2 Significant accounting policies (Continued)

Borrowing costs

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

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

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

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

Government grants

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

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

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

3.2 Significant accounting policies (Continued)

Taxation

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

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

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

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

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

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.

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

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

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

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

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

3.2 Significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and deposits which are pledged to banks for securing the bank facilities granted to the Group. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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.

Properties under development for sale

Properties under development which are intended to be sold upon completion of development are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right of use assets, properties under development for sales are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Cost 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.

Properties under development for sale are transferred to properties for sale upon completion.

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).

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

3.2 Significant accounting policies (Continued)

Provisions (Continued)

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. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts.

Financial instruments

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

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk

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

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

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

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

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

(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.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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, contract assets and amounts due from other partners of joint operations where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities

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

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Measurement of contract sum of construction contracts

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

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets are assessed for ECL individually and the expected loss 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, and is available without undue cost or effort.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 41, 25 and 26 respectively.

Income taxes

The realisability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal or further recognition takes place. As at 31 December 2022, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK$472,690,000 (2021: HK$344,658,000) due to unpredictability of future profit streams.

5. REVENUE FROM SERVICES

(i) Disaggregation of revenue from contracts with customers

	2022		
Segments	**Hong Kong HK$'000**	**The People's Republic of China (the "PRC") HK$'000**	**Consolidated HK$'000**
Types of service			
Construction contract	**12,220,379**	**22,421**	**12,242,800**
Sewage treatment plant operation	**—**	**51,819**	**51,819**
Steam fuel plant operation	**—**	**127,939**	**127,939**
Total revenue	**12,220,379**	**202,179**	**12,422,558**
Timing of revenue recognition			
Over time	**12,220,379**	**202,179**	**12,422,558**

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

5. REVENUE FROM SERVICES (Continued)

(ii) Performance obligations for contracts with customers

Construction contract

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

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

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

Sewage treatment plant operation

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

Steam fuel plant operation

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

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

For construction contracts, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 amounting to HK$23,060,000,000 (2021: HK$25,169,000,000). Management expects that all the remaining performance obligations will be recognised as revenue over the next five years (2021: six years) from the end of the reporting period.

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

6. SEGMENTAL INFORMATION

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

Year ended 31 December 2022

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Results			
Segment revenue	12,220,379	202,179	12,422,558
Segment profit (loss)	629,996	(24,214)	605,782
Unallocated expenses			(9,658)
Investments income			10,915
Decrease in fair value of financial assets at FVTPL			(56,106)
Remeasurement gain on interest previously held in a joint venture			6,138
Share of results of joint ventures			11,566
Share of results of associates			(106)
Finance costs			(17,061)
Profit before tax			551,470

Year ended 31 December 2021

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

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

6. SEGMENTAL INFORMATION (Continued)

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

At 31 December 2022

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Assets			
Segment assets	3,824,795	908,747	4,733,542
Interests in joint ventures			64,613
Interests in associates			4,131
Unallocated assets			2,518,247
Total consolidated assets			7,320,533
Liabilities			
Segment liabilities	4,533,747	117,848	4,651,595
Obligations in excess of interests in associates			14,075
Unallocated liabilities			528,919
Total consolidated liabilities			5,194,589

For the year ended 31 December 2022

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to property, plant and equipment	22,578	75,155	97,733
Additions to right-of-use assets	51,061	2,235	53,296
Additions to intangible assets	–	22,421	22,421
Depreciation of property, plant and equipment	50,324	22,308	72,632
Depreciation of right-of-use assets	28,866	316	29,182
Amortisation of intangible assets	77,081	12,855	89,936
Interest income on bank deposits,other receivables, other financial asset at amortised cost and loan to an associate	6,275	11,549	17,824

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2021

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

For the year ended 31 December 2021

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

6. SEGMENTAL INFORMATION (Continued)

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

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

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

	Non-current assets	
	2022 HK$'000	2021 HK$'000
Hong Kong	**251,417**	450,599
The PRC	**727,258**	714,746
	978,675	1,165,345

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

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

	2022 HK$'000	2021 HK$'000
Customer A[1]	**6,303,148**	4,495,748
Customer B[1]	**N/A[2]**	1,011,936

1 Revenue from customers located in Hong Kong.

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

7. INVESTMENTS AND OTHER INCOME

	2022 HK$'000	2021 HK$'000
Investments and other income include:		
Dividends from financial assets at FVTPL	**877**	2,321
Interest on bank deposits	**7,882**	2,269
Interest on other receivables	**9,042**	7,766
Interest on other financial asset at amortised cost	**829**	958
Interest on financial assets at FVTPL	**10,038**	24,346
Interest on loan to an associate	**71**	74
Gain on disposal of property, plant and equipment	**5,149**	2,447
Government subsidy for the PRC project	**760**	8,110
Government subsidy	**1,330**	1,256
Employment Support Scheme	**22,879**	—
Net gain arising on lease modification	**734**	—
Discharge of amount due to a non-controlling interest	**1,996**	—
Remeasurement gain on interest previously held in a joint venture (Note 46)	**6,138**	—
Remeasurement gain of interest previously held in a joint operation (Note 46)	**—**	40,617

8. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on:		
Bank borrowings	**14,522**	15,960
Bonds	**—**	650
Other borrowings	**978**	920
Lease liabilities	**863**	809
Imputed interest expense on non-current amount due to an associate	**698**	675
	17,061	19,014

9. PROFIT BEFORE TAX

	2022 HK$'000	2021 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	2,300	2,050
Depreciation of property, plant and equipment	72,632	82,250
Depreciation of right-of-use assets	29,182	27,838
Amortisation of intangible assets	89,936	28,720
Net foreign exchange losses (gains)	30,483	(3,829)
Impairment loss recognised on interest in a joint venture	–	34,265
Loss on disposal of a subsidiary	–	628
Staff costs:		
Directors' remuneration (Note 10)	35,432	19,875
Other staff costs	1,467,966	1,292,800
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$1,188,000 (2021: HK$1,008,000)	56,434	50,191
	1,559,832	1,362,866

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the ten (2021: ten) directors were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 December 2022					
Executive Directors					
Zen Wei Peu, Derek	–	8,240	5,570	824	14,634
Chang Kam Chuen, Desmond	–	2,519	3,488	240	6,247
Lui Yau Chun, Paul	–	2,611	4,488	252	7,351
Tsui Wai Tim	–	2,614	2,664	266	5,544
Non-executive Directors					
David Howard Gem	240	–	–	–	240
Chan Chi Hung, Anthony	240	–	–	–	240
Independent Non-executive Directors					
Ho Tai Wai, David	360	–	–	–	360
Ling Lee Ching Man, Eleanor	288	–	–	–	288
Lo Yiu Ching, Dantes	288	–	–	–	288
Ng Cheuk Hei, Shirley	240	–	–	–	240
	1,656	15,984	16,210	1,582	35,432

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

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

Notes:

1. Mr. Lui Yau Chun, Paul was appointed as director on 1 December 2021.

2. Mr. Tsui Wai Tim was appointed as director on 1 December 2021.

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

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

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

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

During both years, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during both years.

11. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included three (2021: two) directors, details of whose emoluments are set out in note 10 above. The emoluments of the remaining two (2021: three) highest paid individuals were as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other benefits	**5,559**	8,891
Performance related incentive payments	**8,431**	11,206
Retirement benefits scheme contributions	**526**	750
	14,516	20,847

Their emoluments were within the following bands:

	Number of employees	
	2022	2021
HK$6,000,001 to HK$6,500,000	**–**	1
HK$7,000,001 to HK$7,500,000	**2**	1
HK$7,500,001 to HK$8,000,000	**–**	1

12. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current tax:		
Hong Kong	**129,908**	73,207
The PRC	**3,356**	5,653
	133,264	78,860
(Over) under-provision in prior years:		
Hong Kong	**(1,429)**	8,352
The PRC	**3,187**	771
	1,758	9,123
Deferred tax (Note 37)		
Current year	**(12,718)**	(3,019)
	122,304	84,964

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

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

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

	2022 HK$'000	2021 HK$'000
Profit before tax	**551,470**	376,855
Income tax expense at the applicable rate of 16.5% (2021: 16.5%)	**90,993**	62,181
Tax effect of share of results of joint ventures	**(1,908)**	(3,997)
Tax effect of share of results of associates	**17**	(40)
Tax effect of expenses that are not deductible in determining taxable profit	**14,194**	15,079
Tax effect of income that is not taxable in determining taxable profit	**(10,489)**	(16,690)
Underprovision in prior years	**1,758**	9,123
Tax effect of unrecognised tax losses	**51,566**	1,765
Tax effect of utilisation of tax losses previously not recognised	**(30,441)**	(1,109)
Tax effect of different rates for subsidiaries operating in other jurisdictions	**1,322**	2,288
Others	**5,292**	16,364
Income tax expense	**122,304**	84,964

13. DIVIDEND

A final dividend for the year ended 31 December 2022 of HK10.5 cents (2021: HK6.0 cents) per ordinary share, totalling approximately HK$130,397,000 based on 1,241,877,992 ordinary shares (2021: approximately HK$74,513,000 based on 1,241,877,992 ordinary shares) has been proposed by the board of directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

14. EARNINGS PER SHARE

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

	2022 HK$'000	2021 HK$'000
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per ordinary share	434,327	294,539

	Number of shares	
	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share	1,241,878	1,241,878

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Property under construction HK$'000	Total HK$'000
COST								
At 1 January 2021	9,524	12,216	416,103	53,275	14,092	415,129	97,775	1,018,114
Exchange realignment	260	–	1,084	72	82	–	2,694	4,192
Additions	25,617	39	30,500	3,879	2,422	2,021	155,900	220,378
Transfer	48,561	–	88,636	333	–	–	(137,530)	–
Disposals	–	–	(29,733)	(46)	(339)	–	–	(30,118)
At 31 December 2021	83,962	12,255	506,590	57,513	16,257	417,150	118,839	1,212,566
Exchange realignment	(6,610)	–	(11,721)	(462)	(424)	–	(9,423)	(28,640)
Additions	9,221	692	17,973	6,248	2,498	305	60,796	97,733
Acquisition of subsidiaries (Note 46)	–	–	–	9	–	–	–	9
Transfer	68,351	–	97,080	399	–	–	(165,830)	–
Disposals	–	–	(53,531)	–	(2)	(300)	–	(53,833)
At 31 December 2022	154,924	12,947	556,391	63,707	18,329	417,155	4,382	1,227,835
DEPRECIATION								
At 1 January 2021	483	8,451	202,009	46,584	10,633	385,628	–	653,788
Exchange realignment	13	–	73	30	24	–	–	140
Provided for the year	1,531	2,398	65,275	2,943	1,197	8,906	–	82,250
Eliminated on disposals	–	–	(16,984)	(46)	(338)	–	–	(17,368)
At 31 December 2021	2,027	10,849	250,373	49,511	11,516	394,534	–	718,810
Exchange realignment	(160)	–	(721)	(137)	(121)	–	–	(1,139)
Provided for the year	4,887	1,394	55,545	3,359	1,183	6,264	–	72,632
Eliminated on disposals	–	–	(29,597)	–	(2)	(260)	–	(29,859)
At 31 December 2022	6,754	12,243	275,600	52,733	12,576	400,538	–	760,444
CARRYING VALUES								
At 31 December 2022	148,170	704	280,791	10,974	5,753	16,617	4,382	467,391
At 31 December 2021	81,935	1,406	256,217	8,002	4,741	22,616	118,839	493,756

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

16. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
As at 31 December 2022			
Carrying amounts	**13,273**	**67,409**	**80,682**
As at 31 December 2021			
Carrying amounts	12,323	45,215	57,538
For the year ended 31 December 2022			
Depreciation charge	**316**	**28,866**	**29,182**
For the year ended 31 December 2021			
Depreciation charge	198	27,640	27,838

	2022 HK$'000	2021 HK$'000
Expense relating to short-term leased properties	**5,375**	7,073
Hire charges for plant and machinery	**321,395**	340,058
Total cash outflow for leases	**358,790**	385,581
Additions to right-of-use assets	**53,296**	34,506

For both years, the Group leases offices premises for its operations. Lease contracts are entered into for fixed term of 1 year to 4 years (2021: 1 year to 4 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 31 December 2022, the Group has obtained the land use right certificates for all leasehold lands in the PRC. As at 31 December 2021, the Group had obtained the land use right certificates for all leasehold lands in the PRC except for leasehold lands with carrying amount of HK$125,000 in which the Group is in the process of obtaining.

17. INTANGIBLE ASSETS

	Construction licenses HK$'000 (Note a)	Service concession arrangements HK$'000 (Notes b & c)	Customer contract HK$'000 (Note d)	Total HK$'000
COST				
At 1 January 2021	32,858	253,402	—	286,260
Exchange realignment	—	6,931	—	6,931
Additions	15,000	65,165	—	80,165
Acquisition of a business (Note 46)	—	—	95,378	95,378
At 31 December 2021	**47,858**	**325,498**	**95,378**	**468,734**
Exchange realignment	**—**	**(25,626)**	**—**	**(25,626)**
Additions	**—**	**22,421**	**—**	**22,421**
At 31 December 2022	**47,858**	**322,293**	**95,378**	**465,529**
AMORTISATION				
At 1 January 2021	—	17,315	—	17,315
Exchange realignment	—	475	—	475
Charge for the year	—	10,423	18,297	28,720
At 31 December 2021	**—**	**28,213**	**18,297**	**46,510**
Exchange realignment	**—**	**(2,221)**	**—**	**(2,221)**
Charge for the year	**—**	**12,855**	**77,081**	**89,936**
At 31 December 2022	**—**	**38,847**	**95,378**	**134,225**
CARRYING VALUES				
At 31 December 2022	**47,858**	**283,446**	**—**	**331,304**
At 31 December 2021	47,858	297,285	77,081	422,224

17. INTANGIBLE ASSETS (Continued)

Notes:

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

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

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

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

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

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

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

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

17. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(c) A subsidiary of the Company, Tianjin Wai Kee Earth Investment Co., Ltd ("Tianjin Wai Kee Earth"), entered into a service concession arrangement with the local government in 2018 whereby Tianjin Wai Kee Earth is required to build the infrastructure of a steam fuel supply plant and is granted an exclusive operating right for provision of steam fuel supply services to the industrial users in Yanchi Industrial Park at Gaotai District, Zhangye City, Gansu Province of the PRC for a term of 30 years. The construction of the steam fuel supply plant comprising construction works and equipment acquisition and installation had been completed and put into operation in 2019.

Tianjin Wai Kee Earth in 2020 entered into another service concession arrangement with local government whereby Tianjin Wai Kee Earth is required to build the infrastructure of a steam fuel supply plant and is granted an exclusive operating right for provision of steam fuel supply to industrial users in Circular Economy Industrial Park at Bei He Wan, Jinta County, Gansu Province of the PRC for a term of 30 years.

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

(d) During the year ended 31 December 2021, the Group recognised an intangible asset amounting HK$95,378,000 in respect of an underlying construction contract held by a joint operation upon the acquisition of joint operation partner's interest in the joint operation (details set out in note 46). The intangible assets are amortised over the remaining duration of the respective construction contract which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed. The intangible assets have been fully amortised during the year.

18. GOODWILL

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

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

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

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

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

The recoverable amounts of the above groups of CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. All value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, a discount rate of 10% (2021: 10%) and a growth rate of 0% (2021: 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 reasonably possible change in key assumption of the value in use calculations and no impairment of any of its CGUs containing goodwill and intangible assets.

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

	2022 HK$'000	2021 HK$'000
Cost of investment in unlisted joint ventures	**40,956**	40,968
Less: Impairment loss recognised	**(34,265)**	(34,265)
	6,691	6,703
Share of post-acquisition profits and other comprehensive income, net of dividends received	**57,922**	69,702
	64,613	76,405
Loans to joint ventures (Note)	**–**	80,904
	64,613	157,309
Included in:		
Non-current assets	**64,613**	157,439
Non-current liabilities	**–**	(130)
	64,613	157,309

Note: The loans to joint ventures were unsecured, interest-free and had no fixed terms of repayment. In the opinion of the directors of the Company, the loans were considered as part of the Group's net investment in the joint ventures. During the year, the loans have been either fully settled or eliminated upon acquisition of a subsidiary.

At 31 December 2021, the Group had contractual obligations to share the net liabilities of certain joint ventures amounting to HK$130,000 (2022: nil).

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

Details of each of the Group's joint ventures at 31 December 2022 and 2021 are as follows:

Name of joint venture	Form of business structure	Place of registration/ incorporation/ operation	Attributable equity interest to the Group		Proportion of voting rights held by the Group		Principal activities
			2022 %	2021 %	2022 %	2021 %	
德州恒源熱力有限公司 ("Dezhou Heng Yuan") (note a)	Incorporated	The PRC	**49**	49	**50**	50	Central heating
Sunny Harvest Corporation Limited ("Sunny Harvest") (note b)	Incorporated	Hong Kong	**50**	50	**50**	50	Provision of transportation services
Lion Trade Global Limited ("Lion Trade") (note c)	Incorporated	BVI	**30**	30	**50**	50	Investment holding
Ruyi Residence Development Sdn. Bhd. ("Ruyi Residence") (note d)	Incorporated	Malaysia	**N/A**	64	**N/A**	$33^{1/3}$	Property development

Notes:

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

(b) In 2016, the Group acquired a total of 50% equity interest in Sunny Harvest from an independent third party at a consideration of HK$50. Sunny Harvest is a limited liability company incorporated in Hong Kong and is engaged in the provision of transportation services. In 2016, the Group provided shareholder's loan of HK$10,050,000 to Sunny Harvest. In 2017, the Group had further provided shareholder's loans of HK$13,547,000 and HK$2,000,000 to Sunny Harvest. Sunny Harvest made loan repayments of HK$15,000,000 and HK$10,597,000 respectively in 2021 and 2022.

(c) Lion Trade was formed by the Group together with a wholly owned subsidiary of Wai Kee in July 2017 with initial paid up capital of United States dollars ("US$") 100. The Group holds 30% equity interest in Lion Trade. The Group and Wai Kee jointly control over Lion Trade because unanimous consent from both joint venture partners is required to make decisions in the Board of Directors under the Articles of Association of Lion Trade. In October 2017, shareholders' approval was obtained for the Group to provide shareholder's loan of US$15,000,000 (equivalent to HK$117,000,000) to Lion Trade to invest in a joint venture, which was jointly established with an independent third party and holds a residential property in the United States of America ("USA") for rental and capital appreciation purpose. At 31 December 2021, the Group has provided shareholder's loan of US$6,000,000 (equivalent to HK$46,800,000) to Lion Trade. Lion Trade made a loan repayment of US$6,000,000 (equivalent to HK$46,800,000) in 2022.

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

Notes: (Continued)

(d) Ruyi Residence was formed by the Group with paid up capital of Malaysian ringgit ("MYR") 10,000. In 2021, the Group held 64% equity interest in Ruyi Residence. Ruyi Residence is a limited liability company incorporated in Malaysia and is engaged in property development activities. As at 31 December 2021, the Group has provided shareholder's loan of approximately HK$23,507,000 to Ruyi Residence. On 14 March 2022, the Group further acquired 20% attributable interest in Ruyi Residence from an independent joint venture partner at a cash consideration of MYR1,000,000 (equivalent to HK$1,873,000). Before the acquisition, the Group and other two independent third parties jointly control over Ruyi Residence because unanimous consent from all joint venture partners is required to make decisions in the Board of Directors under the Articles of Association of Ruyi Residence. After the acquisition, pursuant to the amended Memorandum and Articles of Association, all of the relevant activities required approval by simple majority of the board of directors, the Group controls more than 50% of the voting powers in the board of directors of Ruyi Residence which give the Group the current ability to direct the relevant activities. As a result, Ruyi Residence ceased to be a joint venture and becomes a non-wholly owned subsidiary of the Group. For details, please refer to note 46.

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

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

Dezhou Heng Yuan

	2022 **HK$'000**	2021 HK$'000
Current assets	**72,535**	80,634
Non-current assets	**81,198**	83,722
Current liabilities	**(39,465)**	(42,884)
Non-current liabilities	**(282)**	(7,410)

	2022 **HK$'000**	2021 HK$'000
Revenue	**6,544**	64,553
(Loss) profit for the year	**(76)**	37,699
Total comprehensive (expenses) income for the year	**(76)**	37,699
The above (loss) profit for the year includes the following:		
Depreciation and amortisation	**(4,915)**	(7,346)
Gain on disposal of property, plant and equipment	**–**	36,288
Interest income	**–**	27
Income tax expense	**–**	(80)

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

Dezhou Heng Yuan (Continued)

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

	2022 HK$'000	2021 HK$'000
Net assets of Dezhou Heng Yuan	**113,986**	114,062
Proportion of the Group's equity interests in Dezhou Heng Yuan	**49%**	49%
Carrying amount of the Group's interests in Dezhou Heng Yuan	**55,853**	55,890

Aggregate information of joint ventures that are not individually material.

	2022 HK$'000	2021 HK$'000
The Group's share of profit and total comprehensive income	**11,639**	6,046
Aggregate carrying amount of the Group's interests in these joint ventures	**8,760**	20,515
Dividend received from a joint venture during the year	**23,541**	—

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

	2022 HK$'000	2021 HK$'000
Cost of investment in unlisted associates	**10,491**	10,491
Share of post-acquisition losses and other comprehensive expenses	**(20,435)**	(20,329)
	(9,944)	(9,838)
Included in:		
Non-current assets	**4,131**	3,834
Non-current liabilities	**(14,075)**	(13,672)
	(9,944)	(9,838)

At 31 December 2022, the Group has contractual obligations to share the net liabilities of certain associates amounting to HK$14,075,000 (2021: HK$13,672,000).

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

Details of each of the Group's principal associates as at 31 December 2022 and 2021 are as follows:

Name of associate	Form of entity	Place of incorporation/ operation	Proportion of nominal value of issued ordinary capital held indirectly by the Company		Proportion of voting rights held by the Group		Principal activities
			2022 %	2021 %	2022 %	2021 %	
Hong Kong Landfill Restoration Group Limited ("Hong Kong Landfill")	Incorporated	Hong Kong	**34.5**	34.5	**34.5**	34.5	Civil engineering
Genetron Engineering Company Limited ("Genetron Engineering")	Incorporated	Hong Kong	**30**	30	**30**	30	Civil engineering
B Bim Creation Limited	Incorporated	Hong Kong	**30**	30	**30**	30	Consultancy service

Summarised financial information of material associates

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

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

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

Hong Kong Landfill

	2022 HK$'000	2021 HK$'000
Current assets	75,557	68,206
Non-current assets	37,175	36,888
Current liabilities	(140,882)	(132,438)

	2022 HK$'000	2021 HK$'000
Revenue	36,734	40,655
(Loss) profit for the year	(806)	1,520
Total comprehensive (expense) income for the year	(806)	1,520

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

	2022 HK$'000	2021 HK$'000
Net liabilities of Hong Kong Landfill	(28,150)	(27,344)
Proportion of the Group's equity interests in Hong Kong Landfill	50%	50%
Carrying amount of the Group's obligations in excess of interests in Hong Kong Landfill	(14,075)	(13,672)

Aggregate information of associate that is not individually material.

	2022 HK$'000	2021 HK$'000
The Group's share of profit (loss) and total comprehensive income (expense)	297	(515)
Aggregate carrying amount of the Group's interests in the associate	4,131	3,834

22. LOAN TO AN ASSOCIATE

The amount is unsecured, interest bearing at 2.75% fixed rate per annum and will be fully repaid before 31 December 2024, therefore the amount is classified as non-current at 31 December 2022 and 2021.

Details of the impairment assessment are set out in note 41.

23. OTHER FINANCIAL ASSET AT AMORTISED COST

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

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

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

Details of the impairment assessment are set out in note 41.

24. INVENTORIES

	2022 HK$'000	2021 HK$'000
Property under development for sale (Note a)	**50,350**	—
Uninstalled construction materials (Note b)	**64,152**	36,426
	114,502	36,426

Notes:

(a) The carrying amount of property under development for sale is stated at lower of cost and net realisable value. It is located in Malaysia and represent property under development for subsequent sale upon completion.

(b) The cost of inventories recognised as an expense during the year is HK$1,156,994,000 (2021: HK$1,102,781,000).

25. DEBTORS, DEPOSITS AND PREPAYMENTS

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

	2022 HK$'000	2021 HK$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	**368,254**	362,900
61 to 90 days	**1,236**	467
Over 90 days	**16,187**	16,356
	385,677	379,723
Bills receivables	**19,295**	26,638
Other debtors	**196,474**	196,407
Deposits	**101,394**	78,311
Prepayments	**2,199**	1,306
	705,039	682,385

As at 1 January 2021, trade receivables from contracts with customers amounted to HK$248,381,000.

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

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

Details of impairment assessment are set out in note 41.

26. CONTRACT ASSETS

	2022 HK$'000	2021 HK$'000
Analysed as current:		
Unbilled revenue of construction contracts (Note a)	**2,232,187**	2,236,401
Retention receivables of construction contracts (Note b)	**732,750**	658,699
	2,964,937	2,895,100
Retention receivables of construction contracts		
Due within one year	**105,903**	83,803
Due more than one year	**626,847**	574,896
	732,750	658,699

As at 1 January 2021, contract assets amounted to HK$1,793,164,000.

Notes:

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

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

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

Details of the impairment assessment are set out in note 41.

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

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

Details of the impairment assessment are set out in note 41.

28. FINANCIAL ASSETS AT FVTPL

	2022 HK$'000	2021 HK$'000
Financial assets mandatorily measured at FVTPL:		
Listed securities in Hong Kong (Note a)	**14,844**	36,609
Quoted equity securities in the USA (Note b)	**1,059**	6,796
Unlisted equity investment in Hong Kong (Note c)	**1,220**	6,000
Quoted debt securities (Note d)	**102,837**	336,117
	119,960	385,522
Analysed for reporting purposes as:		
Non-current assets	**1,220**	6,000
Current assets	**118,740**	379,522
	119,960	385,522

Notes:

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

(b) The quoted equity securities represent investment in quoted equity securities issued by a private entity incorporated in the USA. It has been acquired principally for the purpose of selling in the near term, thus classified as held for trading. The quoted equity securities are available for trading at the USA's Over-The-Counter ("OTC") market. The quoted equity securities are revalued according to the available quoted OTC price at 31 December 2022 and 31 December 2021.

(c) The unlisted equity investment represents investment in a private entity incorporated in Hong Kong. The fair value of the investment is measured with reference to the net asset value of the private entity (2021: recent transaction price).

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

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

Bank deposits of the Group amounting to HK$74,019,000 (2021: HK$77,746,000) are pledged to banks for securing the banking facilities granted to the Group. The pledged bank deposits carry interest at market rates which range from 0.3% to 2.75% (2021: 0.001% to 2.75%) per annum.

As at 31 December 2022, time deposits of HK$235,101,000 (2021: HK$20,210,000) with original maturity of not less than three months carry interest at market rates which range from 2.25% to 4.92% (2021: 0.14% to 2.1%) per annum.

As at 31 December 2022, bank balances and cash include the time deposits of HK$424,562,000 (2021: HK$24,500,000) with original maturity of three months or less, bank balances and cash carry interest at market rates which range from 2.75% to 4.37% (2021: 0.001% to 0.16%) per annum.

Details of the impairment assessment are set out in note 41.

30. CREDITORS AND ACCRUED CHARGES

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

	2022 HK$'000	2021 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**440,186**	321,190
61 to 90 days	**105,730**	83,175
Over 90 days	**32,880**	12,483
	578,796	416,848
Retention payables	**879,476**	641,789
Accrued project costs	**2,336,027**	2,711,154
Other creditors and accrued charges	**193,796**	123,209
	3,988,095	3,893,000
Retention payables:		
Repayable within one year	**145,317**	88,528
Repayable more than one year	**734,159**	553,261
	879,476	641,789

For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction work and are expected to be settled within the Group's normal operating cycle.

31. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Construction contracts	**504,863**	405,696
Steam fuel plant operation	**7,884**	—
	512,747	405,696

As at 1 January 2021, contract liabilities amounted to HK$568,706,000.

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

Revenue from construction contracts recognised during the year ended 31 December 2022 that was included in the contract liabilities at the beginning of the year was HK$150,250,000 (2021: HK$328,332,000).

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

Construction contracts

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

32. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	**27,052**	25,592
In the second year	**19,130**	20,062
In the third to fifth year inclusive	**23,728**	2,851
	69,910	48,505
Less: Amounts due within one year shown under current liabilities	**(27,052)**	(25,592)
Amounts shown under non-current liabilities	**42,858**	22,913

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

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

34. AMOUNT DUE TO AN ASSOCIATE

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

The non-current amount due to an associate is unsecured, interest-free and has an agreed repayment terms which is not repayable within twelve months from the end of the reporting period and the balance is therefore shown as non-current liabilities. The non-current amount is carried at amortised cost using effective interest of 5.4% (2021: 5.4%) per annum.

35. BANK LOANS

	2022 HK$'000	2021 HK$'000
The maturity of the bank loans that based on repayment schedule of respective loan agreements is as follows:		
Within one year	**175,918**	617,676
In the second year	**113,835**	96,032
In the third to fifth year inclusive	**–**	73,290
	289,753	786,998
Less: Amounts shown under current liabilities	**(289,753)**	(786,998)
Amounts shown under non-current liabilities	**–**	–
Secured bank loans	**117,156**	303,257
Unsecured bank loans	**172,597**	483,741
	289,753	786,998

At the end of the reporting period, all bank loans are variable rate borrowings which carry interest rate ranging from 0.92% to 7.06% (2021: 0.92% to 5.3%) per annum, except for bank loans of RMB39,300,000 (equivalent approximately to HK$44,334,000) (2021: RMB41,300,000 (equivalent approximately to HK$50,572,000)) which carries fixed interest rate at 5.87% per annum (2021: 5.87%). All variable rate bank loans carry interest rate which is repriced every month.

As at 31 December 2022, the Group has bank loans in the amount of HK$289,753,000 (2021: HK$786,998,000) contain a repayable on demand clause and accordingly related bank loans that are repayable more than one year after the end of reporting period with aggregate carrying amount of HK$113,835,000 (2021: HK$169,322,000) have been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK$1,513,669,000 (2021: HK$1,035,054,000).

36. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2021, 31 December 2021 and 31 December 2022	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2021, 31 December 2021 and 31 December 2022	1,241,877,992	124,188

37. DEFERRED TAX LIABILITIES

	2022 HK$'000	2021 HK$'000
Deferred tax liabilities	**5,750**	18,468

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

	HK$'000
At 1 January 2021	5,750
Acquisition of a business (Note 46)	15,737
Credit to profit or loss (Note 12)	(3,019)
At 31 December 2021	18,468
Credit to profit or loss (Note 12)	(12,718)
At 31 December 2022	5,750

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

	2022 HK$'000	2021 HK$'000
Tax losses:		
Carried forward indefinitely	**472,690**	344,658

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

38. OTHER CREDITORS

The amounts are unsecured, interest bearing at 4% fixed rate per annum and variable interest with special condition as per respective loan agreements and will be fully repaid before 31 December 2025, therefore the amounts are classified as non-current at 31 December 2022 and 2021.

39. JOINT OPERATIONS

At 31 December 2022 and 2021, the Group had interests in the following principal joint operations:

Name of joint operation	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group		Principal activities
			2022	2021	
			%	%	
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering
China State-Build King Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering
CRBC-Kaden Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
CRBC-CEC-Kaden Joint Venture	Unincorporated	Hong Kong	**32.5**	32.5	Civil engineering
Kaden-Chun Wo Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
CRBC-Build King Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering
Build King-Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
Build King - SK Ecoplant Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
Build King - SK Ecoplant Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
Build King - Kum Shing Joint Venture	Unincorporated	Hong Kong	**65**	65	Civil engineering

39. JOINT OPERATIONS (Continued)

Name of joint operation	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group		Principal activities
			2022 %	2021 %	
Build King - Richwell Engineering Joint Venture	Unincorporated	Hong Kong	70	70	Civil engineering
Build King - Richwell Civil Joint Venture	Unincorporated	Hong Kong	70	70	Civil engineering
Build King - STEC Joint Venture	Unincorporated	Hong Kong	51	51	Civil engineering
Build King - Hyundai Joint Venture	Unincorporated	Hong Kong	70	70	Building construction
Build King - Richwell Civil Joint Venture	Unincorporated	Hong Kong	62	62	Civil engineering
Build King - Richwell Engineering Joint Venture	Unincorporated	Hong Kong	60	60	Civil engineering
Build King - CRCC Harbour Joint Venture	Unincorporated	Hong Kong	55	—	Civil engineering
Build King - Richwell Engineering Joint Venture	Unincorporated	Hong Kong	80	—	Civil engineering

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

40. CAPITAL RISK MANAGEMENT

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

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

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

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

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at FVTPL	**119,960**	385,522
Financial assets at amortised cost	**3,107,741**	2,596,055
	3,227,701	2,981,577
Financial liabilities		
Amortised cost	**4,361,205**	4,750,666

(b) Financial risk management objectives and policies

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

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances (note 29), variable rate bank loans (note 35) and other creditors (note 38). Although the Group is also exposed to fair value interest rate risk in relation to fixed rate lease liabilities (note 32), amount due to an associate (note 34) and bank loan (note 35), the Group's policy to keep its borrowings at floating rate of interests would minimise the fair value interest rate risk.

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

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

41. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Interest rate risk (Continued)

Sensitivity analysis

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

For variable rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2021: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2021: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would decrease/increase by HK$1,987,000 (2021: HK$6,064,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank loans.

(ii) Other price risk

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

Other price sensitivity analysis

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

If the prices of the respective equity and debt instruments had been 5% (2021: 5%) higher/lower while all other variables were held constant, the profit for the year ended 31 December 2022 would increase/decrease by HK$5,998,000 (2021: HK$19,276,000) as a result of the changes in fair value of financial assets at FVTPL.

(iii) Currency risk

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

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

41. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management and impairment assessment

Apart from the trade receivables and contract assets from the two (2021: two) largest debtors, the Group does not have significant risk exposure to any single counterparty at 31 December 2022.

Trade receivables and contract assets arising from contracts with customers

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

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

The Group has concentration of credit risk as 73% (2021: 78%) of the total trade receivables was due from the Group's two largest debtors.

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

The credit risk of amounts due from associates, fellow subsidiaries, a joint venture and other partners of joint operations, loan to an associate are managed through an internal process. The Group actively monitors the outstanding amount owed by each related party and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Group closely monitors the financial performance of associates, a joint venture and other partners of joint operations which mainly engage in the construction service in Hong Kong. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

Other financial asset at amortised cost and other debtors and deposits

The credit risk of other financial assets and other debtors and deposits is managed through an internal process. The Group closely monitor the outstanding amounts of other financial asset at amortised cost and other debtors and deposits and identifies any credit risk in a timely manner in order to reduce the risk of a credit related loss. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

41. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management and impairment assessment (Continued)

Pledged bank deposits, time deposits with original maturity of not less than three months, bank balances and bills receivables

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

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

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

41. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management and impairment assessment (Continued)

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

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2022 Gross carrying amount HK$'000	2021 Gross carrying amount HK$'000
Financial assets at amortised cost						
Loan to an associate	22	N/A	Low risk (Note 1)	12m ECL	**2,700**	2,700
Other financial asset at amortised cost	23	N/A	Low risk (Note 1)	12m ECL	**32,507**	36,782
Amount due from a joint venture	27	N/A	Low risk (Note 1)	12m ECL	**663**	720
Amounts due from associates	27	N/A	Low risk (Note 1)	12m ECL	**8,120**	7,782
Amounts due from fellow subsidiaries	27	N/A	Low risk	12m ECL	**1,812**	–
Amounts due from other partners of joint operations	27	N/A	Low risk (Note 1)	12m ECL	**23,885**	22,521
Other debtors and deposits*	25	N/A	Low risk (Note 1)	12m ECL	**286,838**	265,755
Trade debtors	25	N/A	Low risk (Note 2)	Lifetime ECL	**385,677**	379,723
Bills receivables	25	Baa2 to A1 (2021: Baa2 to A1)	N/A	12m ECL	**19,295**	26,638
Pledged bank deposits	29	A3 to Aa3 (2021: A3 to Aa3)	N/A	12m ECL	**74,019**	77,746
Time deposits with original maturity of not less than three months	29	A2 to A1 (2021: A2 to A1)	N/A	12m ECL	**235,101**	20,210
Bank balances	29	Baa3 to Aa2 (2021: Baa3 to Aa2)	N/A	12m ECL	**2,033,171**	1,752,288
Other item:						
Contract assets	26	N/A	Low risk (Note 2)	Lifetime ECL	**2,964,937**	2,895,100

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

41. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management and impairment assessment (Continued)

Notes:

1. For the purposes of internal credit risk management, the Group uses the financial information of the joint ventures, associates and joint operations and the past-due information of other debtors and deposits to assess whether credit risk has increased significantly since initial recognition. The related companies and other partners of joint operations are considered by management to have sound financial position and do not have any past-due amounts. The balances of other debtors and deposits are not past due.

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

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

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

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

For loans to joint ventures, amounts due from associates, fellow subsidiaries, amounts due from other partners of joint operations, the management of the Group makes individual assessment on the recoverability of each balance based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The ECL on the above items are considered to be insignificant.

41. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

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

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Repayable on demand or 3 months or less HK$'000	3 - 6 months HK$'000	6 - 12 months HK$'000	1 - 3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2022								
Non-interest bearing	–	3,292,000	10,063	10,810	600,727	134,852	4,048,452	4,048,452
Fixed interest rate instruments	5.87	49,505	–	–	–	–	49,505	44,334
Variable interest rate instruments	5.78	255,368	230	460	24,840	–	280,898	268,419
		3,596,873	10,293	11,270	625,567	134,852	4,378,855	4,361,205
Lease liabilities	3.50	6,588	8,261	13,775	44,583	–	73,207	69,910
2021								
Non-interest bearing	–	3,384,838	674	68	392,762	162,326	3,940,668	3,940,668
Fixed interest rate instruments	5.87	58,542	–	–	–	–	58,542	50,572
Variable interest rate instruments	2.58	752,359	230	460	1,840	23,920	778,809	759,426
		4,195,739	904	528	394,602	186,246	4,778,019	4,750,666
Lease liabilities	3.50	7,964	7,663	13,408	26,143	–	55,178	48,505

41. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or 3 months or less" time band in the above maturity analysis. As at 31 December 2022, the aggregate carrying amounts of these bank borrowings amounted to HK$289,753,000 (2021: HK$786,998,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within two (2021: three) years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details are set out in respective loan agreements as detailed below:

	3 months or less HK$'000	3 - 6 months HK$'000	6 - 12 months HK$'000	1 - 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2022	**132,655**	**33,294**	**19,069**	**119,626**	**304,644**	**289,753**
At 31 December 2021	444,616	154,313	35,550	176,191	810,670	786,998

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

Interest rate benchmark reform

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

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loans linked to HIBOR will continue till maturity, and hence, not subject to transition.

41. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

The listed securities, quoted equity securities and quoted debt securities of the Group are measured at fair value at recurring basis, by reference to market bid price or quoted price in active markets and classified under Level 1.

The unlisted equity investment of the Group are measured at fair value derived by management estimation with reference to the net asset value of the private entity (2021: recent transaction price) and classified under Level 3 (2021: Level 2). The considerations may vary significantly due to difference in timing, condition of sales and terms of agreements, size and nature of similar business to derive the estimated fair value.

The fair values of the financial assets and financial liabilities that are not measured at fair value on a recurring basis have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

42. CAPITAL COMMITMENTS

	2022 HK$'000	2021 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**56,586**	87,934

43. RETIREMENT BENEFITS SCHEMES

The Group has two MPF Schemes and state-managed retirement schemes for all eligible employees in Hong Kong and the PRC. The MPF Schemes are registered with the Mandatory Provident Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance"). The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by the MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinance, the Group also provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The amount charged to profit or loss of HK$58,016,000 (2021: HK$51,258,000) 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$1,188,000 (2021: HK$1,008,000). 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$87,000 (2021: HK$380,000).

44. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

	2022 HK$'000	2021 HK$'000
Fellow subsidiaries		
Land plant hire income (Note a)	**10**	120
Supply of rock (Note a)	**2,483**	—
Purchase of construction materials (Note b)	**166,115**	199,532
Construction contract revenue (Note b)	**59,620**	70,073
An associate of ultimate holding company		
Construction contract revenue (Note b)	**19,159**	30,627

Details of the balances with associates, joint ventures, other partners of joint operations, an intermediate holding company, fellow subsidiaries and non-controlling interests are disclosed in the consolidated statement of financial position and respective notes.

Included in the contract assets is an amounts due from a fellow subsidiary of HK$15,385,000 (2021: HK$11,253,000).

Balance with an associate of ultimate holding company are included in contract assets of HK$78,479,000 (2021: HK$72,433,000).

Included in creditors and accrued charges is an amount due to a fellow subsidiary of HK$19,886,000 (2021: HK$66,678,000).

Notes:

(a) Transactions are fully exempted continuing connected transactions under Rule 14A.76(1) of the Listing Rules.

(b) Transactions constitute connected transaction or continuing connected transaction and the Company has fully complied with the relevant disclosures requirements under Chapter 14A of the Listing Rules.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2022 HK$'000	2021 HK$'000
Short-term employee benefits	**87,439**	75,512
Post-employment benefits	**3,727**	3,173
	91,166	78,685

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other creditors HK$'000 (Note 38)	Bank loans HK$'000 (Note 35)	Bonds HK$'000	Lease liabilities HK$'000 (Note 32)	Dividend payable HK$'000	Amount due to an intermediate holding company HK$'000 (Note 33)	Amount due to an associate HK$'000 (Note 34)	Amounts due to non-controlling interests HK$'000 (Note 33)	Total HK$'000
At 1 January 2021	23,000	482,762	13,965	51,640	–	16,945	22,154	3,094	613,560
Financing cash flows	(920)	286,048	(14,615)	(28,116)	(86,931)	1,275	–	–	156,741
Interest expenses	920	15,960	650	809	–	–	675	–	19,014
New leases entered	–	–	–	24,172	–	–	–	–	24,172
Exchange realignment	–	2,228	–	–	–	–	–	–	2,228
Dividend declared	–	–	–	–	86,931	–	–	–	86,931
At 31 December 2021	23,000	786,998	–	48,505	–	18,220	22,829	3,094	902,646
Financing cash flows	(978)	(499,922)	–	(29,785)	(74,513)	590	–	–	(604,608)
Interest expenses	978	14,522	–	863	–	–	698	–	17,061
New leases entered	–	–	–	51,061	–	–	–	–	51,061
Exchange realignment	–	(11,845)	–	–	–	–	–	–	(11,845)
Dividend declared	–	–	–	–	74,513	–	–	–	74,513
Discharge of amount due to a non-controlling interest	–	–	–	–	–	–	–	(1,996)	(1,996)
Net gain arising on lease modification	–	–	–	(734)	–	–	–	–	(734)
At 31 December 2022	23,000	289,753	–	69,910	–	18,810	23,527	1,098	426,098

46. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets and liabilities through acquisition of a subsidiary

For the year ended 31 December 2022

On 14 March 2022, the Group further acquired 20% attributable interest in Ruyi Residence from an independent joint venture partner at a cash consideration of MYR 1,000,000 (equivalent to HK$1,873,000). Before the acquisition, the Group and other two independent third parties jointly controlled Ruyi Residence because unanimous consent from all joint venture partners was required to make decisions in the board of directors meeting under the constitution of Ruyi Residence. After the acquisition, pursuant to the amended Memorandum and Articles of Association, all of the relevant activities required approval by simple majority of the board of directors, the Group controls more than 50% of the voting powers in the board of directors of Ruyi Residence which give the Group the current ability to direct the relevant activities. The interest previously held by the Group in Ruyi Residence is deemed to be disposed with a remeasurement gain amounting to HK$6,138,000 at the acquisition date. Ruyi Residence becomes a non-wholly owned subsidiary of the Group under HKFRS 10 "Consolidated Financial Statements" and their results, assets and liabilities are consolidated with those of the Group.

Acquisition-related costs had been excluded from the consideration transferred. The costs were insignificant and recognised as an expense within the administrative expenses line item in the consolidated statement of profit or loss.

Assets acquired and liabilities assumed recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	9
Inventory	52,554
Other debtors, deposits and prepayments	35
Bank balances and cash	2,206
Other creditor	(18,154)
Amount due to the Group	(23,507)
Amount due to non-controlling interest	(3,781)
	9,362

The fair value of Ruyi Residence's identifiable assets and liabilities has been assessed by the management of the Group and it considered that the fair value of the other debtors, deposits and prepayments at the date of acquisition amounted to HK$35,000, approximated to gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considered that contractual cash flows not expected to be collected was insignificant.

46. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of assets and liabilities through acquisition of a subsidiary (Continued)

For the year ended 31 December 2022 (Continued)

Consideration transferred:

	HK$'000
Cash	1,873
Add: Fair value of interest in a joint venture	5,991
Add: non-controlling interests (Note)	1,498
Less: net assets acquired	(9,362)
	–

Note: The non-controlling interests of 16% in Ruyi Residence recognised at the acquisition date was measured by reference to the proportionate shares of respective recognised amounts of net assets of relevant subsidiary and amounted to HK$1,498,000.

Net cash inflow on acquisition of Ruyi Residence

	HK$'000
Bank balance and cash acquired	2,206
Less: cash consideration paid	(1,873)
	333

Impacts of acquisition on the results of the Group

The impact arising from the acquisition of Ruyi Residence to the Group's profit for the year and the revenue for the year is immaterial.

46. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of a business

For the year ended 31 December 2021

On 26 November 2021, the Group entered into a supplement deed with a joint venture partner and pursuant to which the Group obtains all of the rights, obligation and interest in an existing joint operation where the Group held 51% interest before the acquisition at a consideration of HK$39,024,000, representing a cash consideration amounting HK$106,652,000 and a receivable from the joint venture partner amounting HK$67,628,000. Upon completion of the transaction, the Group has control over all the relevant activities of the operation.

The acquisition has been accounted for as acquisition of a business using the acquisition method. Acquisition-related costs had been excluded from the cost of the above acquisition. The acquisition-related costs were insignificant and recognised as an expense within the administrative expense in the consolidated statement of profit or loss for the year ended 31 December 2021.

Consideration transferred:

	HK$'000
Cash	106,652
Less: Receivable from the joint venture partner (included in debtors, deposits and prepayments)	(67,628)
Total	39,024

Assets and liabilities of the joint operation at the date of acquisition were as follows:

	At date of acquisition HK$'000
Intangible assets	95,378
Debtors, deposits and prepayments	200,010
Contract assets	104,717
Bank balances and cash	906,071
Creditors and accrued charges	(453,115)
Amount due to the Group	(635,403)
Tax liabilities	(122,280)
Deferred tax liabilities	(15,737)
	79,641

The fair value and gross contractual amounts of trade debtors at the date of acquisition amounted to HK$186,956,000. The best estimate at acquisition date of the contractual cash flows expected to be collected is full.

46. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of a business (Continued)

For the year ended 31 December 2021 (Continued)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	39,024
Plus: fair value of previously held interest in the joint operation	40,617
Less: net assets acquired	(79,641)
Goodwill arising on acquisition	–

The Group's previously held interest in the joint operation is remeasured to fair value amounting to HK$40,617,000 at the acquisition date which is a non-cash transaction.

Net cash inflows arising on acquisition:

	HK$'000
Consideration paid in cash	106,652
Less: bank balances and cash acquired	(443,975)
	(337,323)

Impacts of acquisition on the results of the Group

Included in the profit for the year, profit amounting of HK$8,966,000 was attributable to the business operation of the acquired joint operation. Revenue for the year ended 31 December 2021 included HK$80,824,000 which was generated from the acquired joint operation.

Had the acquisition been completed on 1 January 2021, revenue for the year of the Group would have been HK$11,196,702.000, and profit for the year of the Group would have been HK$398,905,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000
Non-current asset		
Unlisted investments in subsidiaries	**60,000**	60,000
Current assets		
Amounts due from subsidiaries	**495,971**	420,971
Bank balances and cash	**956**	955
	496,927	421,926
Current liabilities		
Other creditors and accrued charges	**–**	353
Amount due to an intermediate holding company	**2,514**	2,514
Amounts due to subsidiaries	**407,815**	327,457
	410,329	330,324
Net current assets	**86,598**	91,602
Total assets less current liabilities	**146,598**	151,602
Capital and reserves		
Ordinary share capital	**124,188**	124,188
Reserves	**22,410**	27,414
Total equity	**146,598**	151,602

Movement in reserves

	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Other reserve HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	14,186	419,212	115	(417,921)	15,592
Profit and total comprehensive income for the year	–	–	–	98,753	98,753
Dividend paid	–	–	–	(86,931)	(86,931)
At 31 December 2021	**14,186**	**419,212**	**115**	**(406,099)**	**27,414**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**69,509**	**69,509**
Dividend paid	**–**	**–**	**–**	**(74,513)**	**(74,513)**
At 31 December 2022	**14,186**	**419,212**	**115**	**(411,103)**	**22,410**

Note: The contributed surplus and other reserve represent adjustments in share capital on the reverse acquisition of the Company in 2004.

48. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid/ registered ordinary share capital	Proportion of nominal value of issued ordinary share capital held by the Group 2022 %	2021 %	Principal activities
Allied Wise Limited	Hong Kong	Hong Kong	HK$2	**100**	100	Investment holding
Amazing Reward Group Limited	BVI	Hong Kong	US$1,000,000	**100**	100	Investment holding
Build King Construction Limited ("BKCL")	United Kingdom	Hong Kong	GBP16,072,500	**100**	100	Construction and civil engineering
Build King Civil Engineering Limited	Hong Kong	Hong Kong	HK$75,200,000 Ordinary shares	**100**	100	Civil engineering
			HK$24,000,000 Non-voting deferred shares	**100**	100	
Build King Interior & Construction Limited	Hong Kong	Hong Kong	HK$1,000,000	**100**	100	Fitting out, improvement and alteration works for buildings
Build King Management Limited	Hong Kong	Hong Kong	HK$2	**100**	100	Provision of administrative and management services to group companies
Build King (Zens) Engineering Limited	Hong Kong	Hong Kong	HK$66,000,002 Ordinary shares	**100**	100	Civil engineering
			HK$14,800,000 Non-voting deferred shares	**100**	100	
			HK$5,200,000 Non-voting deferred shares (note a)	**–**	–	
Integral E&M Contracting Limited	Hong Kong	Hong Kong	HK$18,520,000	**100**	100	Electrical and mechanical engineering

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid/ registered ordinary share capital	Proportion of nominal value of issued ordinary share capital held by the Group		Principal activities
				2022 %	2021 %	
Integral E&M Engineering Limited	Hong Kong	Hong Kong	HK$2	**100**	100	Electrical and mechanical engineering
Leader Marine Contractors Limited	Hong Kong	Hong Kong	HK$200,000	**100**	100	Marine engineering and provision of transportation services
Leader Marine Cont. L.L.C.	Sharjah, United Arab Emirates ("U.A.E.")	U.A.E.	Dh300,000	**100**	100	First class contracting/ specialised in marine construction
Profound Success Limited	BVI	Hong Kong	US$1	**100**	100	Investment holding
Titan Foundation Limited	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Civil engineering
Top Tactic Holdings Limited	BVI	BVI	US$1	**100**	100	Investment holding
Wai Kee China Construction Company Limited	Hong Kong	The PRC	HK$10,000,000	**100**	100	Civil engineering
Wai Kee China Infrastructure Limited	Hong Kong	The PRC	HK$1	**100**	100	Investment holding
Wisdom Aim Investments Limited	Hong Kong	Hong Kong	HK$1	**100**	100	Provision of secretarial and nominee services to group companies
Wise Start Global Limited	Hong Kong	Hong Kong	HK$1	**100**	–	Investment holding
Wuxi Qianhui Sewage Treatment Co., Ltd. (note b)	The PRC	The PRC	US$9,000,000	**95.6**	95.6	Sewage treatment
惠記環保工程(上海)有限公司 (note c)	The PRC	The PRC	US$800,000	**100**	100	Environmental engineering
Tianjin Wai Kee Earth (note b)	The PRC	The PRC	RMB320,000,000	**84.81**	84.81	Steam fuel supply

48. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the company. On a winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the company only after the distribution of substantial amounts as specified in the Articles of Association to holders of ordinary shares of the company.

(b) The company is a co-operative joint venture registered in the PRC.

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

Except for Top Tactic Holdings Limited, all subsidiaries are indirectly held by the Company.

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

In the opinion of the directors of the Company, there are no subsidiaries that have non-controlling interest individually which are material to the Group at the end of each reporting period. Therefore, no information is disclosed for these non-wholly owned subsidiaries.

49. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties ranging from 1 - 4 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately HK$51,061,000 and HK51,061,000 (2021: approximately HK$24,172,000 and HK$24,172,000) respectively.

50. EVENTS AFTER THE REPORTING PERIOD

On 6 October 2022, the Company, Wise Start Global Limited ("Wise Start"), an indirectly wholly owned subsidiary of the Company, Road King Infrastructure Limited ("Road King") and Shine Precious Limited ("Shine Precious"), an indirectly wholly owned subsidiary of Road King, entered into an investment agreement dated 6 October 2022 (the "Investment Agreement") regarding an investment in Rainbow Triumph Limited ("Project Company") for the purpose of an urban renewal project involving the demolition and resettlement and redevelopment of a site located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen the PRC (the "Project").

The Investment Agreement provides that subject to the fulfilment of conditions precedent:

(i) Shine Precious has agreed to sell and assign, and Wise Start has agreed to purchase and take assignment of, the sale shares (which represent 20% of the Project Company's shares in issue) at the price of HK$15,700 and the sale loans (in the principal amount of HK$800,000,000) at the face value, at a total consideration of HK$800,015,700; and

(ii) Shine Precious has agreed to provide the commitment, being further shareholder loans from Road King and its subsidiaries to the Project Company which, when aggregated with existing shareholder loans due to Road King and its subsidiaries immediately following completion, shall amount to HK$3,200,000,000 ("RK Commitment").

50. EVENTS AFTER THE REPORTING PERIOD (Continued)

In addition, Shine Precious has agreed that Wise Start has the loan redemption right to require the redemption by the Project Company of all or part of the shareholder loans due to it on certain redemption dates, after which Shine Precious shall require certain balancing transactions to be effected in order to achieve the intended proportionality between the respective joint venture parties' shareholding in, and shareholder loans (including the RK Commitment) to, the Project Company. The redemption obligation of the Project Company is guaranteed by Road King.

Following Completion, the Project Company will be owned as to 80% by Shine Precious and 20% by Wise Start and will remain a subsidiary of Road King and the results of operations and financial position of the Project Company will continue to be recorded in the Road King Group's consolidated financial statements, while the Group's equity interest in the Project Company will be accounted for as interest in an associate using the equity method, its shareholder loan interest and interest under the Loan Redemption Right will be accounted for as financial assets at fair value through profit or loss in the consolidated financial statements of the Group.

At the Company special general meeting held on 13 January 2023, the resolution to approve the Investment Agreement dated 6 October 2022 entered into among the Company, Wise Start, Road King and Shine Precious (as supplemented by the extension agreement) and the transactions and possible transactions contemplated thereunder (including but not limited to the transfer, RK Commitment, loan redemption right and balancing transactions) was duly passed on 13 January 2023 by the independent shareholders by way of poll. Details of transaction and the resolution results are disclosed in the Group's announcement on 6 October 2022 and 13 January 2023 respectively.

RESULTS

	Year ended 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Group revenue	6,305,348	7,568,461	7,628,388	10,030,017	**12,422,588**
Share of revenue of joint ventures	75,314	109,126	118,590	90,836	**15,381**
	6,380,662	7,677,587	7,746,978	10,120,853	**12,437,969**
Group revenue	6,305,348	7,568,461	7,628,388	10,030,017	**12,422,588**
Operating profit	538,224	374,166	469,854	371,400	**557,071**
Share of results of joint ventures	16,319	22,351	16,511	24,224	**11,566**
Share of results of associates	(1,190)	(1,941)	(1,754)	245	**(106)**
Finance costs	(20,467)	(18,778)	(16,995)	(19,014)	**(17,061)**
Profit before tax	532,886	375,798	467,616	376,855	**551,470**
Income tax expense	(119,128)	(78,153)	(27,391)	(84,964)	**(122,304)**
Profit for the year	413,758	297,645	440,225	291,891	**429,166**

FINANCIAL POSITION

	At 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Total assets	4,296,230	5,269,270	5,443,244	7,126,192	**7,320,533**
Total liabilities	(3,351,645)	(4,084,336)	(3,853,950)	(5,319,565)	**(5,194,589)**
Net assets	944,585	1,184,934	1,589,294	1,806,627	**2,125,944**

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

David Howard Gem
Chan Chi Hung, Anthony

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Lo Yiu Ching, Dantes *(Chairman)*
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
Ng Cheuk Hei, Shirley
Zen Wei Peu, Derek

REMUNERATION COMMITTEE

Ling Lee Ching Man, Eleanor *(Chairwoman)*
Ho Tai Wai, David
Lo Yiu Ching, Dantes
Ng Cheuk Hei, Shirley
Zen Wei Peu, Derek

COMPANY SECRETARY

Chang Kam Chuen, Desmond

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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Manulife Financial Centre
223 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Progressive Limited
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