Build King

Build King Holdings Limited

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

2023
Annual Report

CONTENTS

PAGE

Financial Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	14%
Equity	HK$2,376 million
Equity per share	HK$1.91
Group revenue	HK$12,507 million
Profit attributable to owners of the Company	HK$474 million
Final dividend per share	HK8.0 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 HK8.0 cents (2022: HK10.5 cents) per ordinary share for the year ended 31 December 2023.

The gain in shareholders' equity of Build King Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") during 2023 was HK$284 million whilst the equity per share increased by 14% to HK$1.91. Since the listing of the Group in 2004, our cumulative gain in equity has been increased twenty-threefold, equivalent to a compound annual growth of 19% (taking into account the dividends paid over the years as well as new capital raised in 2010).

Our turnover in 2023 was HK$12.5 billion, a slight increase of 1% over that of 2022. Our profit for the year increased from HK$429 million to HK$467 million. This is mainly due to the healthy operating profit achieved across most projects.

Since my last report, we have been awarded a total of HK$10.5 billion of new works and at the time of writing this report, our outstanding order book stands at HK$28.6 billion. This implies we have slightly more than two years of workload outstanding. With the planned gradual increase in the Group's turnover in the coming few years, the need to secure new projects is essential to keep our team of capable staff fully employed. Despite the Government's financial problems, it is in their interest to continue to invest in improving the infrastructure for the future of Hong Kong. As such, we expect there will be sufficient mega tenders and we will aim to secure our share to keep the Group busy to the benefit of both our staff and shareholders.

In my last report, I hoped for a better result in our bottom line for 2023. Apart from one or two upsets, we achieved this and generally, all our construction projects performed well. However, two unexpected things happened which significantly reduced our turnover and more importantly, our profit:

1) As many will know, public sector contracts include a mechanism of contract price fluctuation (CPF) to allow for the rise or fall of labour and material costs. In the past few years, the CPF compensation has generally been positive, reflecting increasing costs and amounting to an additional 2% or more of turnover. However, in 2023 due to the downturn of the economy worldwide, CPF turned negative which resulted in contracts suffering a deduction of payments. Last year our public sector projects with a CPF mechanism amounted to about HK$10 billion in value and the drop in CPF resulted in about HK$300 million drop in our turnover and more importantly, HK$300 million less in profit.

2) Apparently, our collective strength in managing construction projects produces a better return than investments. During the year, we suffered a loss of over HK$123 million due to the change in the fair value of investments.

BUSINESS ANALYSIS

A) Construction

The core business of our Group is construction, which this year represented 98% of our turnover. All our construction activities are carried out in Hong Kong.

1) Civil Engineering

This year, the turnover of our Civil Engineering Division was HK$7.7 billion, an increase of 3% compared with 2022. This division contributed HK$1,051 million in gross profit in the year. We currently have 33 active Civil projects in hand, including 13 in joint ventures with other contractors. At present, the majority of our current projects are performing well, inevitably with a few facing difficulties for which necessary appropriate actions are being taken.

Since my last report, we have been awarded a total of HK$4.0 billion of new Civil projects. Though this was an improvement over that of 2022, we surely continue to have a need for more new projects in this area. Given the Government's intention to create more land (via site formation or reclamation), we expect our Civil Engineering Division to remain busy with new tenders throughout 2024.

BUSINESS ANALYSIS (Continued)

A) Construction (Continued)

1) Civil Engineering (Continued)

However, due to the Government budget deficit, we are concerned that the speed of new projects being rolled out for tender might be adversely affected. This, together with the fact that recently more and more mainland Chinese companies are coming into the Hong Kong market, will put huge pressure on the tender prices. As a result, the competitive landscape in the local construction industry is expected to intensify further in 2025 and beyond.

To win the battle of tomorrow, Build King must be more efficient, come up with more innovative solutions, and adopt new methods or materials. What brought us here is not sufficient to take us to the next level, we all need to learn and adapt to new ideas and technologies fast.

2) Building

The turnover of our Building Division this year was HK$4.4 billion, a decrease of 4% over that of 2022. The division contributed HK$69 million in gross profit in the year. We currently have 15 active Building projects in hand, including 2 in joint ventures with other contractors. Since my last report, we have been awarded a total of HK$6.5 billion of new Building projects.

The performance of the Building Division was way below our expectations and somewhat disappointing. We aim to achieve a net profit of 4% but since our overhead (including bonuses) to revenue ratio is already 4%, we need to achieve a much higher gross profit of around 8%. Although it must be noted that in building contracts, over 50% of turnover belongs to nominated subcontractors, this must also be accounted for in the assessment of the real profit percentage that it is possible to achieve. The profitability of the division was further aggravated by the drop in CPF in several projects having the CPF mechanism.

We have come a long way in our Building business, but it is clear we still have a long way to go before Build King can be recognized as a first-tier building contractor. It took our Civil Engineering Division over three decades to be where we are now, so it should not be a surprise that it will take time to reach where we want to be for the Building Division.

As I mentioned last time, Build King needs to improve our management and put better controls in place; to this end in 2023 we have:

a) Centralized most subletting processes (for values over a certain amount) to ensure all subletting is transparent and equitable, as well as to enlarge our subcontractors' list; in addition, we hope this will reduce the numerous re-subletting (which is extremely costly).

b) Purchased major materials on behalf of subcontractors to reduce their financial burden and thereby enable them to offer more competitive tender prices. And secondly, we will be able to make savings by buying materials in larger quantities.

c) Set up several specialist teams e.g. in survey, repair and maintenance, preparing various submissions, etc. so that we do not have to reinvent the wheel on every new project.

BUSINESS ANALYSIS (Continued)

A) Construction (Continued)

2) Building (Continued)

d) Step up internal resources to set up in-house MIC (Modular Integrated Construction) and BIM (Business Information Modelling) capabilities.

e) As required by the Government, all contractors are required to adopt CDE (Common Data Environment) by 2025. If implemented well, most site activities will be at our fingertips, and correcting mistakes will be faster and more accurate allowing senior management to move faster and be more up-to-date with site activities. As a result, we expect to be able to cut down unnecessary levels of supervision. No doubt all this will mean increased resources as well as capital expenses. As such, our overhead-to-revenue ratio will temporarily increase in 2024 and possibly until 2025.

We have no choice but to do CDE thoroughly and consistently and, after the successful implementation, I expect to be able to gradually reduce management headcount at the head office as well as our on-site team. I hope that in the long term, despite the increased cost spent of all these (CDE/BIM/MIC), we can still target a 3% overhead (excluding bonuses) to revenue ratio, as well as reduce the site management overhead by 20% or more. If we can achieve this target, in the long term we will be able to compete with the top-tier building contractors.

3) Specialist Subsidiaries

Our four specialist subsidiaries registered a total turnover of HK$1,064 million and a gross profit of HK$158 million in 2023.

Out of the four, I believe Titan Foundation Limited (the piling and foundation specialist) has finally identified the right direction and is providing the Group with an impressive return. The other three specialist subsidiaries are still searching for the most suitable approach. However, I am glad that they all view safety and the quality of their projects as a top priority. I hope that in two or three years, I can single out at least one more subsidiary and declare it has found its way forward.

It is not a surprise that it took a few years for one of our subsidiaries to excel. Nine out of ten new businesses die within two to three years whilst probably only one in a hundred really grows into a sustainable business in a longer time; hence the need for Build King to try out on several fronts and aim at a success rate higher than usual. This is why we stick to new businesses related to construction, as we then have a ready market to test our initiatives and a higher chance of success.

We are, however, open to ideas from other start-up companies who want to expand their businesses but who may need some help either financially or with knowledge of construction. If such companies find Build King to be a suitable partner, we are open to discussing any form of cooperation although we would most likely take only a minority stake. We have, however, no intention nor interest in changing the direction or decision of any already established company.

We are keen to expand as I have mentioned several times before, but construction is a very competitive business, and it is almost certain that in some years we may hit some bad projects which would adversely impact our bottom line. As such, we do wish to develop more diversified profit centers to mitigate the volatile nature of construction.

BUSINESS ANALYSIS (Continued)

A) Construction (Continued)

4) Staff

We currently have 48 active projects in the Civil and Building Divisions with an expanded workforce from 3,390 as of 31 December 2022 to 3,601 as of 31 December 2023.

I mentioned last year that we started to recruit staff from outside Hong Kong; up till now we have employed over 180 overseas staff, and this trend will continue in 2024 and maybe beyond. One of the reasons behind the high construction costs in Hong Kong is that there is simply too much paperwork to handle, be it on safety, quality, environment, progress, method statements, various procedures, and approvals. I would say that now only one-third of our site staff really focus on the work process and progress whilst the rest are on the paperwork of one kind or the other.

This is another reason why Build King is taking steps to ensure that CDE will be successful. We are setting up a new in-house team to ensure speedy setup and implementation to make sure this will translate into our competitive edge. If we all use it well, we believe we could end up using 30% fewer people to do the same amount of work! Let's keep our fingers crossed that this will be so.

B) Environmental Infrastructure Project in China

1) Wuxi Sewage Treatment Plant

The plant is running normally and, during the year, we registered a profit of RMB11 million. However, a new plant is under construction right next to our existing plant. As a result, we expect some challenges to our business once that plant is in operation; at present it is hard to predict what effect they might have. We will soon see.

2) Steam Supply to Factories in Industrial Parks (mainly in Gansu province)

Build King's investment in the existing six plants in Gansu and Hubei, partly in the form of debts and partly in the form of equity, amounted to approximately HK$600 million. During the stage of feasibility studies, we expected an initial payback period of five to six years on our investments. But now we realize that we entered the market at the wrong time; first, we had to bear the three years of COVID and then the general downturn of the economy worldwide. Hence from 2018 up until 2023 for more than five years we have been operating at a loss including the current year's loss of RMB14 million.

During the year, our four operating plants supplied an average of 81.34 Tons/hour of steam, 31% higher than 62 Tons/hour in 2022. In the last quarter of 2023, we registered an average supply of 102 Tons/hour, which was an encouraging sign for a hopefully better operating environment in 2024.

Last year, I mentioned that we needed a supply of 185 Tons/hour to achieve a breakeven position. Based on the latest operating statistics, the breakeven position is now updated to circa 150 Tons/hour. So finally, we have a target to achieve in 2024. Excluding depreciation and loan interest, the net cash flow of our steam operation is expected to turn positive in 2024 although the question remains, how much.

BUSINESS ANALYSIS (Continued)

C) Investment on Securities and Other Activities

1) The adverse market condition still persists, and we again suffered a loss of HK$58 million and our attempt to improve the bottom line by purchasing bonds and marketable securities, backfired. The only good news is that by the year end, almost all our bond investments matured or have been sold. As a result, this should be the last year we will suffer a significant loss in this area.

2) In January 2023, we invested HK$800 million in a Road King project property project in Shenzhen. The market sentiment at the beginning of the year 2023 was quite good, but then it dropped again and now the recovery period is likely to take much longer. In terms of physical progress, only around 20 units have yet to be signed with the current owners and the local government is now taking administrative measures to enforce the remaining owners to talk to us. We estimate that possession of the remaining property units will be complete by June 2024 and Road King should be able to start construction of the project by the end of the year. By the time the redeveloped units are ready for sale and with the continued shrinking supply of properties particularly in Tier 1 cities, we expect property prices will finally be returned to a more reasonable level. During the year, we suffered a temporary setback of HK$65 million in our investment in the Road King project due to the continual downturn of the mainland property market and the depreciation of the Renminbi.

OUTLOOK

We do expect the construction industry will be booming for at least another seven to eight years. However, in terms of profitability, we are not so sure this will be easy due to the following factors:

a) More Chinese contractors are appearing on the scene in Hong Kong and usually they bid with very low prices.

b) If the price fluctuation compensation for public sector work keeps going down, it will impact on our bottom line severely; this trend might reverse but is unlikely to go up as fast as before.

c) Given the satisfactory results of current ongoing successful projects, we expect to achieve a reasonable profit from these projects until completion. However, the operating environment in the coming years is expected to be getting more difficult than before and this may affect the Group's profitability.

d) However, we should at least be able to break even on our infrastructure investment or even make a small profit (cash-wise certainly positive as just explained above), so this should help.

e) With fewer bonds and marketable securities now in our hands, both the 'ups' and 'downs' of their value will be insignificant.

f) I mentioned last year our initiative to encourage our younger generation of staff to come up with new ideas to try and find new ways of doing the same things smarter, cheaper, and better. We have started with three initiatives and put these to the real test. Naturally, such initiatives, even if some are successful, take time and will not impact our bottom line in the short term. In my next report, I will provide a collective summary of the new initiatives so all shareholders can have a 'feel' of how much we have been able to achieve.

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 so I strongly encourage shareholders to attend the Annual General Meeting of the Company to be held on 21 May 2024. This is the occasion where the management and owners of the Company can discuss the business face to face.

Dividend Policy

I am pleased to advise that based on earnings of HK$0.38 per share, and since our shareholders' equity is now around HK$2.4 billion, we will distribute approximately 30% of our profit to our shareholders at a total payout of HK$0.12 per share. As HK$0.04 per share had been distributed in our interim results, the proposed final dividend would then be HK$0.08 per 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, our staff for their hard work and loyalty.

Zen Wei Peu, Derek
Chairman

Hong Kong, 20 March 2024

Overall results

The Group is principally engaged in building construction and civil engineering works in Hong Kong. Apart from its core activities in construction, the Group also derives revenue from its environmental infrastructure projects in Mainland China. Despite the difficult operating environment, the Group maintained its revenue for the year ended 31 December 2023 at HK$12.5 billion (2022: HK$12.4 billion).

The gross profit of the Group increased to HK$1.3 billion for the year ended 31 December 2023, compared to HK$1.0 billion a year ago. The increase was mainly attributable to profit from one of our civil projects towards the finalisation of the final account.

The profit attributable to the shareholders for the year ended 31 December 2023 was HK$474 million, compared to HK$434 million a year ago. The increase was mainly attributable to the increase in gross profit of HK$326 million, which has been partly offset by (i) the increase in administrative expenses of HK$108 million, (ii) the increase in fair value losses of our financial assets of HK$67 million, (iii) the increase in taxation charge of HK$51 million, and (iv) the non-recurrence of wage subsidies of HK$23 million received from the Government under the Employment Support Scheme announced on 18 March 2022, which subsidies were one-off and intended for supporting the livelihood of employees affected by the fifth wave of the COVID-19 pandemic.

The construction industry has been experiencing manpower shortages, an aging workforce, a skills mismatch with trades, and a succession gap of talent. While the Government and the industry have been working closely to address this acute situation, the Group has to remain competitive in its remuneration policies to attract, develop, and retain its workforce. As a result, there has been an increase in staff remuneration to HK$1,706 million during the year ended 31 December 2023 (2022: HK$1,560 million), which has largely been reflected as an increase in administrative expenses.

The Group continued to suffer a setback in its investment in financial assets due to unfavorable market conditions. The fair value losses of the Group's financial assets of HK$123 million (2022: HK$56 million) comprise (i) a fair value loss of HK$58 million (2022: HK$56 million) in the Group's investments in equity and debt securities, and (ii) a fair value loss of HK$65 million (2022: nil) in its 20% investment in an urban renewal project involving the demolition, settlement and re-development of a site located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the People's Republic of China (the "Shenzhen Project"). The project recorded a drop in fair value due to the depreciation of the Renminbi and further downturn of the property market in Mainland China after the completion of the acquisition in January 2023.

The Group's taxation charge, in correspondence with the increase in profitability of construction projects, increased to HK$174 million (2022: HK$122 million) in the year.

OPERATIONAL REVIEW

Construction

The Group provides a full spectrum of construction services from building construction and civil engineering to foundation, electrical and mechanical, interior refurbishments and fitting out works. Total revenue from construction contracts amounted to HK$12.3 billion for the year ended 31 December 2023 (2022: HK$12.2 billion). As of the date of this report, the Group had total contracts on hands of HK$28.6 billion, which significantly secures the revenue of the Group for the next two years. Segment profit, after the deduction of direct costs, increased to HK$816 million (2022: HK$630 million). The increase in segment profit was mainly attributable to the exceptional performance of our civil division.

Environmental infrastructure projects in Mainland China

The Group operates a sewage treatment plant in Wuxi for the treatment of household and industrial wastewater, as well as steam supply plants in Gansu and Hubei for providing steam to clients in industrial parks. The total revenue generated from our environmental projects in Mainland China was HK$217 million for the year ended 31 December 2023 (2022: HK$202 million). Segment loss, after the deduction of direct costs, dropped to HK$15 million (2022: loss of HK$24 million). The steam supply operation in 2023 fared better than the prior year as the mainland economy gradually recovered after the COVID-19 pandemic. Total output capacity for our four operating steam plants went up from an average of 62 tons per hour in 2022 to an average of 81 tons per hour in 2023, representing an increase of 31%.

As at 31 December 2023, the Group's total investment in environmental investment projects amounted to RMB715 million (as at 31 December 2022: RMB692 million), of which the amount attributable to our 95.6% interest in the sewage treatment plant was RMB168 million (as at 31 December 2022: RMB168 million), and the amount attributable to our 84.81% interest in the steam supply plants was RMB547 million (as at 31 December 2022: RMB524 million).

Material acquisitions

During the year, the Group completed the following acquisitions to diversify its future sources of income:

(i) On 6 October 2022, the Group entered into an investment agreement to acquire a 20% interest in the Shenzhen Project from Shine Precious Limited ("Shine Precious"), an indirect wholly owned subsidiary of Road King Infrastructure Limited ("Road King"), for a total consideration of approximately HK$800 million. The transaction constituted a major and connected transaction to the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and was approved by the independent shareholders of the Company at the special general meeting held on 13 January 2023. For details, please refer to the Company's announcements dated 6 October 2022 and 23 November 2022 and the circular to the shareholders of the Company dated 23 December 2022. Completion of the transaction took place on 13 January 2023.

    The Shenzhen Project is an urban renewal project referred to as Haitao Garden, which was built in the 1980s, at a site located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the People's Republic of China (the "Shenzhen Site"). It involves the demolition and resettlement of a total of 58 residential buildings with commercial facilities, covering a development site area of 44,339 sq. m. (with a planned gross floor area of 242,980 sq. m.), and the redevelopment of the Shenzhen Site thereafter. As at the date of this report, the developer of the Shenzhen Project, which is a 20% owned associate of the Group, has entered contracts with over 98% of the 1,282 owners on the Shenzhen Site covering over 98% of the gross floor area for resettlement purpose. It is expected that, with assistance from the local government on the mediation of the resettlement terms with the remaining owners, the Shenzhen Project will progress to the next stage of applying for the relevant planning and construction approvals during the year ending 31 December 2024.

OPERATIONAL REVIEW (Continued)

Material acquisitions (Continued)

(ii) On 28 April 2023, the Group entered into the sale and purchase agreements (the "Sale and Purchase Agreements") to acquire parcels of land having an aggregate site area of 245,628 sq. ft. located at Pak Shing Kok Road in Tsuen Kwan O, New Territories, Hong Kong (the "TKO Sites") from independent third parties by way of acquisition of the entire issued share capital of and outstanding shareholder loans owing by the project companies owning the TKO Sites for an aggregate consideration of approximately HK$369 million (the "Acquisition"). The Acquisition constituted a major transaction of the Company under the Listing Rules and received written shareholders' approvals from Top Horizon Holdings Limited (a wholly-owned subsidiary of Wai Kee Holdings Limited, the ultimate holding company of the Company), and the Chairman of the Company. Completion of the Acquisition took place on 28 April 2023, and approximately HK$36.9 million (representing 10% of the consideration) was paid by the Group to the vendors' solicitors as stakeholders on that day as the first installment. For details, please refer to the Company's announcement dated 28 April 2023 and the circular to the shareholders of the Company dated 26 July 2023.

The TKO Sites are currently specified for agricultural use. On 30 June 2023, the Group applied under the Land Sharing Pilot Scheme ("LSPS") in respect of the TKO Sites for the increase in plot ratio and change of use of the sites (the "LSPS Application"). The LSPS policy was launched by the Government as a public-private initiative to unleash the development potential of idle private lots in the New Territories for housing development. In parallel with the LSPS Application, the Group has been carrying out a title review of the TKO Sites and due diligence of the target companies owning the TKO Sites, being two of the conditions subsequent to the Acquisition that may entitle the Group to elect to unwind the Acquisition. Given the necessary continuation of the due diligence process, supplemental agreements were entered on 2 February 2024 by the Group and the relevant vendors for (i) extending the long stop date for the satisfaction of the two conditions subsequent relating to the title review and due diligence (the "Title and Due Diligence Conditions") to 30 April 2024 (being approximately 6 months longer than the date originally contemplated) such that the relevant Sale and Purchase Agreements will be terminated automatically on that date if these two conditions subsequent are not satisfied or waived by the Group by then, (ii) early releasing of approximately HK$4.1 million (the "Released Amount") by the stakeholders to three of the vendors out of the first installment, subject to delivery of the specified foreign legal opinions, and (iii) reducing the total consideration by up to a maximum of approximately HK$16.1 million if plot ratio and domestic gross floor area for residential use are not allocated in respect of certain specified land lots within the TKO Sites in the approved LSPS Application (ancillary to such downward adjustment, approximately HK$1.6 million has been refunded to the Group from the first installment). For details, please refer to the Company's announcement dated 2 February 2024. In late February 2024, the Group received the specified foreign legal opinions and therefore the Released Amount was released by the stakeholders to the relevant vendors out of the first installment. As at the date hereof, the Title and Due Diligence Conditions have not yet been satisfied.

OPERATIONAL REVIEW (Continued)

Material acquisitions (Continued)

(ii) (Continued)

As provided under the Sale and Purchase Agreements and the supplemental agreements dated 2 February 2024, the Group has to settle the remaining reduced consideration of HK$317.6 million by installments with reference to the progress of the LSPS Application and fulfilment of the remaining conditions subsequent as follows: (i) a second installment of approximately HK$13.8 million within 10 working days after the publication of the LSPS Application on the website of the Development Bureau, (ii) a third installment of approximately HK$24.6 million within 10 working days after the receipt of the formal recommendation from the panel of advisors under the LSPS, and (iii) a balance payment of approximately HK$279.2 million, subject to adjustment, on the 30th day after the date on which the Group confirms fulfillment of all conditions subsequent under the Sale and Purchase Agreements including but not limited to the support in principle by the Chief Executive in Council of the LSPS Application having been granted on or before 28 October 2025.

Since the submission of the LSPS Application, the Group and its consultants have engaged in various meetings and discussions with the Land Sharing Office of the Development Bureau for the purpose of establishing the eligibility of the LSPS Application. Despite the Group's continued efforts, the Group has recently received a letter from the Land Sharing Office stating that it was not satisfied with the eligibility of the LSPS Application and would not process further the LSPS Application. As at the date of hereof, the Group is considering the feasibility of addressing the concerns of Land Sharing Office (including the submission of any revised or new LSPS Application) before the LSPS deadline of 5 May 2024. The Company will issue a further announcement as and when appropriate in relation to the Sale and Purchase Agreements.

Employees and Remuneration Policies

As at 31 December 2023, the Group had a total of 3,601 employees, and total remuneration for the year ended 31 December 2023 was approximately HK$1,706 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 the performance of the individual.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2023, the Group had liquid assets of HK$1,390 million (as at 31 December 2022: HK$2,391 million) comprising financial assets at fair value through profit or loss of HK$54 million (as at 31 December 2022: HK$119 million), time deposits with an original maturity of not less than three months of HK$36 million (as at 31 December 2022: HK$235 million) and bank balances and cash of HK$1,300 million (as at 31 December 2022: HK$2,037 million).

As at 31 December 2023, the Group had a total of interest-bearing borrowings of HK$238 million (as at 31 December 2022: HK$313 million) comprising bank loans of HK$215 million (as at 31 December 2022: HK$290 million), other creditors of HK$23 million (as at 31 December 2022: HK$23 million). The maturity profile of the interest-bearing borrowings for both years is as follows:

	At 31 December 2023 HK$ million	At 31 December 2022 HK$ million
On demand or within one year	**215**	176
In the second year	**23**	114
In the third to fifth year inclusive	**–**	23
	238	313

The Group's borrowings, bank balances and cash, and financial assets at fair value through profit or loss were mainly denominated in Hong Kong dollars. As a result, the Group was not significantly exposed to foreign exchange rate fluctuations. During the year, the Group had no financial instrument for hedging purposes. As at 31 December 2023, total borrowings of HK$41 million (as at 31 December 2022: HK$44 million) carried interest at fixed rates.

Capital Structure and Gearing

As at 31 December 2023, total equity was HK$2,402 million (as at 31 December 2022: HK$2,126 million) comprising ordinary share capital of HK$124 million (as at 31 December 2022: HK$124 million), reserves of HK$2,252 million (as at 31 December 2022: HK$1,969 million) and non-controlling interests of HK$26 million (as at 31 December 2022: HK$33 million).

As at 31 December 2023, the gearing ratio, representing total interest-bearing borrowings as a percentage of total equity, was 10% (as at 31 December 2022: 15%).

Pledge of Assets

As at 31 December 2023, bank deposits of the Group amounting to HK$70 million (as at 31 December 2022: HK$74 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 were pledged to a bank for securing the banking facility granted to the Group.

Directors and Senior Management

EXECUTIVE DIRECTORS

ZEN Wei Peu, Derek, age 71, 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 and Chief Executive Officer 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 58, has been appointed as an Executive Director of the Company since 1 June 2008. He was also the Company Secretary of the Company from 31 May 2005 to 29 December 2023. 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 35 years of experience in accounting profession and financial management.

LUI Yau Chun, Paul, age 63, 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 61, 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 former 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.

LUK Chi Chung, Peter, age 59, has been appointed as an Executive Director and Company Secretary of the Company since 29 December 2023. He is also a director of various companies of the Group. Mr. Luk holds a Bachelor of Science degree in Mathematics from the University of Hong Kong and a Master's degree in Business Administration from the University of New South Wales and the University of Sydney. He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. He has over 35 years of experience in financial management and corporate governance. Mr. Luk was previously an executive director of a company listed on the Main Board of the Stock Exchange and, chief financial officer and company secretary of various companies listed on the Stock Exchange. Mr. Luk is responsible for overseeing the finance, human resources, digital, administration and company secretarial departments of the Group.

NON-EXECUTIVE DIRECTORS

David Howard GEM, age 83, 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 50, has been appointed as a Non-executive Director of the Company since 4 December 2008. He holds a Bachelor of Science Degree with major in Economics with University of Minnesota, and is an alumni of Stanford Graduate School of Business with a certificate of Stanford Executive Program. He is currently an independent non-executive director of Milan Station Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan was previously the Investment Manager of Springfield Financial Adv. Ltd. in charge of its private equity, fund-of-funds and fixed income investment portfolios. Prior to that, he was with J.P. Morgan Chase.

INDEPENDENT NON-EXECUTIVE DIRECTORS

HO Tai Wai, David, age 75, has been appointed as an Independent Non-executive Director of the Company 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 50 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, both shares of which are listed on the Main Board of the Stock Exchange.

LING LEE Ching Man, Eleanor, SBS, OBE, JP, age 76, 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 and a co-opted member of the Remuneration Committee of West Kowloon Cultural District Authority.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

LO Yiu Ching, Dantes, GBS, JP, age 78, 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 was an independent non-executive director of China Overseas Grand Oceans Group Limited from 18 May 2010 to 27 March 2023, the shares of which are listed on the Main Board of the Stock Exchange.

NG Cheuk Hei, Shirley, age 54, 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 47, 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 73, is responsible for the Group's business development. He is the Chief Operating Officer of the Group's construction activities in Hong Kong, and a director of various companies of the Group. 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 50 years of experience in both civil engineering and building construction.

FONG Wai Pan, Felix, age 46, 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 67, 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 63, 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 projects in Hong Kong.

SENIOR MANAGEMENT (Continued)

LIU Sing Pang, Simon, age 62, 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 a Vice President of Hong Kong Construction Association and 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 60, 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 49, 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 the Deputy Honorary Secretary of Hong Kong Construction Association. He has over 25 years of experience in civil engineering construction.

YEOW Chin Lan, Denis, age 53, 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 58, 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 49, is responsible for the Group's civil engineering operation in Hong Kong, as well as the digital transformation within the Group. 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, 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 2023.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 49 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the five largest customers of the Group together accounted for approximately 82% of the Group's revenue, with the largest customer accounted for approximately 57%, and the five largest suppliers of the Group together represented less than 14% by value of the Group's total purchases.

One of the Group's five largest customers is an affiliated company of Road King. Wai Kee held 336,608,428 shares in Road King ("Road King Shares") as at 31 December 2023, representing approximately 44.92% of ordinary Road King Shares then in issue. As such, any Director or any of his/her close 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 2023, (i) Mr. Zen Wei Peu, Derek ("Mr. Zen", who is a Director) was interested in 24,649,000 Road King Shares, of which 1,000,000 Road King Shares were held by his spouse; (ii) Mr. Zen was deemed to be interested in Road King Shares through 252,540,078 Wai Kee Shares and a security interest over 41,961,000 Wai Kee Shares held by him; and (iii) Mr. Lui Yau Chun, Paul, a Director, was deemed to be interested in Road King Shares through 200,000 of Wai Kee Shares held by him.

In addition, two Directors namely Mr. Luk Chi Chung, Peter and Mr. Ho Tai Wai, David (together with his close associate) each has nominal beneficial interest by holding the listed shares in one of the Group's five largest customers as at 31 December 2023.

Save as disclosed above, none of the other Directors, any of their close 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 2023 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 83 and 84 respectively.

The Board recommends the payment of a final dividend of HK8.0 cents per ordinary share for the year ended 31 December 2023 to shareholders whose names appear in the register of members of the Company on Wednesday, 29 May 2024. Together with the interim dividend of HK4.0 cents per ordinary share paid on 28 September 2023, the total dividend payout for the year amounted to HK12.0 cents per ordinary share. Details of dividends 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 the final dividend will be made on Wednesday, 12 June 2024.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on Tuesday, 21 May 2024 (the "2024 Annual General Meeting"), the register of members of the Company will be closed from Thursday, 16 May 2024 to Tuesday, 21 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2024 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 Tuesday, 14 May 2024.

The proposed final dividend is subject to the shareholders' approval at the 2024 Annual General Meeting. The record date for the proposed final dividend is on Wednesday, 29 May 2024. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Wednesday, 29 May 2024, 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 Monday, 27 May 2024.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 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 to 13, "Corporate Governance Report" on pages 29 to 48, Environmental, Social and Governance Report on pages 49 to 77, "Consolidated Financial Statements" on pages 83 to 174 and "Financial Summary" on page 175. Descriptions 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 are set out in the consolidated statement of changes in equity on page 87.

DISTRIBUTABLE RESERVES

The reserves of the Company which were available for distribution to the shareholders as at 31 December 2023 were HK$21,474,000.

EQUITY-LINKED AGREEMENTS

During the year, the Company had not entered into any equity-linked agreement.

FINANCIAL SUMMARY

A summary of the results and the financial position of the Group for the past five financial years is set out on page 175.

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 as at 31 December 2023 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 44 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the 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
Luk Chi Chung, Peter (appointed on 29 December 2023)

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 headed "Directors and Senior Management".

In accordance with Bye-laws 94 and 111 of the Company's Bye-laws, Mr. Luk Chi Chung, Peter, who was appointed as a Director by the Board in December 2023, will retire from office at the forthcoming annual general meeting and, being eligible, will offer himself for re-election at the meeting.

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Chang Kam Chuen, Desmond, Mr. Chan Chi Hung, Anthony, and Mr. Lo Yiu Ching, Dantes retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the 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 2023 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "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 2023, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (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 C3 of the Listing Rules, were as follows:

(I) The Company

Interests in Shares

		Number of Shares held		
Name of Director	Nature of interest	Long position (Note)	Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Personal	122,775,228	–	9.89
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	Nature of interest	Number of shares held: Long position (Note 1)	Number of shares held: Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Wai Kee	Personal	252,540,078	–	31.84
		Securities interest	41,961,000	–	5.29
	Build King (Zens) Engineering 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. Formerly known as Wai Kee (Zens) Construction & Transportation Company Limited.

Save as disclosed above, none of the Directors or chief executive of the Company 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" on pages 25 to 26 and in note 45 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 his/her heirs, executors and administrators shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she 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 C1 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 competed 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 2023, 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	Nature of interest	Number of Shares	%	Number of Shares	%
Top Horizon Holdings Limited ("Top Horizon") (Note 2)	Beneficial owner	724,435,033	58.33	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 3)	Interest in a controlled corporation	724,435,033	58.33	–	–
Wai Kee (Note 4)	Interest in a controlled corporation	724,435,033	58.33	–	–

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 2023, no other person (other than the 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

Supplementary Agreement with Faith Oriental Investment Limited, an indirect wholly-owned subsidiary of Wai Kee ("Faith Oriental")

On 25 April 2023, the Company announced that Kaden-Titan JV ("Kaden-Titan JV", a joint venture between Build King Construction Limited and Titan Foundation Limited, both being wholly-owned subsidiaries of the Company) (as sub-contractor) entered into a supplementary agreement (the "Supplementary Agreement") with Faith Oriental (as main contractor), pursuant to which the duration of the sub-contract made between Kaden-Titan JV and Faith Oriental on 21 July 2015 (the "Previous Sub-Contract") was extended to 31 December 2025 and the scope of works of the Previous Sub-Contract was expanded to include certain additional works. According to the Supplementary Agreement, Kaden-Titan JV was required to undertake additional sub-contract works related mainly to the transportation of rock materials and servicing temporary site accommodation for Faith Oriental and the government-appointed supervising officer during the extended period. Both parties agreed with an additional sub-contract price of HK$161,415,640 for the additional works under the Supplementary Agreement (subject to adjustment in respect of the actual works completed on the site).

Faith Oriental is an indirect wholly-owned subsidiary of Wai Kee and Wai Kee is a substantial shareholder of the Company. As a result, they are both connected persons of the Company, and the transactions contemplated under the Supplementary Agreement constituted a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Supplementary Agreement exceeded 5%, the transactions were subject to the reporting, announcement, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the Supplementary Agreement were disclosed in an announcement dated 25 April 2023 and a circular to shareholders dated 3 May 2023. The transactions contemplated thereunder were subsequently approved by independent shareholders at the special general meeting of the Company held on 24 May 2023.

During the year, the value of the sub-contract works was HK$47,734,000 and the transaction is disclosed in note 45 to the consolidated financial statements.

Continuing Connected Transactions

Framework Agreements 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 might, but was 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 was subject to annual caps 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

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

Framework Agreements with Wai Kee (Continued)

The transaction contemplated under the 2021 Framework Agreement 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.

As the Company expected the aggregate amounts of Concrete to be procured from Wai Kee might exceed the then annual caps moving forward, 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) from time to time during 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 purchase of Concrete by the Group from Wai Kee (or its subsidiaries and/or associates) for the three years ending 31 December 2025 would 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 contemplated under the 2023 Framework Agreement (the "Concrete CCT") 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.

During the year, the aggregate value of the Concrete CCT was HK$269,604,000, and the transaction is disclosed in note 45 to the consolidated financial statements.

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

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

(b) on normal commercial terms; and

(c) in accordance with the terms of the 2023 Framework Agreement that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

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

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

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

Name of Director	Details of Changes
Zen Wei Peu, Derek	Mr. Zen's annual salary has been revised to HK$8.83 million with effect from 1 January 2024.
Lui Yau Chun, Paul	Mr. Lui's annual salary has been revised to HK$2.70 million with effect from 1 January 2024.
Tsui Wai Tim	Mr. Tsui's annual salary has been revised to HK$2.70 million with effect from 1 January 2024.
David Howard Gem	On 14 February 2024, Mr. Gem entered a Letter of Appointment as a Non-executive Director for a further term of three years from 1 March 2024 to 28 February 2027, subject to retirement by rotation in accordance with the Bye-laws of the Company.
Chan Chi Hung, Anthony	On 14 February 2024, Mr. Chan entered a Letter of Appointment as a Non-executive Director for a further term of three years from 1 March 2024 to 28 February 2027, subject to retirement by rotation in accordance with the Bye-laws of the Company.
Ho Tai Wai, David	On 14 February 2024, Mr. Ho entered a Letter of Appointment as an Independent Non-executive Director for a further term of three years from 1 March 2024 to 28 February 2027, subject to retirement by rotation in accordance with the Bye-laws of the Company.
Ling Lee Ching Man, Eleanor	On 14 February 2024, Mrs. Ling entered a Letter of Appointment as an Independent Non-executive Director for a further term of three years from 1 March 2024 to 28 February 2027, subject to retirement by rotation in accordance with the Bye-laws of the Company.
Lo Yiu Ching, Dantes	On 14 February 2024, Mr. Lo entered a Letter of Appointment as an Independent Non-executive Director for a further term of three years from 1 March 2024 to 28 February 2027, subject to retirement by rotation in accordance with the Bye-laws of the Company.
Ng Cheuk Hei, Shirley	On 14 February 2024, Ms. Ng entered a Letter of Appointment as an Independent Non-executive Director for a further term of three years from 1 March 2024 to 28 February 2027, subject to retirement by rotation in accordance with the Bye-laws of the Company.

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

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

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$112,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the percentage of its public float exceeds 25% for the year ended 31 December 2023 and up to 20 March 2024, 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, 20 March 2024

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 2023, the Company has complied with the code provisions in Part 2 of Corporate Governance Code (the "Code") set out in Appendix C1 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 abovementioned policies, practices and code of conduct have been promulgated across the Group in the form of Employees' Handbook 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 eleven Directors including five Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. The Board members are listed below.

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

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 available 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 2023.

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

Appointment and Re-election

Pursuant to the Bye-laws of the Company, 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 and any Director appointed by the Board as an addition to the existing Board shall hold office only 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 2023, 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 the three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, the annual general meeting held on 24 May 2023 and the special general meetings held on 13 January 2023 and 24 May 2023 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 24 May 2023	Special General Meeting held on 13 January 2023	Special General Meeting held on 24 May 2023
Executive Directors							
Zen Wei Peu, Derek	6/6	–	2/2	4/4	1	1	1
Chang Kam Chuen, Desmond (Note 1)	6/6	–	–	–	1	1	1
Lui Yau Chun, Paul	5/6	–	–	–	1	0	1
Tsui Wai Tim	5/6	–	–	–	1	0	1
Luk Chi Chung, Peter (Note 2) *(Company Secretary)*	–	–	–	–	–	–	–
Non-executive Directors							
David Howard Gem	0/6	–	–	–	0	0	0
Chan Chi Hung, Anthony	6/6	–	–	–	1	0	1
Independent Non-executive Directors							
Ho Tai Wai, David	6/6	4/4	2/2	4/4	1	1	1
Ling Lee Ching Man, Eleanor	6/6	4/4	2/2	4/4	1	1	1
Lo Yiu Ching, Dantes	6/6	4/4	2/2	4/4	1	1	1
Ng Cheuk Hei, Shirley	6/6	4/4	2/2	4/4	1	1	1

"-": Not applicable

Notes:

1. Mr. Chang Kam Chuen, Desmond resigned as Company Secretary and Authorised Representative of the Company with effect from 29 December 2023.

2. Mr. Luk Chi Chung, Peter was appointed as Executive Director, Company Secretary and Authorised Representative of the Company with effect from 29 December 2023. No board meeting or general meeting was held between 29 December 2023 and 31 December 2023.

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 regular basis to keep them appraised 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.

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

THE BOARD (Continued)

Directors' Induction and Continuous Professional Development (Continued)

All Directors are requested to provide the Company with their respective training records pursuant to the Code. Trainings received by each of the Directors during the 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
Luk Chi Chung, Peter#	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 forums

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

The Company Secretary, Mr. Chang Kam Chuen, Desmond and his replacement Mr. Luk Chi Chung, Peter, have each 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 BOARD (Continued)

Board Diversity Policy (Continued)

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 2023.

As at the date of this report, nearly 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.

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. Details on the gender ratio of the Group together with relevant data are narrated under the Environment, Social and Governance Report in this Annual Report.

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.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2023 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 2022 and 2023, and the interim results of the Group for the six months ended 30 June 2023;
- 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;
- Review of the audit plan, including an assessment of the impact of the new accounting standards applicable to the Group, for the year ended 31 December 2023;
- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation;
- Recommendation to the Board to re-appoint the external auditor at the 2023 and 2024 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Review of the 2024 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 Group;
- Review of its terms of reference; and
- Meetings with the external auditor, in the absence of Executive Directors and management.

BOARD COMMITTEES (Continued)

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 his/her duties, and is satisfied with his/her 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 2023 and up to the date of this report:

- Review of the structure, size and composition (including but not limited to gender, age, cultural background, educational background, skills, knowledge, professional experience and/or length of service) of the Board;
- Review of its constitution and terms of reference;
- Assessment of the independence of the Independent Non-executive Directors;
- Review of the Nomination Policy and the Board Diversity Policy (collectively the "Policies");
- Recommendation to the Board on the appointment of an Executive Director;
- Recommendation to the Board on the reappointment of Non-executive Directors and Independent Non-executive Directors;
- Recommendation to the Board on the appointment of a Non-executive Director;
- Review of the measurable objectives for implementing the Policies; and
- Determination of the rotation of the Directors for the 2023 and 2024 annual general meetings.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

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, skills, knowledge, professional experience and length of service.

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

The recommendations of this Committee are then put to the Board for consideration and approval. Thereafter, any Director appointed by the Board is subject to re-election at the general meeting after his/her appointment.

In December 2023, the Board approved the appointment of Mr. Luk Chi Chung, Peter as an Executive Director, who will retire from office at the next following annual general meeting after his appointment and, being eligible, will offer himself for re-election at the annual general meeting to be held on 21 May 2024 (the “2024 Annual General Meeting”).

In March 2024, the Board approved the retirement of Mr. Chang Kam Chuen, Desmond as an Executive Director and also his re-designation as a Non-executive Director (subject to approval by the shareholders of the Company) after the conclusion of the 2024 Annual General Meeting for an initial period of three years commencing from 21 May 2024.

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.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

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.

Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2023 and up to the date of this report:

- Approval of the renewed service contract of an Executive Director;
- Approval of the letters of appointment of Non-executive Directors and Independent Non-executive Directors;
- Approval of performance bonus of Executive Directors, senior management and employees for 2022 and 2023;
- Recommendation to the Board for the emoluments of Executive Directors, Non-executive Directors, Independent Non-executive Directors and senior management (where respective Directors abstained from voting in determining his or her own remuneration);
- Recommendation to the Board for the salary adjustment of employees (excluding Directors and senior management) in 2024;
- Review of its terms of reference;
- Recommendation on remuneration of a newly appointed Executive Director and approval of his service contract; and
- Recommendation on remuneration of a Non-executive Director to be re-designated after the conclusion of the 2024 Annual General Meeting.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

Remuneration policy

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/her own remuneration.

The remuneration of a Director is determined with reference to his/her duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of Directors for the year ended 31 December 2023 are set out in note 10 to the consolidated financial statements of this annual report. The emoluments paid to senior management (excluding the Executive Directors) for the year ended 31 December 2023 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	–
HK$4,000,001 to HK$5,000,000	1
HK$5,000,001 to HK$6,000,000	4
HK$6,000,001 to HK$7,000,000	3
HK$7,000,001 to HK$8,000,000	2

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 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 2023.

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 Company 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 2023 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 2023 are as follows:

Type of services	Fee paid/payable HK$
Audit	2,440,000
Non-audit services	
Interim review	650,000
Other services	3,707,000
Total	6,797,000

Note: Other services comprise a special review on the financial information in the Company's circular dated 26 July 2023 and tax consulting services for the Group.

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 78 to 82 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.

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, the 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 2023. 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.

During the year, there was no incident and the deficiency in internal controls being noted regarding the Concrete CCT. At the request of the Audit Committee, the Internal Audit team carries out regular review and monitoring of the Concrete CCT to ensure the value of the transaction will not exceed the approved cap and proper internal controls are in place.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

During the year, the Internal Audit team conducted systematic reviews of the Group's risk management and internal control systems by using a risk-based audit approach and reviewed 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.

The risk management and internal control review is carried out by the Internal Audit team, comprising well qualified and experienced professionals, and the responsible line managers, 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 systematic review fo the Group's risk management and internal control system, ad hoc audit will be carried out to address certain concerns separately, if required. During the year, there was no concern raised by any whistleblower about possible improprieties in financial reporting, internal control or other matters related to the Group.

The Internal Audit team reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and control 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 achieve 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 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 are 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 Group's persistent drive for excellence in quality, safety and the environment has resulted in obtaining the following awards during the year:

29th Considerate Contractors Site Award Scheme presented by the Development Bureau, Hong Kong SAR Government and Construction Industry Council

- Considerate Contractors Site Award (Bronze Award)
- Five Considerate Contractor Site Awards (Merit Award)
- Six Outstanding Environmental Management & Performance Awards (Merit Award)
- Innovation Awards for Safety and Environmental Excellence (Bronze Award)
- Innovation Awards for Safety and Environmental Excellence (Merit Award)

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT (Continued)

22nd 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)
- OSH Enhancement Program Award - OSH Innovative Award (Bronze Award)
- Occupational Rehabilitation Award (Silver Award)
- OSH Report Award (Merit Award)
- Two Safety Culture Awards (Silver Award)
- Safety Culture Award - Safety Climate Index Survey Best Practices Award (Silver Award)
- Safety Performance Award (Construction Industry) (Excellence Award)
- Safety Performance Award (Construction Industry) (Outstanding Award)
- Rookie Safety Performance Award (Construction Industry) (Excellence Award)
- Two Rookie Safety Performance Awards (Construction Industry) (Outstanding Award)
- Best Presentation Award (Gold Award)
- Best Presentation Award (Silver Award)

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT (Continued)

NEC Award 2023 - NEC Contract Innovation of the Year presented by NEC & ICE

Hong Kong Green Awards 2023 presented by Green Council

- Environment, Health and Safety Award (Large Corporation) (Gold Award)
- Environment, Health and Safety Award (Large Corporation) (Silver Award)
- Environmental, Health and Safety Award (Large Corporation) (Bronze Award)
- Three Environment, Health and Safety Awards (Large Corporation) (Merit Award)
- Green Management Award (Large Corporation) (Gold Award)
- Two Green Management Awards – Project Management (Large Corporation) (Silver Award)
- Green Management Award – Project Management (Large Corporation) (Bronze Award)
- Five Green Management Awards – Project Management (Large Corporation) (Merit Award)
- Sustained Performance 5 years + Award
- Two Sustained Performance 3 years + Awards

HKCA Hong Kong Environmental Award 2022 - Hong Kong Construction Association

- Three Environmental Merit Awards

Three HKCA Proactive Safety Contractor Awards 2022 presented by Hong Kong Construction Association

Green Building Award 2023 presented by Hong Kong Green Building Council

- Existing Buildings Category Award (Merit Award)
- Two New Buildings Category Awards (Merit Award)

CIC Sustainable Construction Award 2023 – Industry Practitioners presented by Construction Industry Council

- Two Merit Awards

The Group has fulfilled its duties throughout the year as a responsible corporation, demonstrating strong management commitment and professional expertise. Looking ahead, the Group shall continue to lead by example and motivate all employees and subcontractors to continuously enhance the Group's performance in Quality Assurance, Safety and Environmental Protection.

CONSTITUTIONAL DOCUMENTS

For the purpose of conforming with the latest Listing Rules and the applicable laws of Bermuda, and making other consequential and housekeeping amendments that are in line with the other proposed amendments, the Company adopted a new bye-laws ("New Bye-laws") in 2023. The adoption of the New Bye-laws was approved by the Shareholders at 2023 annual general meeting. The New Bye-laws is available on the websites of the Stock Exchange and the Company.

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 at all times 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 and administrative 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 maintaining effective communication 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 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 since 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 is 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 eighth Environmental, Social and Governance Report, which covers our sustainability performance from 1 January 2023 to 31 December 2023.

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 teams 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 operations. The latest independent engagement was conducted in 2022.

On behalf of the Board, I would like to express my appreciation and gratitude to the management teams for their effort in delivering on our sustainability commitments in 2023.

Zen Wei Peu, Derek
Chairman

Environmental, Social and Governance Report

ABOUT THIS REPORT

This Report contains information on our main business in Hong Kong as a main contractor providing all round construction-related services to a portfolio of clients including Hong Kong government departments, quasi-government authorities and institutions, and private developers. Currently, there are approximately 48 active construction projects contributing 98% of the Group's revenue for the financial year 2023 and employing 91% of the Group employees. Owing to the differences in reporting standards across the regions, the information on our environmental infrastructure projects in Mainland China 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 2023 to 31 December 2023. The content can be found on pages 71 to 77.

This Report was developed referencing existing local and globally recognized reporting frameworks, namely Hong Kong Stock Exchange (HKEX) Appendix C2 of the Main Board Listing Rules (HKEX ESG Reporting Guide). A summary of our key performance data is shared in the Performance Data Summary 2023 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 Reporting 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 aspect 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") set out in Appendix C1 of the Listing Rules. The detailed content can be found in the Corporate Governance Report on pages 29 to 48.

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 assistance from other operating departments including the Business Department, the Company Secretarial Department, the Human Resources Department, the Procurement Department, the Safety & Environment Department, and the Training & Development Department. Delegated Managers are accountable for the actual implementation of the policies and in turn, delegate responsibility and authority to subordinates according to their function.

ESG MANAGEMENT APPROACH (Continued)

Materiality Assessment

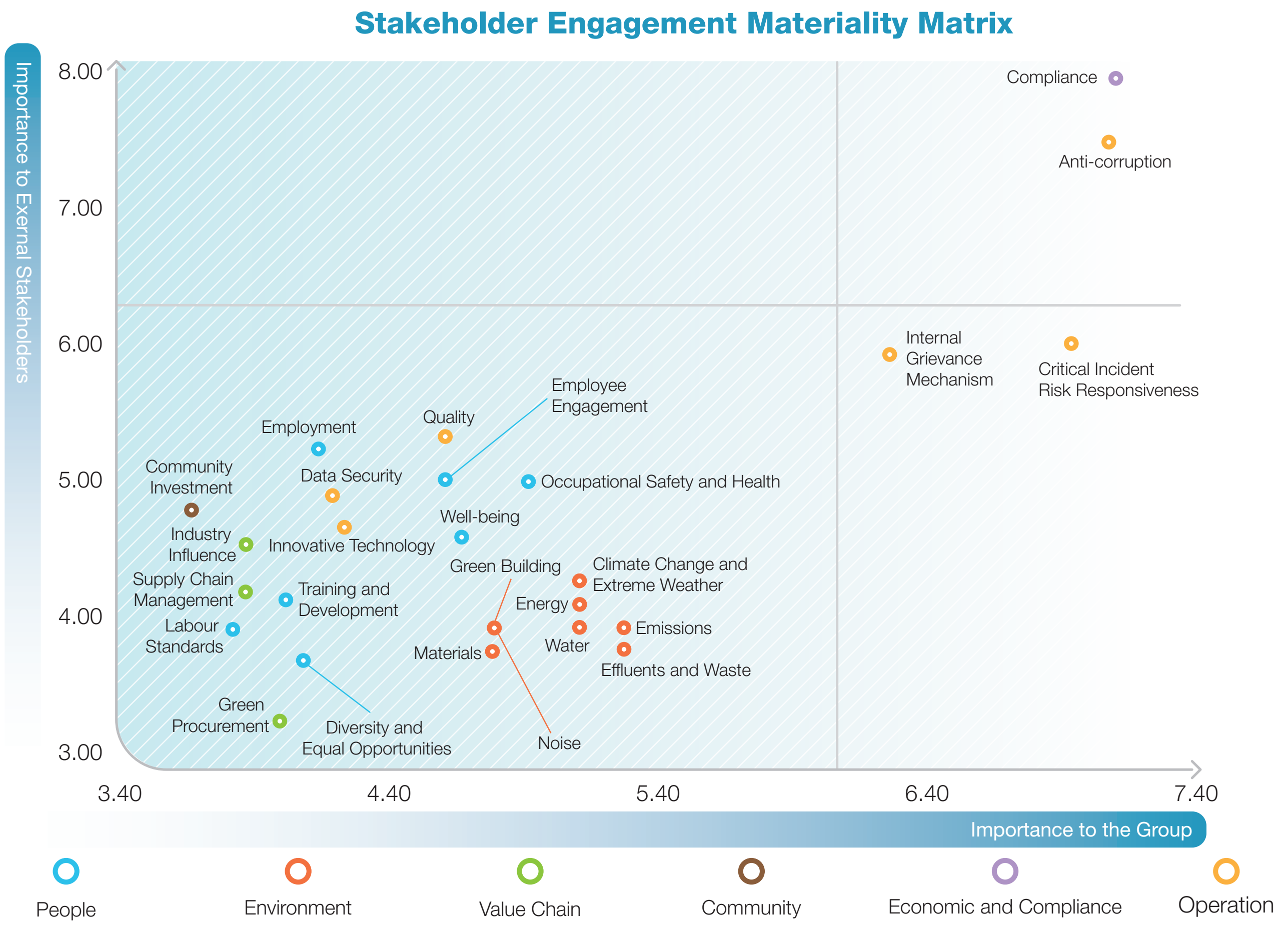
Based on the latest stakeholders engagement process conducted in 2022, the following 26 ESG issues were identified:

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.



According to the results of the telephone interviews and online surveys, we understand that it is difficult to satisfy all the expectations of our stakeholders. Notwithstanding, their valuable feedback and suggestions enabled us to formulate more focused strategies for our performance, which in turn facilitated 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, and 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 essential to our success. By upholding fair employment practices and growing the capabilities of our workforce, we aim to create a work culture that can motivate and empower every employee to be innovative and professional.

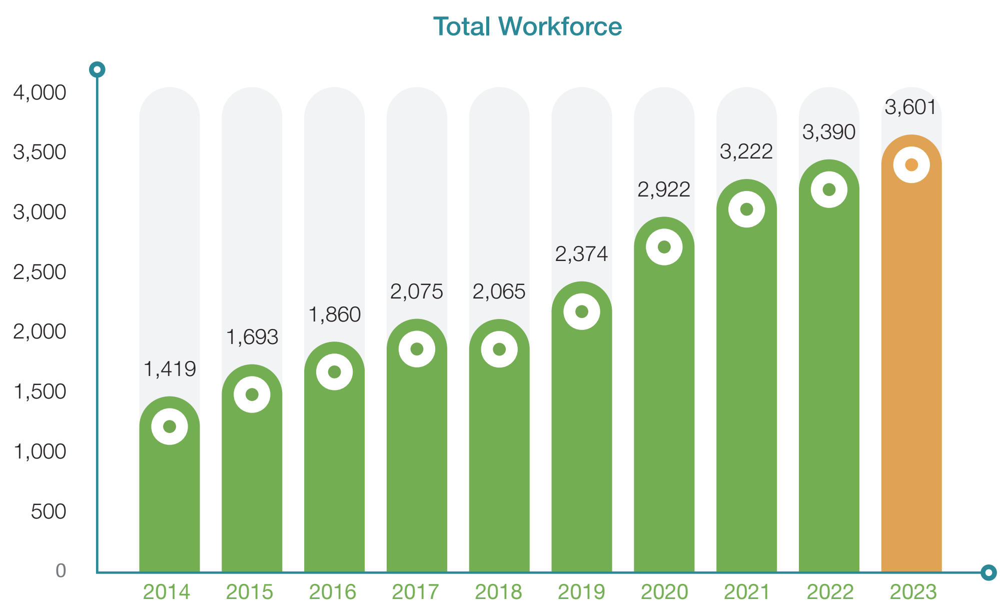
We respect the fundamental rights of our employees and are committed to building an equal, diverse, and inclusive working environment, and providing equal opportunities in all aspects of employment regardless of gender, race, ethnic origin, marital status, education level, or disability. In 2023, there was no known report of any incidence of discrimination by our employees in the Group.

The Group has complied with the local employment legislation. 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. Self-audit and ad-hoc assessments are conducted regularly to review employment practices and to detect and rectify any control deficiencies. In 2023, no operation reported any child or forced labour.

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

Employee Composition

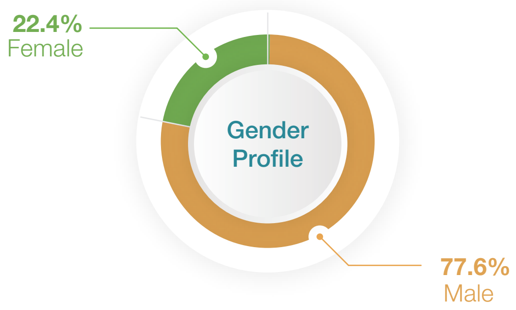
The total number of employees has reached 3,601 as at 31 December 2023, an increase of around 6% as compared to the previous year.

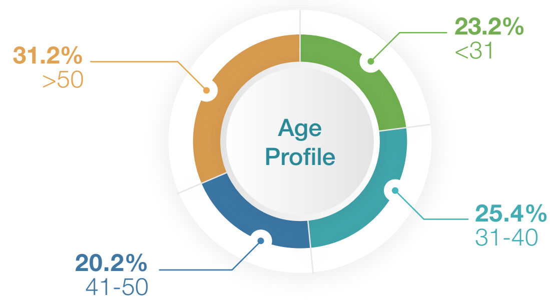


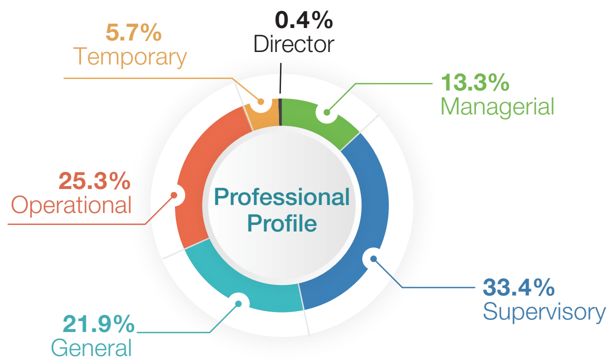
PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

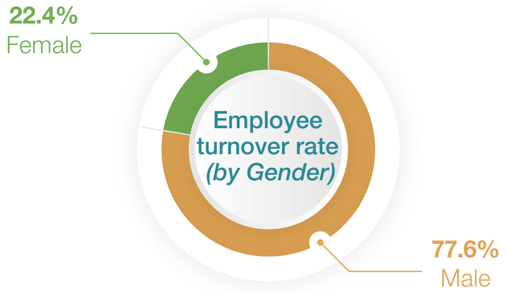
Employee Composition (Continued)

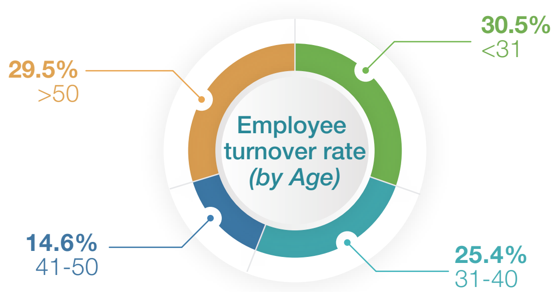
As at 31 December 2023, 22% of our total workforce was female and 78% was male, and the workforce was evenly distributed among all age groups.











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 our intranet communication platform, regular departmental meetings, seminars, and workshops. We believe these channels could open dialogues with our employees and could collect feedback and exchange views on the Group's issues.

Diversity and Equal Opportunities

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

Well-being

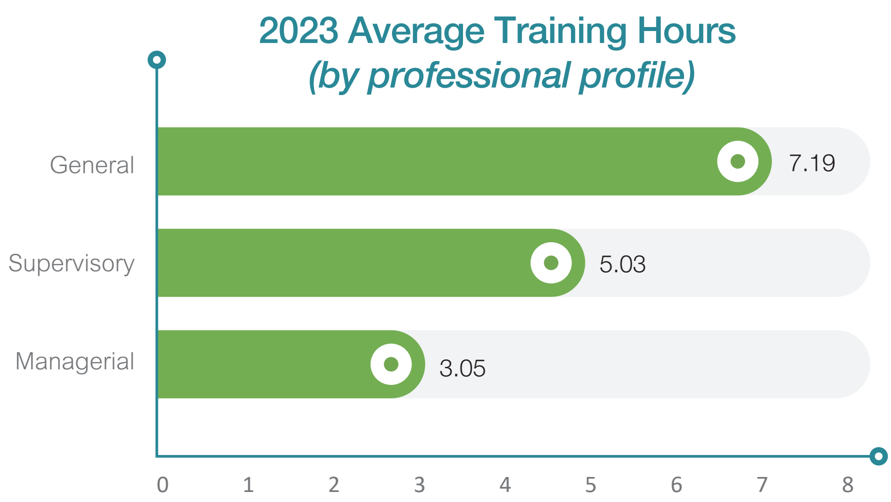
The Group cares about the well-being of our employees and is dedicated to providing employees with a healthy and safe working environment. In 2023, the Group was awarded the Caring Company by The Hong Kong Council of Social Service and MPF Good Employer 5 Years+ by the Mandatory Provident Fund Schemes Authority. The Group also adopts family-friendly employment practices that reduce the number of working days of monthly operational staff which enable them to balance responsibilities of work and families and boost staff morale and sense of belonging.

Welfare

The Group commits to continually improving our employees' healthcare and well-being schemes. In 2023, the Group commenced providing group medical care benefits to eligible dependents of our monthly operational staff. This enables our employees to take better care of their dependents and demonstrate we are a caring company.

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's and Master's Degree Education Sponsorship to encourage and foster a lifelong and continuous learning culture.

We continue our dedication to nurturing young talents. In 2023, 13 staff were selected to join the Talent Development Program Season 2, aiming to nourish a group of high-potential junior management staff to become the Group's future leaders. The selected staff are guided and coached by responsible directors under their personal and career development plans drawn up by the Group tailoring their development.

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

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Safety and Health Policy

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

The Group ensures a safe and healthy working environment for 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 sub-contractors.

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 in our safety performance, we adopt a risk-based control approach to ensure all working procedures comply with laws, regulations, and risk assessment. The Group had one fatal accident in 2023 for the past three years. In 2023, the accident frequency rate was 0.12 per 100,000 man-hours worked against the target rate of 0.21, and the total lost days due to work injuries were 4,221.

Control Mechanisms

The Group has implemented and maintained various safety control mechanisms 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 at the corporate level. The Cross Site Safety & Environmental Assessment carried out by the Senior Safety & Environment Officers has provided a platform for them to exchange innovative safety measures, and the fellow Safety & Environment Officers and Assistant Safety & Environment Officers could also widen their scope of safety knowledge, and hence a continual improvement of the safety performance of the Group could be achieved.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Foster Safety Culture

Effective training paves the way for fostering the safety culture of our staff. To keep our workers interested and focused in the daily training courses, we invite experienced workers as "Star Tutors" to share their experience of on-site safety during the morning briefing sessions in addition to the formal safety training conducted by the safety officers and foremen. Their involvement has created a positive impact and effectiveness to our training. Workers provide feedback that the sharing of Star Tutors combines theory with practical experience, which makes the training both enjoyable and informative.

Smart Site Safety System

The Group is convinced that an ounce of prevention is better than a pound of cure. In light of this, the Group has invested massive resources and taken proactive actions to prevent the occurrence of accidents.

The Smart Site Safety System ("SSSS") introduced by the Development Bureau is a useful tool for identifying potentially dangerous incidents and alerting any unsafe act. It could also serve as a database for analyzing the independent safety problems of each construction site and assist site safety personnel in formulating corresponding improvement measures. Given this, the Group has decided to adopt all 10 main categories of SSSS products to all its sites (including public works and non-public works contracts) from 2023 onwards.

BUILDING TOWARDS A BETTER ENVIRONMENT

Climate change is an important issue of global concern. To minimize the impact of global warming, the Group is committed to providing information, training, and resources 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 providing professional engineering services in compliance with all relevant environmental legislations to minimize the nuisance to the public. On top of providing information, training, and resources for sustainable development, we ensure all employees and sub-contractors are managing their work in compliance with the Group's Environmental Policy and environmental legislation.

To identify the potential environmental issues during the construction process at an early stage, we will complete the Environmental Aspect Evaluation Form before project commencement. Environmental aspects at various construction stages including design, tender, procurement, transportation, and construction will be considered for implementing the mitigation measures. Moreover, we will invite external auditors to conduct ISO audits annually to ensure the Group's construction activities have complied with the 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 a 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 legislation. Toolbox talks are also provided to remind them of the corresponding environmental mitigation measures for various procedures. Besides, the environmental management team conducts weekly site inspections 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 alert the management and frontline staff.

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Air Quality Management

To closely monitor the pollution effects on the environment, real-time air quality monitoring data is taken, which shows the data of $PM_{2.5}$ and PM_{10}. In case the pollutant concentration data exceeds the action and limit levels, remedial actions will be taken immediately to reduce the nuisance to residents nearby.

In 2023, the Group had 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

Removable acoustic covers are specifically designed for noise reduction compartments for various construction processes. The covers are made of sound-absorbing materials that effectively absorb and dampen noise generated during construction, preventing it from propagating to the surrounding residents.

Effluent and Water Management

To conserve resources, rainwater and wastewater are collected by the Wastewater Treatment Plant for treatment. The treated effluent is then recirculated to the wheel washing facilities for reuse, which has greatly reduced the amount of effluent discharge from sites.

Chemical Waste Management

Although most construction works do not contain asbestos nowadays, it is not difficult to find materials containing asbestos in old structures. To comply with the Waste Disposal Ordinance, we hire registered asbestos contractors to carry out the removal of these structures in a safe and law-compliant manner.

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Green Building

The Group is committed to adopting construction methods that can reduce the consumption of natural resources. In traditional construction methods, I-beams are commonly used for excavation and lateral support works, in which welding and heating processes are required to generate scrap iron. As a solution, a hybrid hydraulic tubular shoring system has been used by the Group as an advanced construction method. This method, classified as “Design for Manufacturing and Assembly” (DfMA) products, significantly reduces waste generation and eliminates the need for welding and heating processes. Furthermore, it contributes to advancing sustainable development.

Reduce Carbon Footprint

To conserve natural resources, electric vehicle (EV) chargers are installed at site car parks. Using electric vehicles not only improves roadside air quality but also reduces greenhouse gas emissions by reducing the combustion of fossil fuel.

Energy Efficiency

To reduce fossil fuel consumption, solar energy panels are widely used at sites. The solar panels capture sunlight and convert it into electrical energy for applications of use in lighting, mosquito traps, and warning lanterns.

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Carbon Reduction

Although diesel fuel is still widely used, we adopt biodiesel as an alternative fuel source that promises a lower level of pollutants and climate change-fighting properties to reduce carbon emissions.

Sustainable Use of Resources and Waste Management

The Group has designated site areas at Tung Chung for sorting and treating excavated inert materials to ensure that no such materials are delivered to public fill reception facilities for disposal. We aim to maximize the reuse of these treated materials by coordinating with other Tung Chung projects to achieve the purpose of minimizing waste generation.

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

Project Cycle	Actions Taken
Design and Planning Stage	• Accurately estimate the construction material need by using software and detailed calculation • Review conforming design provided by clients, seek opportunities for cost saving and alternative design • Identification of alternative disposal ground • Fully utilize 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 believes 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***

  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

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Climate Change (Continued)

- ***Strategy***

  A Safety Management Plan and an Environmental Management Plan are drawn up before the commencement of a project setting out the measures to be undertaken for extreme weather impacts such as extreme heat, flooding, and typhoons. The plans will be periodically reviewed and updated to meet the industry's approach to climate change.

- ***Risk Management***

  Some of the risks related to climate change have been addressed in our Safety Management Plan and the Environmental Management Plan, which include extreme heat, flooding, and typhoons. We mitigate risks related to physical climate events by measures such as training, regular health checking, distribution of heat stress-related materials, and emergency drills. We will continue to delve into a deeper understanding of other impacts of climate change and integrate them into our overall risk process with increased disclosure in future reports.

- ***Metrics and Targets***

  The Group strives to reduce the carbon footprint through planning, design, construction, commissioning, operation, management, and maintenance. As our operation consumes a large amount of natural resources, our efforts are mainly focused on carbon reduction and materials recycling. We will continue to review the targets by reference to our business development needs.

SUPPLY CHAIN MANAGEMENT

We recognize the importance of the management of our suppliers and sub-contractors in the development and ongoing success of our business. To secure the delivery of excellent projects for our clients, we actively manage our supply chain and the timing, quality, and progress of services of our suppliers and sub-contractors.

The Group's supply chain network involves approximately 3,400 active suppliers and sub-contractors which are all 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 laid out in the contract documents and require them to strictly follow the policy and 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 identified.

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 procedures and standing instructions in selecting our suppliers and sub-contractors. Prior to any purchasing and subletting process, performance assessments are conducted on potential suppliers and sub-contractors on a competitive basis. The assessment criteria include but are not limited to assurance of stable supply, quality, and cost. We select and work with suppliers and sub-contractors who meet our high 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 detailing the measures and strategies for 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 requirements such as ISO 9001:2015 Quality Management System. We provide technical assistance and supervision to suppliers and sub-contractors for quality assurance and educate them on anti-corruption terms. Meanwhile, we encourage feedback from our suppliers and sub-contractors, which may help us understand their needs and facilitate us in formulating future policies.

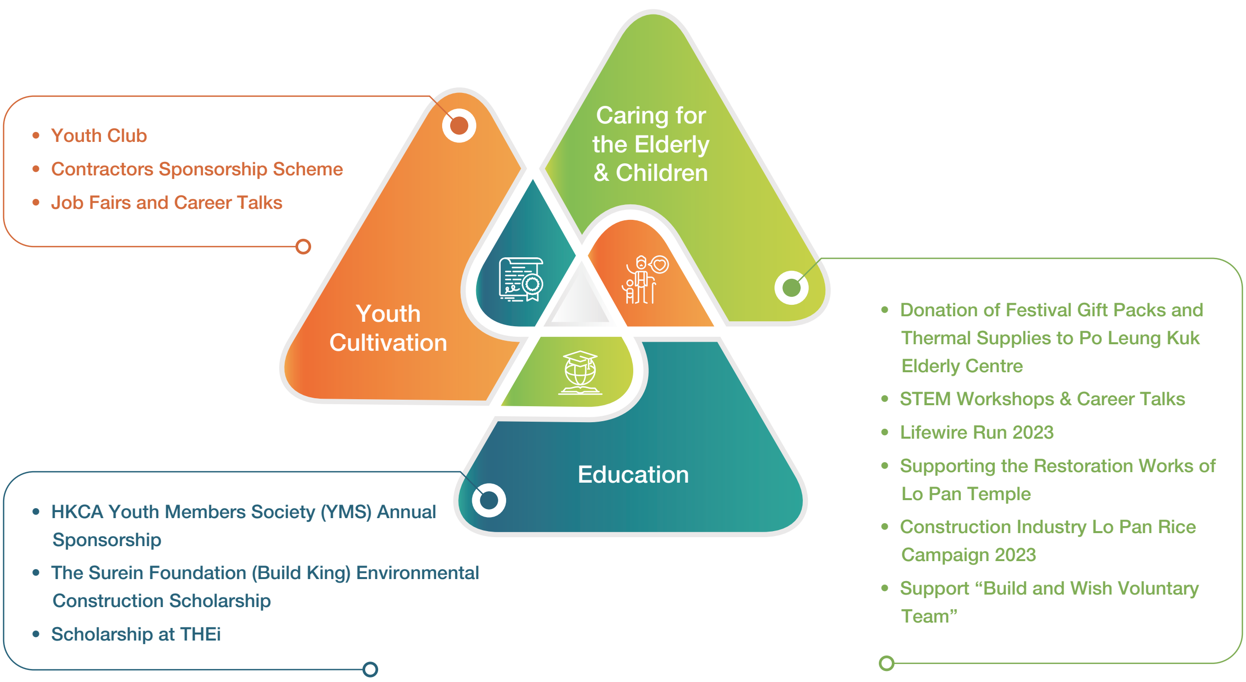
CARING FOR OUR COMMUNITY

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

Corporate Social Responsibility Policy

The Group has a strong commitment to integrity and responsibility towards our stakeholders and local communities. Actively participating in and witnessing the infrastructure development of Hong Kong, we ensure that our businesses are operated according to rigorous ethical and legal standards. Our efforts have been directed at promoting community voluntary works and spreading the spirit of caring for the community among staff, emphasizing the positive value of self-commitment towards building a harmonious society.

We work in partnership with local communities and contribute resources to charity work and educational opportunities, focusing on the three main areas of Youth Cultivation, Education, and Caring for the Elderly & Children.



CARING FOR OUR COMMUNITY (Continued)

Youth Cultivation

Youth Club

Since 2016, we have established a Youth Club for our young engineers to provide them with a platform for diverse experience sharing and learning. In 2023, the committee organized various activities including the 2030 SDGs game, in-door bouldering, tufting workshop, candle-making workshop, volunteer work – cattery cleaning, CIC iHub visiting, and kayaking.

Contractors Sponsorship Scheme

We continued to sponsor this Scheme in 2023. In addition to the monthly sponsorship, applicants were invited to join a 3-month site internship program. The Group hopes to attract more talents to join the construction industry through this scheme and in turn recruit more graduates from the Hong Kong Institute of Construction.

Job Fairs and Career Talks

A total of 49 general job fairs and on-camp career talks were organized in Hong Kong and Mainland China in 2023. This allows job seekers as well as students to have a better understanding of the trends of the construction industry in Hong Kong 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 in the construction industry. In 2023, we continued to sponsor YMS to enhance members' understanding of the construction industry through various events and assist them in their professional growth and career development.

The Surein Foundation (Build King) Environmental Construction Scholarship

The Surein Foundation (Build King) Environmental Construction Scholarship was established in 2023 to encourage and support student research relating to environmental issues in the construction industry, including how to mitigate, address, and manage the environmental challenges encountered during the construction process.

CARING FOR OUR COMMUNITY (Continued)

Education (Continued)

Scholarship at THEi

Dedicated to the educational advancement of the younger generation, the Group continued to offer scholarships to students enrolled in the Science and Technology Faculty of THEi. This initiative aims to encourage students to maximize their potential in this field, fostering their personal and professional growth towards developing a successful career.

Caring for the Elderly & Children

Donation of Festival Gift Packs and Thermal Supplies to Po Leung Kuk Elderly Centre

To address the increasing need for elderly care particularly 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.

As in past years, we donated festival gift packs such as rice dumplings and mooncakes to Po Leung Kuk Elderly Centre in 2023 which were shared among the elderly residents and their families. Additionally, we donated body warmers and soup packs to remind them to take necessary precautions and stay warm during the winter season.

STEM Workshops & Career Talks

We organized STEM workshops in 2023 to provide secondary school students with insights into community greening initiatives in Hong Kong. Through DIY activities like creating moss terrariums, students gained practical experience in landscape design, igniting their interest in STEM and paving the way for careers in engineering. Additionally, career talks were organized to familiarize students with the routine tasks of civil engineers and offer guidance on relevant elective courses and further studies for those considering a future in civil engineering.

CARING FOR OUR COMMUNITY (Continued)

Caring for the Neighborhood

Lifewire Run 2023

The Group continued its support of the Lifewire Run in 2023, which gathers people from all walks of life to raise funds for children with rare diseases. Each patient's story was documented through texts and videos to promote public awareness of these diseases. This year, the Group also sponsored charitable organizations to participate in this event to benefit families in need and promote the spirit of inclusive society.

Supporting the Restoration Works of Lo Pan Temple

Lo Pan Temple, accorded Grade 1 status by the Antiquities Advisory Board, is the only temple in Hong Kong dedicated to Lo Pan. To support the fund raising event of Hong Kong Lo Pan Kwong Yuet Tong, the Group donated for the restoration works of the Lo Pan Temple in 2023.

Construction Industry Lo Pan Rice Campaign 2023

We continued to participate in the "Construction Industry Lo Pan Rice Campaign 2023" 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.

Support "Build and Wish Voluntary Team"

"Build and Wish Voluntary Team" is a non-profit charitable organization composed of a group of dedicated volunteers, committed to serving the disadvantaged in the communities. The Group supported the organization's activities in 2023, including assisting in their Homeless Night Food Distribution Programme, and will continue our collaborative efforts in helping individuals in need in the upcoming year.

ENHANCEMENT ON OPERATION

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

Innovative Technology

The Group is committed to enhancing site safety and productivity through innovative technology. The Group has allocated resources to support new initiatives that use licensed or custom-made devices and systems for different projects. The previous sessions on environmental and safety have demonstrated some examples of the technology used.

Quality Management

The Group has instituted an integrated management system and details can be found in the section headed "Quality Assurance, Safety and Environmental Management" on pages 44 to 46.

Under the system, all our employees and sub-contractors are required to follow the policies and procedures specified in the Management Manual, Company Procedures, and the associated standing instructions in carrying out their work. To monitor the effectiveness of system implementation, our internal audit programme will be carried out whereby our quality assurance personnel will be engaged in the mega projects undertaken.

Information Security

In the digital era, data security threats are constantly increasing and pose a material risk to the Group and our clients. We are alert to the possibility of security breaches and assess and manage privacy and security risks to improve our resilience. The Group's Information Security Policy and Rules and Regulations establish our principles when handling and protecting personal data and confidential information.

We use appropriate electronic and managerial measures to safeguard personal data, such as encrypting sensitive personal data. We comply with the Personal Data (Privacy) Ordinance of Hong Kong and all relevant regulations across the Group.

The Group is dedicated to protecting data privacy and preventing data leakage or loss by applying strict physical security measures and industry best practices. Moreover, we have implemented cybersecurity measures such as the latest Cybersecurity protection technology, Endpoint security protection, and regular data backup to ensure data integrity.

Anti-corruption

At Build King, we take anti-corruption and avoidance of bribery seriously, concerning these issues as a 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's policies. We also organize seminars regularly on integrity and corruption prevention for our employees. In 2023, a total of 414 employees 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.

ENHANCEMENT ON OPERATION (Continued)

Internal Grievance

To maintain a harmonious and harass-free environment, the Group welcomes employees to report or complain under the Group's grievance mechanism. A Chairman's mailbox, which is accessible by our Chairman and the Internal Audit team only, has been set up on the intranet. Employees can raise the matter formally and provide information on their grievances in writing directly to our Chairman. If the complaints appear valid, a formal investigation will be conducted by the Internal Audit team and the results of the investigation will be reported to our Chairman and the Audit Committee. This mechanism allows employees to file grievances, express opinions, and raise concerns about the Group's governance and ensures all valid grievances, opinions, and concerns are being dealt with in a proper and timely manner.

Critical Incident Risk Responsiveness

A dedicated team of senior managers from the Business Department, the Safety & Environmental Department, and other operation departments has been established with clear procedures and guidelines in place to manage, control, and mitigate risks arising from the occurrence of a critical incident. The team will engage external professionals to provide expert guidance and services to the Group in addressing the risks on a needed basis.

Digital Transformation

The Group is committed to digital transformation to improve efficiency and collaboration in our work environment. We have adopted innovative solutions to reduce paper usage and automate workflows across our business units. Advanced technologies have been deployed to enable and support our digital activities. The Group is planning to upgrade its hardware and software systems to further automate and streamline its workflows with the ultimate goal of boosting its profitability and staying ahead in the industry.

Recycling and Reuse

We encourage our staff to participate in various recycling initiatives that support the reuse and recycling of devices and supplies. We ensure that items such as toner and ink cartridges, computers, and related accessories are recycled through the Computer and Communication Products Recycling Program. We also support our recycling efforts by donating used IT equipment to charitable organizations.

PERFORMANCE DATA SUMMARY 2023

	Environment	2023	2022
Environment	***Total Resources Consumption***		
	Electricity (kWh)	**19,449,851.00**	16,021,984.00
	Petrol (litres)	**386,755.82**	292,008.42
	Diesel (litres)	**11,053,109.81**	13,647,638.86
	Water (m^3)	**742,061.53**	1,000,399.73
	Types of emissions		
	NOx emissions (g)	**22,155,956.59**	18,826,130.04
	PM emissions (g)	**1,776,559.24**	1,528,825.99
	SOx emissions (g)	**183,640.38**	224,019.51
	Greenhouse Gases Emissions		
	Total emissions (tCO_2e)	**38,059.57**	53,049.56
	Scope I (tCO_2e)	**29,967.21**	36,495.63
	Scope II (tCO_2e)	**7,462.92**	15,766.14
	Scope III (tCO_2e)	**629.44**	791.63
	Waste		
	Hazardous waste (tonnes)	**138.45**	717.77
	Non-hazardous waste (tonnes)	**594,242.60**	130,233.00
	Paper		
	Paper Consumption (tonnes)	**64.90**	76.51
	Paper Recycled (tonnes)	**24.39**	12.73
	Intensity		
	Hazardous waste	**34.61**	179.44
	Non-hazardous waste	**12,127.40**	2,831.15
	Energy consumption	**442,042.07**	208,077.71
	Water consumption	**17,257.24**	13,163.15
	Greenhouse Gases Emissions	**864.99**	689.01

PERFORMANCE DATA SUMMARY 2023 (Continued)

	Employment	2023	2022
Social	***Total Workforce***		
	By Age		
	<31	**835**	799
	31-40	**915**	1,189
	41-50	**726**	767
	>50	**1,125**	635
	By Gender		
	Male	**2,793**	2,492
	Female	**808**	898
	By Professional Profile		
	Director	**15**	14
	Managerial	**479**	420
	Supervisory	**1,201**	1,041
	General	**788**	730
	Operational	**911**	981
	Temporary	**207**	204
	By Employment Type		
	Full time	**3,599**	3,390
	Part time	**2**	0
	By Region		
	Hong Kong	**3,297**	3,093
	Mainland China	**297**	297
	The Philippines	**7**	—
	Employee Turnover		
	By Age		
	<31	**308**	337
	31-40	**256**	268
	41-50	**147**	199
	>50	**298**	308
	By Gender		
	Male	**783**	902
	Female	**226**	210
	By Region		
	Hong Kong	**885**	995
	Mainland China	**124**	117

PERFORMANCE DATA SUMMARY 2023 (Continued)

	Employment	2023	2022
Social	***Occupational Health and Safety***		
	Work-related injuries	**33**	18
	Accident Frequency Rate (per 100,000 man-hours)	**0.12**	0.06
	Accident Frequency Rate (per 1,000 workers)	**4.07**	2.15
	Training and Development		
	Average Training Hours	**5.32**	5.60
	Percentage of Employees Trained		
	By Gender		
	Male	**37%**	36%
	Female	**30%**	33%
	By Professional Profile		
	Managerial	**28%**	44%
	Supervisory	**34%**	31%
	General	**37%**	34%
	Average Training Hours Completed per Employee		
	By Gender		
	Male	**5.60**	6.02
	Female	**4.33**	3.87
	By Category		
	Managerial	**3.05**	8.81
	Supervisory	**5.03**	4.13
	General	**7.19**	5.78

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 2023
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 2023
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 2023
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 2023
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2023
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 part-time), age group and geographical region.	Performance Data Summary 2023
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary 2023
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 2023
KPI B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary 2023
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 for safety and health reasons.
2. Immaterial amount of products and service related complaints received for safety and health reasons.
3. Intellectual property rights are 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 83 to 174, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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 in Hong Kong 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 in Hong Kong was HK$12,290,182,000, which represents 98.3% 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$604,478,000 and HK$3,658,732,000, respectively, which represents 7.3% and 44.0% 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.

- 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.

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)

- 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
20 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	NOTES	**2023 HK$'000**	2022 HK$'000
Revenue from services	5	**12,507,050**	12,422,558
Cost of sales		**(11,200,351)**	(11,441,658)
Gross profit		**1,306,699**	980,900
Investments and other income	7	**32,370**	68,948
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		**(123,441)**	(56,106)
Administrative expenses		**(544,341)**	(436,671)
Finance costs	8	**(27,459)**	(17,061)
Share of results of joint ventures		**(4,048)**	11,566
Share of results of associates		**1,220**	(106)
Profit before tax	9	**641,000**	551,470
Income tax expense	12	**(173,551)**	(122,304)
Profit for the year		**467,449**	429,166
Profit (loss) for the year attributable to:			
Owners of the Company		**473,518**	434,327
Non-controlling interests		**(6,069)**	(5,161)
		467,449	429,166
		HK cents	HK cents
Earnings per share	14		
– Basic		**38.1**	35.0

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Profit for the year	**467,449**	429,166
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(11,093)**	(36,870)
Share of reserves of joint ventures	**–**	36
Total comprehensive income for the year	**456,356**	392,332
Total comprehensive income (expense) attributable to:		
Owners of the Company	**463,623**	401,526
Non-controlling interests	**(7,267)**	(9,194)
	456,356	392,332

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	15	**440,438**	467,391
Right-of-use assets	16	**75,921**	80,682
Intangible assets	17	**313,829**	331,304
Goodwill	18	**30,554**	30,554
Interests in joint ventures	20	**60,565**	64,613
Interests in associates	21	**5,394**	4,131
Loan to an associate	22	**—**	2,700
Other financial asset at amortised cost	23	**29,799**	32,507
Financial assets at FVTPL	28	**735,954**	1,220
		1,692,454	1,015,102
Current assets			
Inventories	24	**480,705**	114,502
Loan to an associate	22	**2,331**	—
Debtors, deposits and prepayments	25	**962,189**	705,039
Contract assets	26	**3,658,732**	2,964,937
Amounts due from fellow subsidiaries	27	**1,932**	1,812
Amount due from a joint venture	27	**647**	663
Amounts due from associates	27	**8,001**	8,120
Amounts due from other partners of joint operations	27	**28,950**	23,885
Financial assets at FVTPL	28	**54,161**	118,740
Tax recoverable		**22,701**	21,489
Pledged bank deposits	29	**69,593**	74,019
Time deposits with original maturity of not less than three months	29	**35,697**	235,101
Bank balances and cash	29	**1,299,649**	2,037,124
		6,625,288	6,305,431
Current liabilities			
Creditors and accrued charges	30	**4,421,965**	3,988,095
Contract liabilities	31	**555,144**	512,747
Lease liabilities	32	**29,216**	27,052
Amount due to an intermediate holding company	33	**19,594**	18,810
Amounts due to fellow subsidiaries	33	**370**	7,859
Amounts due to other partners of joint operations	33	**32,545**	9,063
Amounts due to non-controlling interests	33	**1,098**	1,098
Amount due to an associate	34	**23,212**	22,107
Tax payable		**201,524**	230,902
Bank loans - due within one year	35	**215,471**	289,753
		5,500,139	5,107,486
Net current assets		**1,125,149**	1,197,945
Total assets less current liabilities		**2,817,603**	2,213,047

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Capital and reserves			
Ordinary share capital	36	**124,188**	124,188
Reserves		**2,252,282**	1,968,731
Equity attributable to owners of the Company		**2,376,470**	2,092,919
Non-controlling interests		**25,758**	33,025
Total equity		**2,402,228**	2,125,944
Non-current liabilities			
Deferred tax liabilities	37	**5,750**	5,750
Obligations in excess of interests in associates	21	**13,899**	14,075
Amount due to an associate	34	**1,035**	1,420
Lease liabilities	32	**39,575**	42,858
Other creditors	38	**355,116**	23,000
		415,375	87,103
		2,817,603	2,213,047

The consolidated financial statements on pages 83 to 174 were approved and authorised for issue by the Board of Directors on 20 March 2024 and are signed on its behalf by:

Zen Wei Peu, Derek
Chairman

Luk Chi Chung, Peter
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	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 2022	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 47)	–	–	–	–	–	–	–	–	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**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**473,518**	**473,518**	**(6,069)**	**467,449**
Exchange differences arising on translation of foreign operations	**–**	**–**	**(9,895)**	**–**	**–**	**–**	**–**	**(9,895)**	**(1,198)**	**(11,093)**
Total comprehensive (expense) income for the year	**–**	**–**	**(9,895)**	**–**	**–**	**–**	**473,518**	**463,623**	**(7,267)**	**456,356**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(180,072)**	**(180,072)**	**–**	**(180,072)**
At 31 December 2023	**124,188**	**14,186**	**(9,451)**	**(35,313)**	**(63,141)**	**4,290**	**2,341,711**	**2,376,470**	**25,758**	**2,402,228**

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 2023

	2023 HK$'000	2022 HK$'000
Operating activities		
Profit before tax	641,000	551,470
Adjustments for:		
Finance costs	27,459	17,061
Amortisation of intangible assets	13,825	89,936
Depreciation of property, plant and equipment	69,745	72,632
Depreciation of right-of-use assets	33,407	29,182
Profit from construction work of service concession arrangement	(208)	(1,068)
Share of results of joint ventures	4,048	(11,566)
Share of results of associates	(1,220)	106
Gain on disposal of property, plant and equipment	(1,718)	(5,149)
Decrease in fair value of financial assets at FVTPL	123,441	56,106
Dividends from financial assets at FVTPL	(104)	(877)
Interest on financial assets at FVTPL	(4,202)	(10,038)
Interest on bank deposits	(15,324)	(7,882)
Interest on other receivables	(5,254)	(9,042)
Interest on other financial asset at amortised cost	(753)	(829)
Interest on loan to an associate	(64)	(71)
Net gain arising on lease modification	(64)	(734)
Gain on bargain purchase arising from acquisition	(663)	—
Remeasurement gain on interest previously held in a joint venture	—	(6,138)
Discharge of amount due to a non-controlling interest	—	(1,996)
Operating cash flows before movements in working capital	883,351	761,103
Decrease in other financial asset at amortised cost	2,708	4,275
Decrease (increase) in inventories	1,122	(27,726)
(Increase) decrease in debtors, deposits and prepayments	(226,711)	42,718
Increase in contract assets	(693,795)	(69,837)
Decrease in financial assets at FVTPL	6,098	210,364
Increase in creditors and accrued charges	411,585	83,956
Increase in contract liabilities	42,397	107,051
Increase in amounts due from fellow subsidiaries	(120)	(1,812)
(Decrease) increase in amounts due to fellow subsidiaries	(7,574)	4,678
Increase in amounts due from other partners of joint operations	(5,065)	(1,364)
Increase in amounts due to other partners of joint operations	23,482	8,719
Cash generated from operations	437,478	1,122,125
Dividends from financial assets at FVTPL	104	877
Interest on financial assets at FVTPL received	4,202	10,038
Interest on other financial asset at amortised cost received	753	829
Interest on bank deposits received	15,324	7,882
Interest on loans to an associate received	64	71
Income taxes paid	(204,141)	(30,479)
Net cash from operating activities	253,784	1,111,343

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Investing activities		
Purchases of property, plant and equipment	**(54,745)**	(97,733)
Additions of service concession arrangement	**(4,156)**	(21,353)
Placement of time deposits	**(9,613)**	(234,513)
Advances to associates	**(250)**	(338)
Proceeds from disposal of right-of-use assets	**729**	—
Proceeds from disposal of property, plant and equipment	**3,075**	29,123
Withdrawal of time deposits	**209,000**	19,572
Withdrawal of pledged bank deposits	**4,426**	3,727
Net cash inflow arising on acquisition of a subsidiary	**599**	333
Loan repayment from an associate	**369**	—
Capital investment in an associate	**(16)**	—
Shareholder loan to an associate with redemption right	**(800,000)**	—
Net cash outflow arising on acquisition of subsidiaries	**(36,901)**	—
Repayments from a joint venture	**—**	57,397
Dividends received from a joint venture	**—**	23,541
Payments for right-of-use assets	**—**	(2,235)
Net cash used in investing activities	**(687,483)**	(222,479)
Financing activities		
New banks loans raised	**153,928**	58,090
Advance from an intermediate holding company	**784**	590
Repayments of bank loans	**(224,897)**	(543,490)
Dividends paid	**(180,072)**	(74,513)
Repayments of lease liabilities	**(32,121)**	(29,785)
Interest paid	**(25,423)**	(15,500)
Net cash used in financing activities	**(307,801)**	(604,608)
Net (decrease) increase in cash and cash equivalents	**(741,500)**	284,256
Cash and cash equivalents at beginning of the year	**2,037,124**	1,755,478
Effect of foreign exchange rate changes, net	**4,025**	(2,610)
Cash and cash equivalents at end of the year	**1,299,649**	2,037,124
Represented by:		
Bank balances and cash	**1,299,649**	2,037,124

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, joint ventures and associates are set out in notes 49, 20 and 21 respectively. The Company and its subsidiaries are collectively hereafter referred to as the "Group".

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICY

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICY (Continued)

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Changes in other accounting policy

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") - Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57).

In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICY (Continued)

Changes in other accounting policy (Continued)

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") - Long Service Payment ("LSP") offsetting mechanism in Hong Kong (Continued)

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The application of amendments in the current year had no material impact on the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICY (Continued)

Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enable users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 Amendments and the 2022 Amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

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 and by the Hong Kong Companies Ordinance.

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Business combinations or asset acquisitions (Continued)

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 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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).

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

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 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Investments in associates and joint ventures (Continued)

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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Property, plant and equipment (Continued)

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 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Service concession arrangements (Continued)

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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 are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

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).

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.

Termination benefits

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Short-term and other long-term employee benefits

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

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

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

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

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

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.

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 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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.

Inventories include leasehold lands held for sale. The carrying amount of leasehold lands is measured at cost less any accumulated and impairment losses. The residual values are determined as the estimated disposal value of the leasehold land.

Properties under development

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 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. 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 are transferred to properties for sale upon completion.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Provisions

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

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

Onerous contracts

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial assets (Continued)

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

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

(i) Significant increase in credit risk

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial assets (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data 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.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade debtors, 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, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including creditors and accrued charges, amounts due to an intermediate holding company, fellow subsidiaries, an associate, 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.

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).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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 asset (or a cash-generating unit) is estimated in order to determine the extent of the impairment loss (if any).

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.

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, 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.

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. As disclosed in note 5 to the consolidated financial statements, the revenue recognised from construction contracts was HK$12,294,546,000 (2022: HK$12,242,800,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

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. As disclosed in notes 25 and 26 to the consolidated financial statements, trade receivables and contract assets of the Group carried at HK$604,478,000 (2022: HK$385,677,000) and HK$3,658,732,000 (2022: HK$2,964,937,000) respectively.

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

Fair value measurements and valuation processes

As at 31 December 2023, certain of the Group's financial assets amounting to HK$764,958,000 (2022: HK$1,220,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. Note 42 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various asset.

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 more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material recognition of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a recognition takes place. As at 31 December 2023, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK$542,180,000 (2022: HK$330,586,000) due to unpredictability of future profit streams.

5. REVENUE FROM SERVICES

(i) Disaggregation of revenue from contracts with customers

	2023		
Segments	**Hong Kong HK$'000**	**Other regions in the People's Republic of China (the "PRC") HK$'000**	**Consolidated HK$'000**
Types of service			
Construction contract	**12,290,182**	**4,364**	**12,294,546**
Sewage treatment plant operation	**—**	**51,333**	**51,333**
Steam fuel plant operation	**—**	**161,171**	**161,171**
Total revenue	**12,290,182**	**216,868**	**12,507,050**
Timing of revenue recognition			
Over time	**12,290,182**	**216,868**	**12,507,050**

	2022		
Segments	Hong Kong HK$'000	The PRC HK$'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

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 transfers 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 and steam fuel plant operation

For sewage treatment plant and steam fuel plant operation, where the Group acts as principal and is primarily responsible for providing the sewage treatment and steam fuel services for the public in the PRC, which simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from the customers based on their usage, which is agreed upfront, as its revenue over time and all related sewage treatment and 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 2023 amounting to HK$28,442,000,000 (2022: HK$23,060,000,000). Management expects that all the remaining performance obligations will be recognised as revenue over the next five years (2022: five 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 2023

	Hong Kong HK$'000	**The PRC HK$'000**	**Total HK$'000**
Results			
Segment revenue	**12,290,182**	**216,868**	**12,507,050**
Segment profit (loss)	**816,439**	**(15,364)**	**801,075**
Unallocated expenses			**(10,653)**
Investments income			**4,306**
Decrease in fair value of financial assets at FVTPL			**(123,441)**
Share of results of joint ventures			**(4,048)**
Share of results of associates			**1,220**
Finance costs			**(27,459)**
Profit before tax			**641,000**

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

6. SEGMENTAL INFORMATION (Continued)

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

Segment profit represents the profit earned by each segment without allocation of dividends from financial assets at FVTPL, interest on financial assets at FVTPL, decrease in fair value of financial assets at FVTPL, 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 2023

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Assets			
Segment assets	5,128,740	874,734	6,003,474
Interests in joint ventures			60,565
Interests in associates			5,394
Unallocated assets			2,248,309
Total consolidated assets			8,317,742
Liabilities			
Segment liabilities	5,350,734	125,622	5,476,356
Obligations in excess of interests in associates			13,899
Unallocated liabilities			425,259
Total consolidated liabilities			5,915,514

For the year ended 31 December 2023

	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	32,175	22,570	54,745
Additions to right-of-use assets	29,750	—	29,750
Additions to intangible assets	—	4,364	4,364
Depreciation of property, plant and equipment	41,411	28,334	69,745
Depreciation of right-of-use assets	33,100	307	33,407
Amortisation of intangible assets	—	13,825	13,825
Interest income on bank deposits, other receivables, other financial asset at amortised cost and loan to an associate	13,678	7,717	21,395

6. SEGMENTAL INFORMATION (Continued)

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)

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	
	2023 HK$'000	2022 HK$'000
Hong Kong	**237,988**	251,417
The PRC	**688,713**	727,258
	926,701	978,675

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:

	2023 HK$'000	2022 HK$'000
Customer A[1]	**7,103,157**	6,303,148
Customer B[1]	**1,698,942**	N/A[2]

1 Revenue from customers located in Hong Kong.

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

7. INVESTMENTS AND OTHER INCOME

	2023 HK$'000	2022 HK$'000
Investments and other income include:		
Dividends from financial assets at FVTPL	**104**	877
Interest on bank deposits	**15,324**	7,882
Interest on other receivables	**5,254**	9,042
Interest on other financial asset at amortised cost	**753**	829
Interest on financial assets at FVTPL	**4,202**	10,038
Interest on loan to an associate	**64**	71
Gain on disposal of property, plant and equipment	**1,718**	5,149
Government subsidy for the PRC project	**228**	760
Government subsidy for Hong Kong operations	**1,043**	1,330
Net gain arising on lease modification	**64**	734
Employment Support Scheme	**–**	22,879
Discharge of amount due to a non-controlling interest	**–**	1,996
Remeasurement gain on interest previously held in a joint venture (Note 47)	**–**	6,138

8. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on:		
Bank borrowings	**24,331**	14,522
Other borrowings	**1,092**	978
Lease liabilities	**1,316**	863
Imputed interest expense on non-current amount due to an associate	**720**	698
	27,459	17,061

9. PROFIT BEFORE TAX

	2023 HK$'000	2022 HK$'000
Profit before tax has been arrived at after charging:		
Auditor's remuneration	**2,440**	2,300
Depreciation of property, plant and equipment	**69,745**	72,632
Depreciation of right-of-use assets	**33,407**	29,182
Amortisation of intangible assets	**13,825**	89,936
Net foreign exchange losses	**14,369**	30,483
Staff costs:		
Directors' remuneration (Note 10)	**39,254**	35,432
Other staff costs	**1,602,070**	1,467,966
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$711,000 (2022: HK$1,188,000)	**64,695**	56,434
	1,706,019	1,559,832

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the eleven (2022: 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 2023					
Executive Directors					
Zen Wei Peu, Derek	–	8,652	6,410	865	15,927
Chang Kam Chuen, Desmond	–	2,633	3,992	252	6,877
Lui Yau Chun, Paul	–	2,731	5,253	265	8,249
Tsui Wai Tim	–	2,779	3,362	265	6,406
Luk Chi Chung, Peter (note)	–	19	–	–	19
Non-Executive Directors					
David Howard Gem	260	–	–	–	260
Chan Chi Hung, Anthony	260	–	–	–	260
Independent Non-executive Directors					
Ho Tai Wai, David	380	–	–	–	380
Ling Lee Ching Man, Eleanor	308	–	–	–	308
Lo Yiu Ching, Dantes	308	–	–	–	308
Ng Cheuk Hei, Shirley	260	–	–	–	260
	1,776	16,814	19,017	1,647	39,254

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

	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

Note: Mr. Luk Chi Chung, Peter was appointed as director on 29 December 2023.

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 (2022: three) directors, details of whose emoluments are set out in note 10 above. The emoluments of the remaining two (2022: two) highest paid individuals were as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other benefits	**5,821**	5,559
Performance related incentive payments	**9,522**	8,431
Retirement benefits scheme contributions	**552**	526
	15,895	14,516

Their emoluments were within the following bands:

	Number of employees	
	2023	2022
HK$7,000,001 to HK$7,500,000	**–**	2
HK$7,500,001 to HK$8,000,000	**2**	–

12. INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current tax:		
Hong Kong	**168,014**	129,908
The PRC	**4,702**	3,356
	172,716	133,264
Under (over) provision in prior years:		
Hong Kong	**416**	(1,429)
The PRC	**419**	3,187
	835	1,758
Deferred tax		
Current year	**–**	(12,718)
	173,551	122,304

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.

12. INCOME TAX EXPENSE (Continued)

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

	2023 HK$'000	2022 HK$'000
Profit before tax	**641,000**	551,470
Income tax expense at the applicable rate of 16.5% (2022: 16.5%)	**105,765**	90,993
Tax effect of share of results of joint ventures	**668**	(1,908)
Tax effect of share of results of associates	**(201)**	17
Tax effect of expenses that are not deductible in determining taxable profit	**31,525**	14,194
Tax effect of income that is not taxable in determining taxable profit	**(6,973)**	(10,489)
Underprovision in prior years	**835**	1,758
Tax effect of unrecognised tax losses	**65,355**	51,566
Tax effect of utilisation of tax losses previously not recognised	**(30,442)**	(30,441)
Tax effect of different rates for subsidiaries operating in other jurisdictions	**870**	1,322
Others	**6,149**	5,292
Income tax expense	**173,551**	122,304

13. DIVIDENDS

	2023 HK$'000	2022 HK$'000
Dividends paid and recognised as distribution during the year		
2022 final dividend - HK10.5 cents per share		
(2022: 2021 final dividend - HK6.0 cents per share)	**130,397**	74,513
2023 interim dividend - HK4.0 cents per share (2022: nil)	**49,675**	—
	180,072	74,513

A final dividend for the year ended 31 December 2023 of HK8.0 cents per ordinary share, totalling approximately HK$99,350,000 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:

	2023 HK$'000	2022 HK$'000
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per ordinary share	**473,518**	434,327

	Number of shares	
	2023 '000	2022 '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 2022	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 47)	–	–	–	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
Exchange realignment	(4,381)	–	(6,738)	(189)	(148)	–	(149)	(11,605)
Additions	528	3,266	24,786	6,147	3,705	5,467	10,846	54,745
Transfer	8,168	–	6,370	541	–	–	(15,079)	–
Disposals	(1,505)	–	(11,744)	(1,721)	(354)	–	–	(15,324)
At 31 December 2023	157,734	16,213	569,065	68,485	21,532	422,622	–	1,255,651
DEPRECIATION								
At 1 January 2022	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
Exchange realignment	(191)	–	(680)	(78)	(60)	–	–	(1,009)
Provided for the year	6,001	957	52,504	4,530	1,423	4,330	–	69,745
Eliminated on disposals	(280)	–	(11,612)	(1,721)	(354)	–	–	(13,967)
At 31 December 2023	12,284	13,200	315,812	55,464	13,585	404,868	–	815,213
CARRYING VALUES								
At 31 December 2023	145,450	3,013	253,253	13,021	7,947	17,754	–	440,438
At 31 December 2022	148,170	704	280,791	10,974	5,753	16,617	4,382	467,391

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 2023			
Carrying amounts	**11,862**	**64,059**	**75,921**
As at 31 December 2022			
Carrying amounts	13,273	67,409	80,682
For the year ended 31 December 2023			
Depreciation charge	**307**	**33,100**	**33,407**
For the year ended 31 December 2022			
Depreciation charge	316	28,866	29,182

	2023 HK$'000	2022 HK$'000
Expense relating to short-term leases		
– Leased properties	**4,647**	5,375
– Hire charges for plant and machinery	**303,569**	321,395
Total cash outflow for leases	**340,337**	358,790
Additions to right-of-use assets	**29,750**	53,296

For both years, the Group leases offices premises for its operations. Lease contracts are entered into for fixed term of 1 year to 3 years (2022: 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 2023 and 2022, the Group has obtained the land use right certificates for all leasehold lands in the PRC.

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 2022	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**
Exchange realignment	**—**	**(9,114)**	**—**	**(9,114)**
Additions	**—**	**4,364**	**—**	**4,364**
At 31 December 2023	**47,858**	**317,543**	**95,378**	**460,779**
AMORTISATION				
At 1 January 2022	—	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**
Exchange realignment	**—**	**(1,100)**	**—**	**(1,100)**
Charge for the year	**—**	**13,825**	**—**	**13,825**
At 31 December 2023	**—**	**51,572**	**95,378**	**146,950**
CARRYING VALUES				
At 31 December 2023	**47,858**	**265,971**	**—**	**313,829**
At 31 December 2022	47,858	283,446	—	331,304

17. INTANGIBLE ASSETS (Continued)

Notes:

(a) The amount represents the fair value of the construction licenses (with indefinite useful lives) held by wholly-owned subsidiaries, Build King Construction Limited ("BKCL") of approximately HK$32,858,000 and Integral E&M Contracting Limited ("IEC") of approximately HK$15,000,000.

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 is provided for over the operating period of 30 years on a straight line basis.

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 is provided for over the operating period of 30 years on a straight line basis.

(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. 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 were fully amortised in 2022.

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, BKCL and IEC, which are included in Hong Kong segment. BKCL 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% (2022: 10%) and a growth rate of 0% (2022: 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 any reasonably possible change in key assumption would not cause the CGUs' carrying amounts exceeding their recoverable amounts and no impairment of any of its CGUs containing goodwill and intangible assets is required.

20. INTERESTS IN JOINT VENTURES

	2023 HK$'000	2022 HK$'000
Cost of investment in unlisted joint ventures	**40,956**	40,956
Less: Impairment loss recognised	**(34,265)**	(34,265)
	6,691	6,691
Share of post-acquisition profits and other comprehensive income, net of dividends received	**53,874**	57,922
	60,565	64,613

20. INTERESTS IN JOINT VENTURES (Continued)

Details of each of the Group's joint ventures at 31 December 2023 and 2022 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
			2023	2022	**2023**	2022	
			%	%	**%**	%	
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

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.

(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.

(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. 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.

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.

20. INTERESTS IN JOINT VENTURES (Continued)

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

Dezhou Heng Yuan

	2023 HK$'000	2022 HK$'000
Current assets	**70,077**	72,535
Non-current assets	**78,184**	81,198
Current liabilities	**(38,326)**	(39,465)
Non-current liabilities	**(274)**	(282)

	2023 HK$'000	2022 HK$'000
Revenue	**–**	6,544
Loss for the year	**(4,325)**	(76)
Total comprehensive expenses for the year	**(4,325)**	(76)
The above loss for the year includes the following:		
Depreciation and amortisation	**(3,939)**	(4,915)

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

	2023 HK$'000	2022 HK$'000
Net assets of Dezhou Heng Yuan	**109,661**	113,986
Proportion of the Group's equity interests in Dezhou Heng Yuan	**49%**	49%
Carrying amount of the Group's interests in Dezhou Heng Yuan	**53,734**	55,853

20. INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material.

	2023 HK$'000	2022 HK$'000
The Group's share of (loss) profit and total comprehensive (expense) income	**(1,929)**	11,639
Aggregate carrying amount of the Group's interests in these joint ventures	**6,831**	8,760
Dividend received from a joint venture during the year	**–**	23,541

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

	2023 HK$'000	2022 HK$'000
Cost of investment in unlisted associates	**10,715**	10,491
Share of post-acquisition losses and other comprehensive expenses	**(19,220)**	(20,435)
	(8,505)	(9,944)
Included in:		
Non-current assets	**5,394**	4,131
Non-current liabilities	**(13,899)**	(14,075)
	(8,505)	(9,944)

At 31 December 2023, the Group has contractual obligations to share the net liabilities of certain associates amounting to HK$13,899,000 (2022: HK$14,075,000).

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 2023 and 2022 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
			2023 %	2022 %	2023 %	2022 %	
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	Incorporated	Hong Kong	30	30	30	30	Civil engineering
B Bim Creation Limited	Incorporated	Hong Kong	30	30	30	30	Consultancy service
Rainbow Triumph Limited (Note 28 (g))	Incorporated	BVI	20	N/A	20	N/A	Investment holding

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

	2023 HK$'000	2022 HK$'000
Current assets	**78,169**	75,557
Non-current assets	**36,758**	37,175
Current liabilities	**(140,125)**	(140,882)

	2023 HK$'000	2022 HK$'000
Revenue	**27,379**	36,734
Profit (loss) for the year	**2,952**	(806)
Total comprehensive income (expense) for the year	**2,952**	(806)

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:

	2023 HK$'000	2022 HK$'000
Net liabilities of Hong Kong Landfill	**(25,198)**	(28,150)
Proportion of the Group's equity interests in Hong Kong Landfill	**50%**	50%
Carrying amount of the Group's obligation in excess of interest in Hong Kong Landfill	**(12,599)**	(14,075)

Aggregate information of associates that are not individually material.

	2023 HK$'000	2022 HK$'000
The Group's share of (loss) profit and total comprehensive (expense) income	**(256)**	297
Aggregate carrying amount of the Group's interests in associates	**5,394**	4,131
Aggregate carrying amount of the Group's obligation in excess of interest in an associate	**(1,300)**	—

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 as current asset at 31 December 2023.

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 guaranteed by the local government 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

	2023 **HK$'000**	2022 HK$'000
Property under development (Note a)	**433,716**	50,350
Uninstalled construction materials (Note b)	**46,989**	64,152
	480,705	114,502

Notes:

(a) The carrying amount of property under development is stated at lower of cost and net realisable value. The amount represents leasehold lands in Hong Kong and freehold land in Malaysia (2022: freehold land in Malaysia). No depreciation charge is made on the leasehold lands taking into account of the estimated residual values at reporting dates.

(b) The cost of inventories recognised as an expense during the year is HK$1,196,832,000 (2022: HK$1,156,994,000).

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:

	2023 HK$'000	2022 HK$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	**585,456**	368,254
61 to 90 days	**–**	1,236
Over 90 days	**19,022**	16,187
	604,478	385,677
Bills receivables	**3,735**	19,295
Other debtors	**234,342**	196,474
Deposits	**116,440**	101,394
Prepayments	**3,194**	2,199
	962,189	705,039

As at 1 January 2022, trade receivables from contracts with customers amounted to HK$379,723,000.

In 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. 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

	2023 HK$'000	2022 HK$'000
Analysed as current:		
Unbilled revenue of construction contracts (Note a)	**2,926,605**	2,232,187
Retention receivables of construction contracts (Note b)	**732,127**	732,750
	3,658,732	2,964,937
Retention receivables of construction contracts		
Due within one year	**310,406**	105,903
Due more than one year	**421,721**	626,847
	732,127	732,750

As at 1 January 2022, contract assets amounted to HK$2,895,100,000.

26. CONTRACT ASSETS (Continued)

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

	2023 HK$'000	2022 HK$'000
Financial assets mandatorily measured at FVTPL:		
Listed securities in Hong Kong (Note a)	**6,528**	14,844
Quoted equity securities in the USA (Note b)	**408**	1,059
Unlisted equity investment in Hong Kong (Note c)	**1,220**	1,220
Quoted debt securities (Note d)	**10,410**	102,837
Unlisted convertible bond in the USA (Note e)	**7,811**	—
Unlisted investment fund (Note f)	**29,004**	—
Shareholder loan to an associate with redemption right (Note g)	**734,734**	—
	790,115	119,960
Analysed for reporting purposes as:		
Non-current assets	**735,954**	1,220
Current assets	**54,161**	118,740
	790,115	119,960

28. FINANCIAL ASSETS AT FVTPL (Continued)

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 2023 and 31 December 2022.

(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.

(d) The quoted debt securities represent investment in unlisted bonds issued by listed entities. The securities have been acquired principally for the purpose of selling in the near term, thus classified as held for trading. As at 31 December 2022, the quoted debt securities were pledged to a bank for securing the banking facility granted to the Group.

(e) The unlisted convertible bond was issued by a private entity incorporated in the USA.

(f) The unlisted investment fund represents investment in an equity investment fund issued by a private entity incorporated in Hong Kong. The fair value of the investment is measured with reference to the net asset value of the investment fund.

(g) During the year, the Group acquired 20% of the issued shares of Rainbow Triumph Limited ("RTL") at a consideration of HK$15,700 and the shareholder loan due from RTL in the principal amount at face value of HK$800,000,000 at a consideration of HK$800,015,700. RTL is an investment holding company incorporated in the British Virgin Islands, and is a subsidiary of Road King Infrastructure Limited ("Road King"), a company incorporated in Bermuda as an exempted company with its shares listed on the Stock Exchange. Road King is an associate of Wai Kee. The Group has the right to require RTL to repay (i) up to 50% of the shareholder loan due to the Group on the first anniversary of the acquisition's completion date; and (ii) up to the balance of shareholder loan due to the Group on 28 February 2025, at the redemption price based on adjustments related to the market value of properties held by RTL. The fair value of the redemption right as at 31 December 2023 has been arrived on the basis of a valuation carried out on the date by an independent and qualified property valuer not connected to the Group. As the Group did not exercise the right on the first anniversary of the completion date within the timeframe as stated in the agreement, the whole amount is accounted for as non-current asset.

The Directors consider that the redemption right is a derivative embedded in the shareholder loan. The entire shareholder loan including principal, interest and redemption right are accounted for as financial assets at FVTPL.

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$69,593,000 (2022: HK$74,019,000) 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 0.35% to 4.91% (2022: 0.3% to 2.75%) per annum.

As at 31 December 2023, time deposits of HK$35,697,000 (2022: HK$235,101,000) with original maturity of not less than three months carry interest at market rates which range from 2.25% to 4.96% (2022: 2.25% to 4.92%) per annum.

As at 31 December 2023, bank balances and cash include the time deposits of HK$117,374,000 (2022: HK$424,562,000) with original maturity of three months or less, bank balances and cash carry interest at market rates which range from 0.55% to 5.27% (2022: 0.001% to 4.37%) 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:

	2023 HK$'000	2022 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**343,278**	440,186
61 to 90 days	**63,755**	105,730
Over 90 days	**14,479**	32,880
	421,512	578,796
Retention payables	**972,682**	879,476
Accrued project costs	**2,813,585**	2,336,027
Other creditors and accrued charges	**214,186**	193,796
	4,421,965	3,988,095
Retention payables:		
Repayable within one year	**342,930**	145,317
Repayable more than one year	**629,752**	734,159
	972,682	879,476

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

	2023 HK$'000	2022 HK$'000
Construction contracts	**546,041**	504,863
Steam fuel plant operation	**9,103**	7,884
	555,144	512,747

As at 1 January 2022, contract liabilities amounted to HK$405,696,000.

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 2023 that was included in the contract liabilities at the beginning of the year was HK$149,747,000 (2022: HK$150,250,000).

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 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

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**29,216**	27,052
In the second year	**24,359**	19,130
In the third to fifth year inclusive	**15,216**	23,728
	68,791	69,910
Less: Amounts due within one year shown under current liabilities	**(29,216)**	(27,052)
Amounts shown under non-current liabilities	**39,575**	42,858

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% (2022: 5.4%) per annum.

35. BANK LOANS

	2023 HK$'000	2022 HK$'000
The maturity of the bank loans that based on repayment schedule of respective loan agreements is as follows:		
Within one year	**215,471**	175,918
In the second year	**—**	113,835
	215,471	289,753
Less: Amounts shown under current liabilities	**(215,471)**	(289,753)
Amounts shown under non-current liabilities	**—**	—
Secured bank loans	**87,417**	117,156
Unsecured bank loans	**128,054**	172,597
	215,471	289,753

35. BANK LOANS (Continued)

As at 31 December 2023, the Group has bank loans in the amount of HK$215,471,000 (2022: HK$289,753,000) contain a repayable on demand clause. As at 31 December 2022 related bank loans with aggregate amount of HK$113,835,000 that were repayable more than one year after the end of reporting period had been classified as current liabilities.

At the end of the reporting period, all bank loans are variable rate borrowings which carry interest rate ranging from 3.94% to 7.63% (2022: 0.92% to 7.06%) per annum, except for bank loans of RMB37,300,000 (equivalent approximately to HK$40,888,000) (2022: RMB39,300,000 (equivalent approximately to HK$44,334,000)) which carries fixed interest rate at 5.87% (2022: 5.87%) per annum. All variable rate bank loans carry interest rate which is repriced every month.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK$1,185,931,000 (2022: HK$1,513,669,000).

36. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2022, 31 December 2022 and 31 December 2023	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2022, 31 December 2022 and 31 December 2023	1,241,877,992	124,188

37. DEFERRED TAX LIABILITIES

	2023 HK$'000	2022 HK$'000
Deferred tax liabilities	**5,750**	5,750

The deferred tax liabilities recognised by the Group represent fair value of intangible assets arising from the acquisition of a business in 2005. These was no movement on deferred tax liabilities during the year ended 31 December 2023.

37. DEFERRED TAX LIABILITIES (Continued)

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

	2023 HK$'000	2022 HK$'000
Tax losses:		
Carried forward indefinitely	**542,180**	330,586

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

38. OTHER CREDITORS

	2023 HK$'000	2022 HK$'000
Consideration payable on acquisition of subsidiaries (Note a)	**332,116**	–
Other creditors (Note b)	**23,000**	23,000
	355,116	23,000

Notes:

(a) During the year, the Group acquired several subsidiaries and for transaction details, please refer to note 47. According to the sales and purchase agreement, the remaining 90% of the consideration is payable in several stages based on the status of Land Sharing Pilot Scheme Application and the management of the Group expect the full amounts will be fully paid in 2025. Therefore, the amounts are classified as non-current as at 31 December 2023.

(b) 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 2023 and 2022.

39. JOINT OPERATIONS

At 31 December 2023 and 2022, the Group had interests in the following principal joint operations:

Name of joint operations	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group 2023 %	2022 %	Principal activities
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering
China State-Build King Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering
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
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

39. JOINT OPERATIONS (Continued)

Name of joint operations	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group 2023 %	2022 %	Principal activities
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	55	Civil engineering
Build King - Richwell Engineering Joint Venture	Unincorporated	Hong Kong	80	80	Civil engineering
Zhen Hua - Build King Joint Venture	Unincorporated	Hong Kong	49	N/A	Civil engineering
Build King - Able Joint Venture	Unincorporated	Hong Kong	70	N/A	Building construction
Build King - Richwell Engineering Joint Venture	Unincorporated	Hong Kong	60	N/A	Civil engineering
CRBC - Build King Joint Venture	Unincorporated	Hong Kong	49	N/A	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 repayment of existing debts.

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

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets		
Financial assets at FVTPL	**790,115**	119,960
Financial assets at amortised cost	**2,424,107**	3,107,741
	3,214,222	3,227,701
Financial liabilities		
Amortised cost	**5,070,406**	4,361,205

(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.

41. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances (note 29), variable rate bank loans (note 35). 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), bank loans (note 35) and other creditors (note 38), the Group's policy to keep its borrowings at floating rate of interests would minimise the fair value interest rate risk.

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 (2022: 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 (2022: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would decrease/increase by HK$1,418,000 (2022: HK$1,987,000). 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.

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% (2022: 5%) higher/lower while all other variables were held constant, the profit for the year ended 31 December 2023 would increase/decrease by HK$39,506,000 (2022: HK$5,998,000) 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 balances denominated in RMB are not material.

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 (2022: two) largest debtors, the Group does not have significant concentration risk exposure to any single counterparty at 31 December 2023.

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 62% (2022: 73%) 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, fellow subsidiaries, 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 monitors 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	2023 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000
Financial assets at amortised cost						
Loan to an associate	22	N/A	Low risk (Note 1)	12m ECL	**2,331**	2,700
Other financial asset at amortised cost	23	N/A	Low risk (Note 1)	12m ECL	**29,799**	32,507
Amount due from a joint venture	27	N/A	Low risk (Note 1)	12m ECL	**647**	663
Amounts due from associates	27	N/A	Low risk (Note 1)	12m ECL	**8,001**	8,120
Amounts due from fellow subsidiaries	27	N/A	Low risk	12m ECL	**1,932**	1,812
Amounts due from other partners of joint operations	27	N/A	Low risk (Note 1)	12m ECL	**28,950**	23,885
Other debtors and deposits*	25	N/A	Low risk (Note 1)	12m ECL	**339,295**	286,838
Trade debtors	25	N/A	Low risk (Note 2)	Lifetime ECL	**604,478**	385,677
Bills receivables	25	Baa2 to A1 (2022: Baa2 to A1)	N/A	12m ECL	**3,735**	19,295
Pledged bank deposits	29	A3 to Aa3 (2022: A3 to Aa3)	N/A	12m ECL	**69,593**	74,019

41. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management and impairment assessment (Continued)

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2023 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000
Time deposits with original maturity of not less than three months	29	A2 to A1 (2022: A2 to A1)	N/A	12m ECL	**35,697**	235,101
Bank balances	29	Baa3 to Aa2 (2022: Baa3 to Aa2)	N/A	12m ECL	**1,295,854**	2,033,171
Other item:						
Contract assets	26	N/A	Low risk (Note 2)	Lifetime ECL	**3,658,732**	2,964,937

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

Notes:

1. For the purposes of internal credit risk management, the Group uses the financial information of the joint ventures, associates and 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 loan to an associate, amounts due from associates, fellow subsidiaries and a joint venture, 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
2023								
Non-interest bearing	–	3,845,810	7,212	16,010	754,143	208,760	4,831,935	4,831,935
Fixed interest rate instruments	5.87	43,289	–	–	–	–	43,289	40,888
Variable interest rate instruments	6.60	178,402	230	460	23,920	–	203,012	197,583
		4,067,501	7,442	16,470	778,063	208,760	5,078,236	5,070,406
Lease liabilities	3.50	9,775	8,923	15,050	41,268	–	75,016	68,791
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

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 2023, the aggregate carrying amounts of these bank borrowings amounted to HK$215,471,000 (2022: HK$289,753,000). 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 one (2022: two) 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 2023	**118,222**	**96,030**	**4,932**	**–**	**219,184**	**215,471**
At 31 December 2022	132,655	33,294	19,069	119,626	304,644	289,753

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

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.

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 and unlisted investment fund of the Group are measured at fair value derived by management estimation with reference to the net asset value of the private entity (2022: net asset value of the private entity) and classified under Level 3 (2022: Level 3).

The shareholder loan to an associate with embedded redemption right is measured at fair value derived by management estimation with reference to the Monte Carlo methods (2022: nil) and classified under Level 3 (2022: nil).

The unlisted convertible bond of the Group is measured at fair value derived by management estimation with reference to the recent transaction price (2022: nil) and classified under Level 2 (2022: nil).

The consideration 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. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs for fair value
	31 December 2023 HK$'000	31 December 2022 HK$'000				
i) Listed equity securities in Hong Kong	6,528	14,844	Level 1	Quoted bid price in an active market	N/A	N/A
ii) Quoted equity securities in the USA	408	1,059	Level 1	Quoted price in OTC market	N/A	N/A
iii) Unlisted equity investment in Hong Kong	1,220	1,220	Level 3	Net asset value of the private entity	N/A	N/A
iv) Quoted debt securities	10,410	102,837	Level 1	Quoted price in an active market	N/A	N/A
v) Unlisted convertible bond in the USA	7,811	–	Level 2	Recent transaction price	N/A	N/A
vi) Unlisted investment fund	29,004	–	Level 3	Net asset value of the investment fund	N/A	N/A

42. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs for fair value
	31 December 2023 HK$'000	31 December 2022 HK$'000				
vii) Shareholder loan to an associate with redemption right	734,734	–	Level 3	Monte Carlo methods The fair value is determined based on valuation provided by an independent professional valuer which is measured using Monte Carlo simulation based on the current property prices, China risk-free rate, the expected volatility of the property prices and expected return. The key inputs are: (i) China risk-free rate; (ii) Expected volatility of the property prices; and (iii) Expected return	The discounted China risk-free rate of 2.363% (31 December 2022: N/A) The expected volatility of 10.5% (31 December 2022: N/A) The discounted expected return of 11.8% (31 December 2022: N/A)	The increase in China risk-free rate would result in a decrease in fair value. The increase expected volatility of the property price would result in an increase in change of fair value. The increase expected return would result in a decrease in fair value.

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL HK$'000
At 1 January 2022	6,000
Decrease in fair value	(4,780)
At 31 December 2022	1,220
Decrease in fair value	(95,065)
Purchases	58,803
Acquired though acquisition of an associate (Note 28(g))	800,000
At 31 December 2023	764,958

43. CAPITAL COMMITMENTS

	2023 HK$'000	2022 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**31,954**	56,586

44. 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$66,342,000 (2022: HK$58,016,000) 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$711,000 (2022: HK$1,188,000). 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$60,000 (2022: HK$87,000).

45. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

	2023 HK$'000	2022 HK$'000
Fellow subsidiaries		
Land plant hire income (Note a)	**107**	10
Supply of rock (Note a)	**455**	2,483
Purchase of construction materials (Note b)	**269,604**	166,115
Construction contract revenue (Note b)	**47,734**	59,620
An associate of the ultimate holding company		
Construction contract revenue (Note b)	**64,083**	19,159

Details of the balances with associates, joint ventures, other partners of joint operations, an intermediate holding company, fellow subsidiaries and non-controlling interests are disclosed in the consolidated statement of financial position and respective notes.

Included in the contract assets is an amounts due from a fellow subsidiary of HK$12,312,000 (2022: HK$15,385,000).

Balance with an associate of the ultimate holding company are included in contract assets of HK$121,420,000 (2022: HK$78,479,000).

Included in creditors and accrued charges is an amount due to a fellow subsidiary of HK$21,502,000 (2022: HK$19,886,000).

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:

	2023 HK$'000	2022 HK$'000
Short-term employee benefits	**97,699**	87,439
Post-employment benefits	**3,954**	3,727
	101,653	91,166

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

46. 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)	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 2022	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**
Financing cash flows	**(1,092)**	**(95,300)**	**(32,121)**	**(180,072)**	**784**	**–**	**–**	**(307,801)**
Interest expenses	**1,092**	**24,331**	**1,316**	**–**	**–**	**720**	**–**	**27,459**
New leases entered	**–**	**–**	**29,750**	**–**	**–**	**–**	**–**	**29,750**
Exchange realignment	**–**	**(3,313)**	**–**	**–**	**–**	**–**	**–**	**(3,313)**
Dividends declared	**–**	**–**	**–**	**180,072**	**–**	**–**	**–**	**180,072**
Consideration payable for the acquisition of subsidiaries	**332,116**	**–**	**–**	**–**	**–**	**–**	**–**	**332,116**
Net gain arising on lease modification	**–**	**–**	**(64)**	**–**	**–**	**–**	**–**	**(64)**
At 31 December 2023	**355,116**	**215,471**	**68,791**	**–**	**19,594**	**24,247**	**1,098**	**684,317**

47. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2023

On 28 April 2023, the Group acquired 100% interest in and shareholder loans owed by Sky Grant Investment Limited ("Sky Grant") and its subsidiary (collectively referred to as "Sky Grant Group") from independent third parties at a total consideration of approximately HK$136,532,000. On the same date, the Group also acquired 100% interest in and shareholder loan owed by Real Best Development Limited ("Real Best") and its subsidiaries (collectively referred to as "Real Best Group") from an independent third party at a total consideration of approximately HK$232,485,000.

Both acquisitions have been accounted for as acquisition of assets and liabilities. Inventories acquired represents leasehold land in Hong Kong and the Group held it for development.

As at 31 December 2023, acquisition-related costs were insignificant and recognised as cost of acquisition of inventories.

Assets and liabilities recognised at the date of acquisition are as follows:

	Sky Grant Group HK$'000	Real Best Group HK$'000	Total HK$'000
Inventories	136,532	232,485	369,017
Other creditors	(136,532)	(232,485)	(369,017)
	–	–	–

The fair value of Sky Grant Group's and Real Best Group's identifiable assets and liabilities has been assessed by the management of the Group and it considered that the fair value of the inventory at the date of acquisition amounted to HK$136,532,000 and HK$232,485,000, respectively. The other creditors of HK$136,532,000 and HK$232,485,000 are the shareholder loans assigned to the Group in accordance with the respective sale and purchase agreements which are settled through the consideration as follows:

Consideration transferred, satisfied by:

	Sky Grant Group HK$'000	Real Best Group HK$'000	Total HK$'000
Cash	13,653	23,248	36,901
Consideration payable	122,879	209,237	332,116
	136,532	232,485	369,017

47. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2023 (Continued)

Net cash outflow on acquisition

	Sky Grant Group HK$'000	Real Best Group HK$'000	Total HK$'000
Cash consideration paid	13,653	23,248	36,901

Total cash consideration paid for the acquisition of Sky Grant Group and Real Best Group is HK$36,901,000.

Impacts of acquisition on the results of the Group

The impact arising from the acquisition of Sky Grant Group and Real Best Group to the Group's profit for the year and the revenue for the year is immaterial.

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 condensed consolidated statement of profit or loss.

47. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2022 (Continued)

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.

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 balances 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.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
Non-current asset		
Unlisted investments in subsidiaries	**60,000**	60,000
Current assets		
Amounts due from subsidiaries	**693,967**	495,971
Bank balances and cash	**1,581**	956
	695,548	496,927
Current liabilities		
Amount due to an intermediate holding company	**2,514**	2,514
Amounts due to subsidiaries	**593,071**	407,815
	595,585	410,329
Net current assets	**99,963**	86,598
Total assets less current liabilities	**159,963**	146,598
Capital and reserves		
Ordinary share capital	**124,188**	124,188
Reserves	**35,775**	22,410
Total equity	**159,963**	146,598

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 2022	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**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**193,437**	**193,437**
Dividends paid	**–**	**–**	**–**	**(180,072)**	**(180,072)**
At 31 December 2023	**14,186**	**419,212**	**115**	**(397,738)**	**35,775**

Note: The contributed surplus and other reserve represent adjustments in share capital on the reverse acquisition of the Company in 2004.

49. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 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 2023 %	2022 %	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	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

49. 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 2023 %	2022 %	Principal activities
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
Sky Fortune Investment Limited	Hong Kong	Hong Kong	HK$1	**100**	–	Property development
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**	100	Investment holding
Wuxi Qianhui Sewage Treatment Co., Ltd. (Note b)	The PRC	The PRC	US$10,000,000	**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

49. 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.

None of the subsidiaries had issued any debt securities at the end of both years.

50. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties ranging from 1 to 3 years (2022: 1 to 4 years). On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately HK$29,750,000 and HK$29,750,000 (2022: approximately HK$51,061,000 and HK$51,061,000) respectively.

RESULTS

	Year ended 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023 HK$'000**
Group revenue	7,568,461	7,628,388	10,030,017	12,422,588	**12,507,050**
Share of revenue of joint ventures	109,126	118,590	90,836	15,381	**5,431**
	7,677,587	7,746,978	10,120,853	12,437,969	**12,512,481**
Group revenue	7,568,461	7,628,388	10,030,017	12,422,588	**12,507,050**
Operating profit	374,166	469,854	371,400	557,071	**671,287**
Share of results of joint ventures	22,351	16,511	24,224	11,566	**(4,048)**
Share of results of associates	(1,941)	(1,754)	245	(106)	**1,220**
Finance costs	(18,778)	(16,995)	(19,014)	(17,061)	**(27,459)**
Profit before tax	375,798	467,616	376,855	551,470	**641,000**
Income tax expense	(78,153)	(27,391)	(84,964)	(122,304)	**(173,551)**
Profit for the year	297,645	440,225	291,891	429,166	**467,449**

FINANCIAL POSITION

	At 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023 HK$'000**
Total assets	5,269,270	5,443,244	7,126,192	7,320,533	**8,317,742**
Total liabilities	(4,084,336)	(3,853,950)	(5,319,565)	(5,194,589)	**(5,915,514)**
Net assets	1,184,934	1,589,294	1,806,627	2,125,944	**2,402,228**

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
Luk Chi Chung, Peter

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

Luk Chi Chung, Peter

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

Units 601-605A, 6th Floor, Tower B
Manulife Financial Centre
223 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Progressive Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

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