Build King Holdings Limited

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

2020 ANNUAL REPORT

CONTENTS

Financial Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	34%
Equity	HK$1,581 million
Equity per share	HK$1.27
Group revenue	HK$7,628 million
Profit attributable to owners of the Company	HK$441 million
Final dividend per share	HK7 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 HK7.0 cents (2019: HK4.8 cents) per ordinary share for the year ended 31 December 2020.

The Group's gain in equity during 2020 was HK$403 million whilst the equity per share increased by 34% to HK$1.27. Since listing the Group in 2004, our cumulative gain in equity is 1,399% equivalent to an average of 19% per year (taking into account of the dividends paid made over the years as well as the new capital raised in 2010).

Our turnover this year is HK$7.6 billion, similar to that of 2019. The significant increase of profit by 48% is mainly due to two factors as listed below:

(1) The Group was granted a subsidy under Government Employment Support Scheme; and

(2) the tax expense was decreased significantly.

If one looks into our operating margin, you will see a slight decrease in the gross profit, continuing a general trend. As I mentioned in my last report, given the competition which we currently face, this trend will most likely continue in the future.

As I have reminded shareholders before, a reduction in total profit seems inevitable in the longer-term future. However, the good news I can now share with you all is that ignoring the HK$116 million one off payment from the Government Employment Support Scheme this year and barring any unforeseen circumstances, we expect to maintain our 2020 net profit in 2021.

Since the last report, we were awarded a total of HK$13.1 billion of new work and at the time of writing this report, our order book stands at HK$26 billion. With the Legco filibustering very much disappearing, a lot more projects have been approved recently and some have already commenced. We therefore hope that during the year 2021 we will be able to win new projects, in particularly in civil engineering, despite the fierce competition we are facing.

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

BUSINESS ANALYSIS

A. Construction

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

(1) Civil Engineering

This year the turnover of our Civil Engineering Division was HK$4.6 billion, an increase of 21% compared with 2019. We currently have 29 active Civil projects of which 11 are in Joint Venture with other contractors. At present, most of our current projects are performing well, though there are as always one or two projects facing minor temporary difficulties and action are taken to rectify those.

Since the last report, we were awarded a total of HK$2.5 billion of new civil engineering projects. This is less than our turnover in 2020 and therefore it is necessary for us to win new civil projects in 2021 to avoid the threat of reduced turnover and loss staff. Although competition in the market is as fierce as ever, the fortunate part is that with the disappearance of filibustering in Legco, several civil projects have been approved with some even being out for tender ahead of schedule. As a result, we are currently busy tendering for Government and Airport Authority projects. In addition, looking ahead we expect some new MTR projects be out for tender by the end of 2021. We are therefore hopeful that we will be able to secure sufficient new projects in 2021 to be able to maintain our current level of turnover.

BUSINESS ANALYSIS (Continued)

A. Construction (Continued)

(1) Civil Engineering (Continued)

However, as I have noted in the past few years the trend of falling gross profit continues and I see little indication this trend will soon cease. Going forward, our Group's profit will inevitably suffer but we will continue to find ways to compensate for such decrease. As I mentioned last year, one way is by winning new projects despite not necessarily being the lowest tenderer (this is more common in Government civil engineering projects). It is possible to achieve this in the first place by continuing to perform really well on all our existing projects thereby ensuring high performance scores in each quarter. And then in our tenders we will propose:

(i) Better engineering solutions than shown in the documents;

(ii) The use of innovative methods and technology thereby being able to provide possible benefits in terms of savings to the client, reduced completion time, better safety and environmental and/or less public nuisance; and

(iii) Methods of working more closely with our subcontractors and suppliers thereby reducing the risk of delays to the project as well as being more competitive.

I am glad to inform you that on roughly one third of the projects we won in 2020 we were not the lowest tenderer. The above strategies did help us to win these tenders and we will continue these going in 2021 and in the future. However, in doing so it is essential that we perform even better than before on our current projects, and our Safety and Environmental performances must also be outstanding. This naturally comes with a cost and it is a delicate balance, which we keep monitoring. We do believe in the long run, this strategy will work out to ensure the benefit of the Group and its customers. Let's hope that with more tenders available, we will be able to achieve a better result in 2021.

(2) Building

The turnover of our Building Division this year was HK$2.4 billion, the decrease of 31% over that of 2019. This year we have been extremely fortunate to be awarded a total value of HK$10.6 billion of works since the last report! As a result we currently have 20 active projects and most of which are performing according to plan. We expect the turnover of the Building Division in 2021 to be approaching double that of 2020. This has put huge pressure on our resources in all respects and we are doing our best to recruit the necessary staff.

The major challenge is the newly awarded United Christian Hospital main contract (value HK$9.1 billion) in joint venture with a Korean partner. Apart from the size this project has an extremely challenging construction programme. We have already and will continue to put more resources into the team and expect in time that this project will be successful.

Although we handed over the Kowloon Police Headquarters to the Client in May 2020, the problem mentioned last year has not yet been fully resolved. The provisional liquidator of our joint venture partner has not accepted the finding of Court of Appeal and is now taking the case to Court of Final Appeal. We now have to wait for the final outcome. Likewise the dispute with a major subcontractor is in the process of going to arbitration.

I believe that in 2021, for the first time in our Group's history, the turnover of our Building Division may be even higher than that of our Civil Engineering Division, although it should be remembered as I pointed out last year, that typically some 50% of the value of a project in building is carried out by nominated sub-contractors directly appointed by client. In any case, this surge of workload indicates that the overall Group's turnover will certainly be over HK$9 billion in 2021 and may even be touching the HK$10 billion mark!

BUSINESS ANALYSIS (Continued)

A. Construction (Continued)

(3) Specialist

Our four wholly owned specialist subsidiaries, Titan Foundation Limited, Integral E&M Engineering Limited, Build King Interior & Construction Limited, plus Cerebro Strategy Limited, which newly set up its specialist business, together achieved a total turnover of HK$962 million in 2020, including in-house work. Although it was a decrease of HK$198 million over that for 2019, the very good news this time is that in 2020 it turned from loss to a minimal profit, far exceeding our expectations. The construction industry is volatile with plenty of uncertainties and there is no guarantee we will be able to repeat this record in 2021 onwards, though of course it is our desire and focus for the subsidiaries to generate meaningful contributions to the Group's profit year after year.

(4) Staff

We have currently 49 active projects (excluding those projects undertaken by our four specialist subsidiaries) and hence the number of staff and labour we employ has significantly increased from 2,374 in 2019 to 2,922 in 2020.

(B) Environmental Infrastructure in China

This year has seen a lot of action in this area and the profit in 2020 is HK$30 million. We have moved forward significantly and, as I mention last year, it remains my hope that by 2024/2025, the profit from these activities will be over HK$100+ million. I will let you know the actual result in this division in future so you can all monitor our progress.

(1) Wuxi Sewage Treatment Plant

The upgrading of our existing plant was completed in November 2020, and we started to receive the enhanced levy in November 2020. We spent about RMB90+ million on the upgrade and expect our investment to be recouped in roughly 6 years. As I mentioned last year, our profit from this project in 2021 is close to RMB10+ million with a cashflow close to RMB20 million. I will report to you the actual result in my next report.

(2) Dezhou District heating to households

This project is running smoothly. A new area nearby may be out for tender later in 2021, and we are actively pursuing this but in view of the number of competitors trying to do the same, it will be tough.

(3) Supply steam to factories in industrial parks

(i) Gaotai County in Gansu Province

Although progress this year has been slower than expected, we have two 20 ton/hour capacity plants in operation and we expect to complete the construction of a new 60 ton/hour plant by mid 2021. It was unfortunate that a fatal accident, unrelated to our work, occurred in the 3Q of 2020 in a factory elsewhere in the industrial park. As a result, all activities including ours, have been suspended in the park until all the safety issues are resolved. The park has however just resumed some activities. We expect the demand for steam will now gradually resume and increase, albeit at a slower rate than originally expected.

BUSINESS ANALYSIS (Continued)

(B) Environmental Infrastructure in China (Continued)

(3) Supply steam to factories in industrial parks (Continued)

(ii) Yumen City in Gansu Province

At present, although it appears this is a somewhat more successful project than Gaotai, it is not without its problems. In short, we are now planning to install another 50 ton/hour plant, on top of our existing 35 ton/hour and another 25 ton/hour plant, so by year end, we should have the capability of supply up to 140 ton/hour (the additional capacity we purchase from a nearby power plant), though the demand as conveyed to us is circa 100 ton/hour, but we must be mindful that usually the user tends to exaggerate their requirements. In the planning of this industrial park, the ultimate steam demand is anticipated to be over 300 ton/hour many years later.

(iii) Other areas

In addition to the above Gaotai and Yumen, we have signed up a total of five additional areas (two of which I mentioned last year). We expect that we will be able to produce steam in four of the areas within 2021.

(C) Investment in Securities and other activities

This year we added HK$15 million new stock investment to our portfolio, the total loss this year is HK$25 million.

Yet on the other hand, we have utilised our surplus cash to buy short term bonds from the market, and this action generated HK$13 million of profit. We expect to continue such activities in future to optimize the usage of our shareholders' money.

OUTLOOK

Given the contracts we have on hand, I expect a significant increase in Group's turnover in 2021 and perhaps even in 2022. This will be a great comfort to our loyal staff and shareholders and gives us confidence going forward. Though we expect our gross margin to drop, we have so far been able to contain our overhead costs to a level similar to that of 2019 and given the high level of turnover, we anticipate that our overhead as a % will be lower in 2021. As a result, we are confident that excluding the one-off subsidy from the Government Employment Support Scheme, our bottom line in 2021 will be similar to that of 2020.

It has always been our plan that, in the long run, the turnover of the Civil Engineering Division and the Building Division will be similar to provide some cushion if one Division performs badly in any one year. I am glad to see this plan is now becoming a reality with the contribution of the Building Division increasing significantly.

In summary, despite the many uncertainties in this industry not least the fierce competition, we will do our utmost to maintain the turnover in the long run similar to that of that expected in 2021, but only time will tell how successful we will be.

However, we expect the current competitive market to continue in future which will mean that the profit level we have enjoyed in recent years will be difficult to maintain. We will take all possible steps to increase our efficiency and reduce costs wherever possible to try and maintain the current level of net profit of both our Civil Engineering and Building Divisions as well as our various subsidiaries but in the next few years we expect the contribution from our investments in infrastructure in China will start to be meaningful and with this, we hope to be able to maintain the Group bottom line and provide a stable result in the years to come.

CORPORATE GOVERNANCE

Communication with Shareholders

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

Dividend Policy

I am pleased to advise that based on earnings of HK$0.35 per share, we will distribute a dividend of HK7 cents this year, which is equivalent to 20% of earnings per share. Build King over the past few years has accumulated quite a significant equity, and in addition to catering for the amount of working capital which will be required for construction business in Hong Kong, we are able to invest in environmental projects in China. For the past two years, most of our shareholders have been under financial stress due to the unrest in the society which has then been followed by the effects of the COVID 19 virus. Taking all factors into consideration, I am pleased to advise that from next year onwards, Build King will therefore distribute 25% of the Group's profit as dividend to shareholders compared with 20% in previous years. We hope this will be of help to all those in need.

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, the hard work of our loyal and dedicated staff.

Zen Wei Peu, Derek
Chairman

23 March 2021

Management Discussion and Analysis

Overall Results

For the year 2020, the Group's turnover increased by 0.8% from HK$7,568 million to HK$7,628 million; the profit for the year increased by 48% from HK$298 million to HK$440 million.

Over the past five years, the Group's turnover had grown more than 57%. This persistent growth was driven by the successful expansion of both civil engineering and building divisions. This year, for the first time in this decade, the turnover recorded almost zero growth. However, we will see this as transitory since a handful of large projects awarded in 2019/2020 which take approximately 6 years to complete, were still at early stages having not started substantial physical work as planned. We are looking forward to seeing them in full swing in 2021 and then the turnover growth rate will revive.

On the gross margin, it dropped from 9.7% to 9% in 2020, reflecting the severe competition and hence reducing tender margin for new works in recent years. Despite this tough environment, we would continue our strategy not to compete only on price but also on technical excellence and quality of work. Leveraging on this proven strategy, we could keep winning new tenders without being the lowest price bidder and hence increase turnover as well as overall profit despite lower margin of individual projects.

As reported in the Company's Business Update Announcement on 6 January 2021, although COVID-19 have been plaguing the construction business, we managed to mitigate the adverse impacts on operation. To alleviate the financial burden caused by this pandemic, we applied for and were granted a subsidy of HK$116 million under Employment Support Scheme.

The effective tax rate for 2020 was 5.9%, substantially lower than Hong Kong Profit Tax rate of 16.5%, because of tax-exempted government subsidy of HK$116 million and setting off of tax losses carried forward from prior years against profits of ongoing projects in the current year.

Since the issue of Annual Report 2019 of the Company ("Annual Report 2019"), we have successfully bided civil projects of HK$2.5 billion and building projects of HK$10.6 billion, the largest of which is the HK$9 billion design and build contract for the expansion of United Christian Hospital. At the date of this report, the outstanding work on hand increased from HK$19 billion as indicated in Annual Report 2019 to HK$26 billion equivalent to approximately three years' turnover.

The development in PRC made significant progress in 2020. The additional investment of HK$98 million in upgrading works of the sewage treatment plant in Wuxi were completed in November 2020 and the treatment fee was then raised by 81%. Additional annual income of HK$23 million will be generated in the remaining 17 years of BOT contract. The incremental investment made in Tianjin Wai Kee Earth Investment Co., Ltd. (whose operating subsidiaries engage in exclusive provision of steam in industrial parks for 30 years) was HK$122 million. Now, there are two projects in commercial operation, four steam plants under construction and one committed in last quarter of 2020 in design stage. The two operating steam plants, one in Gao Tai and one in Yumen, were able to generate a minimal profit in its first year operation. The four steam plants will complete their construction and start operation progressively throughout 2021. We expect, by end of 2021, the total production capacity of these six steam plants can reach 200 tons per hour and then further increase to their design capacity of 400 tons per hour in three years, contributing steady income to the Group.

Employees and Remuneration Policies

As at 31 December 2020, the Group had a total of 2,922 employees and total remuneration for the year ended 31 December 2020 was approximately HK$1,192 million. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as performance of the individual.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2020, the Group had liquid assets of HK$2,085 million (as at 31 December 2019: HK$1,822 million) comprising financial assets at fair value through profit or loss ("FVTPL") of HK$490 million (as at 31 December 2019: HK$57 million), time deposits with original maturity of not less than three months of HK$80 million (as at 31 December 2019: HK$77 million) and bank balances and cash of HK$1,515 million (as at 31 December 2019: HK$1,688 million).

As at 31 December 2020, the Group had a total of interest bearing borrowings of HK$520 million (as at 31 December 2019: HK$369 million) comprising bank loans of HK$483 million (as at 31 December 2019: HK$239 million), the bonds of HK$14 million (as at 31 December 2019: HK$130 million) and other creditors of HK$23 million (as at 31 December 2019: nil) with following maturity profile:

	At 31 December 2020 HK$ million	At 31 December 2019 HK$ million
On demand or within one year	**378**	250
In the second year	**101**	119
In the third to fifth year inclusive	**41**	—
	520	369

The Group's borrowings, bank balances and cash and financial assets at FVTPL were principally denominated in Hong Kong dollars. Hence, there is no exposure to foreign exchange rate fluctuations. During the year, the Group had no financial instrument for hedging purpose. As at 31 December 2020, total borrowings of HK$52 million (as at 31 December 2019: HK$130 million) carried interest at fixed rate.

Capital Structure and Gearing

As at 31 December 2020, total equity was HK$1,589 million (as at 31 December 2019: HK$1,185 million) comprising ordinary share capital of HK$124 million (as at 31 December 2019: HK$124 million), reserves of HK$1,457 million (as at 31 December 2019: HK$1,054 million) and non-controlling interests of HK$8 million (as at 31 December 2019: HK$7 million).

As at 31 December 2020, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 33% (as at 31 December 2019: 31%).

Pledge of Assets

As at 31 December 2020, bank deposits of the Group amounting to HK$40 million (as at 31 December 2019: HK$64 million) were pledged to banks for securing the banking facilities granted to the Group.

As at 31 December 2020, quoted debt securities of the Group amounting to HK$447 million (as at 31 December 2019: nil) 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 68, has been the Chairman of the Company since 23 April 2004. He is a member of the Remuneration Committee and a member of the Nomination Committee of the Company. He is also the Vice Chairman of Wai Kee Holdings Limited ("Wai Kee") and the Chairman of Road King Infrastructure Limited ("Road King"), the shares of both are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a director of Emmaus Life Sciences, Inc., whose common stocks are traded on the OTC Market in USA. Mr. Zen holds a Bachelor of Science degree in Engineering from The University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. He is a member of the Institution of Civil Engineers and The Hong Kong Institution of Engineers and a fellow member of the Institution of Quarrying, the United Kingdom ("UK"). He was the Honorary Treasurer of Hong Kong Construction Association. He has over 45 years of experience in civil engineering.

CHANG Kam Chuen, Desmond, age 55, has been appointed as an Executive Director of the Company since 1 June 2008. He has been appointed as the Company Secretary of the Company since 31 May 2005. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and an associate member of Chartered Institute of Management Accountants, UK. He has over 30 years of experience in accounting profession and financial management. Mr. Chang is responsible for the finance, human resources, information technology, administration and company secretarial departments of the Group.

NON-EXECUTIVE DIRECTORS

David Howard GEM, age 80, 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 47, 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. He was an independent non-executive director of China Minsheng Drawin Technology Group Limited (now known as DIT Group Limited) (resigned on 14 June 2018), 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 72, has been appointed as an Independent Non-executive Director since 8 September 2004. He is the Chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Ho has over 40 years of experience in finance and accounting. He is a fellow member of the Association of Chartered Certified Accountants of UK, The Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Ho holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is an independent non-executive director of Left Field Printing Group Limited, the shares of which are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

LING LEE Ching Man, Eleanor, SBS, OBE, JP, age 73, has been appointed as an Independent Non-executive Director of the Company since 30 September 2014. She is the Chairwoman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee of the Company. Mrs. Ling had over 30 years of management experience with one of the largest multinational group in Asia and is a Fellow of the Institute of Chartered Management. Mrs. Ling has retired but remains involved in public services. She is also active in charitable organizations, such as the Maggie's Cancer Caring Centre. She is a Vice Patron of the Community Chest.

LO Yiu Ching, Dantes, GBS, JP, age 75, has been appointed as an Independent Non-executive Director of the Company since 30 November 2018. He is the Chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Lo is a professional civil and structural engineer. He is fellows of the Institution of Civil Engineers, Institution of Structural Engineers and Hong Kong Institution of Engineers. He has engaged for more than 50 years in the administration, planning, design and construction of various major capital works projects in Hong Kong and overseas. Mr. Lo joined the Hong Kong Government in 1974 as an Engineer and was promoted to Director of Civil Engineering in 1999 and Director of Highways in 2000. From 2002 to 2006, he was appointed as the Permanent Secretary for the Environment, Transport and Works (Works). He retired from the civil service in 2006. Mr. Lo then served as a senior consultant to the Hospital Authority on capital planning. Subsequently, Mr. Lo had been appointed as a board member and later Advisor to the CEO of The Airport Authority Hong Kong. Mr. Lo is a distinguished adjunct professor in the Department of Civil Engineering, University of Hong Kong. He is an independent non-executive director of China Overseas Grand Oceans Group Limited, the shares of which are listed on the Main Board of the Stock Exchange.

NG Cheuk Hei, Shirley, age 51, has been appointed as an Independent Non-executive Director of the Company since 25 May 2020. She holds 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 44, 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 Institution of Highway and Transportation. He has over 20 years of experience in civil engineering construction.

CHEUNG Siu Lun, age 70, is responsible for the Group's business development. He is a director and the Chief Operating Officer of BKCL, and a director of Build King Civil and Build King (Zens) Engineering. He holds a Bachelor of Science Degree in Civil Engineering from The University of Hong Kong. He is a fellow of The Hong Kong Institution of Engineers. He is a member of the Faculty Advisory Committee of the Faculty of Science and Technology of the Technological and Higher Education Institute of Hong Kong. He has over 45 years of experience in both civil engineering and building construction.

KWOK Chi Ko, Enmale, age 64, 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 35 years of experience in building and construction industry.

SENIOR MANAGEMENT (Continued)

LEE Man Wai, age 60, 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 35 years of extensive experience in tendering and commercial management of civil engineering and building project in Hong Kong.

LIU Sing Pang, Simon, age 59, 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 Vice President of Council and the Chairman of Civil Engineering Committee of Hong Kong Construction Association. He is also an Elected Ordinary Member of Council of Hong Kong Institution of Engineers and a member of Construction Workers Registration Board under Construction Works Registration Ordinance. He is also an Adviser to Infrastructure Rating System Committee of Hong Kong Green Building Council. He has over 35 years of experience in civil engineering and building construction.

LUI Yau Chun, Paul, age 60, is responsible for the Group's civil and marine engineering operation in Hong Kong. He is a director and the General Manager (Marine) of Build King (Zens) Engineering, a director of BKCL, Build King Civil and Leader Marine Contractors Limited. He is a member of the Institution of Structural Engineers, and of the Hong Kong Institution of Engineers. He has over 35 years of experience in civil and marine engineering.

MOK Hon Wa, Kenneth, age 57, is responsible for the Group's building operation in Hong Kong. He is a director of BKCL and Build King Civil. He holds a Master Degree of Applied Science in Civil Engineering from University of Windsor. He is a member of the Hong Kong Institution of Engineers, fellow of Hong Kong Institute of Construction Managers and Registered Professional Engineer in Hong Kong, Canada and USA. He has over 30 years of experience in building construction.

SO Yiu Wing, Wilfred, age 46, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of BKCL, Build King Civil and Build King (Zens) Engineering. He holds a Bachelor degree in Civil Engineering from The University of Hong Kong. He is a member of The Hong Kong Institution of Engineers and a Registered Professional Engineer (CVL). He is a council member of Hong Kong Construction Association. He has over 20 years of experience in civil engineering construction.

YEOW Chin Lan, Denis, age 50, joined the Group in September 1999 and is the Group Financial Controller responsible for the financial management and accounting of the Group. He is a fellow member of the Association of Chartered Certified Accountants, UK. He has over 20 years of experience in auditing, accounting and financial management.

YIU Cheuk Hung, Kenneth, age 55, 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 30 years of experience in the construction industry including design, construction and project management.

YU Man Kit, Andy, age 46, is responsible for the Group's civil engineering operation in Hong Kong. He is a director of BKCL, Build King Civil, Build King (Zens) Engineering and Cerebro Strategy Limited. He is a member of Institution of Civil Engineers (UK), the Institution of Engineers, Australia, the Chartered Association of Building Engineers and Hong Kong Institute of Construction Managers. He is also a Registered Construction Manager in Hong Kong and a Chartered Civil and Building Engineer in UK. In addition, he is a member of Civil Engineering Committee of Hong Kong Construction Association. He has over 20 years of experience in civil engineering.

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 51 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the five largest customers of the Group together accounted for approximately 74% of the Group's turnover, with the largest customer accounted for approximately 54%, and the five largest suppliers of the Group together represented less than 7% by value of the Group's total purchases.

One of the Group's five largest customers is a wholly owned subsidiary of Road King. As at 31 December 2020, (i) Wai Kee held 330,915,428 Road King shares; (ii) Mr. Zen Wei Peu, Derek ("Mr. Zen", who is a Director of the Company) was interested in 24,649,000 Road King shares, of which 1,000,000 Road King shares was held by the spouse of Mr. Zen; and (iii) Mr. Zen was deemed to be interested in Road King shares through 203,857,078 Wai Kee shares held by him.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 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 66 and 67 respectively.

The Board recommends the payment of a final dividend of HK7 cents per ordinary share for the year ended 31 December 2020 to shareholders whose names appear in the register of members of the Company on Wednesday, 2 June 2021. The details of the final dividend are set out in note 13 to the consolidated financial statements.

Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the payment of final dividend will be made on or before Wednesday, 7 July 2021.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Tuesday, 25 May 2021, the register of members of the Company will be closed from Thursday, 20 May 2021 to Tuesday, 25 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 18 May 2021.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is on Wednesday, 2 June 2021. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 1 June 2021 to Wednesday, 2 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 31 May 2021.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 is set out in the sections headed "Financial Highlights" on page 2, "Chairman's Letter" on pages 3 to 7, "Management Discussion and Analysis" on pages 8 and 9, "Corporate Governance Report" on pages 23 to 36, "Consolidated Financial Statements" on pages 66 to 150 and "Financial Summary" on page 151. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

SEGMENTAL INFORMATION

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

SHARE CAPITAL

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

RESERVES

Details of movement in the reserves of the Group for the year is set out in the consolidated statement of changes in equity on page 70.

DISTRIBUTABLE RESERVES

The reserves of the Company which were available for distribution to the shareholders at 31 December 2020 were HK$1,291,000.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2020, the Company has not entered into any equity-linked agreement.

FINANCIAL SUMMARY

A summary of the results and of financial position of the Group for the past five financial years is set out on page 151.

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWINGS

Details of the Group's bank borrowings for the year ended 31 December 2020 are set out in note 35 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Zen Wei Peu, Derek *(Chairman, Chief Executive Officer and Managing Director)*
Chang Kam Chuen, Desmond

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 (appointed with effect from 25 May 2020)

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

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Chang Kam Chuen, Desmond, Mr. David Howard Gem and Mr. Lo Yiu Ching, Dantes shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence during the year ended 31 December 2020 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS

As at 31 December 2020, the interests and short positions of the directors (the "Directors") and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

(I) The Company

Interests in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held Long position (Note)	Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Personal	123,725,228	–	9.96
Chang Kam Chuen, Desmond	Personal	1,500,000	–	0.12
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).

(II) Associated Corporations

Interests in Shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long position (Note 1)	Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Wai Kee Holdings Limited ("Wai Kee")	Personal	203,857,078	–	25.70
	Wai Kee (Zens) Construction & Transportation Company Limited (Note 2)	Personal	2,000,000	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000	–	37.50
	WK Growth Fund Limited	Personal	3,800	–	16.66 (Note 3)

Notes:

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

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

3. As at 31 December 2020, WK Growth Fund Limited had issued 22,809.90 non-voting participating shares. Accordingly, the percentage has been adjusted.

DIRECTORS' INTERESTS (Continued)

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

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

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

COMPETING INTEREST

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2020, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Notes:

1. Long position in the Shares.

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

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

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

Save as disclosed above, as at 31 December 2020, no other person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

(1) Framework Agreements with Wai Kee

On 24 November 2017, the Company entered into a framework agreement (the "2018 Framework Agreement") with Wai Kee, whereby the Group may, but is not obliged to, purchase ready mixed concrete ("Concrete") from Wai Kee (or its subsidiaries and/or associates) from time to time during the period from 1 January 2018 to 31 December 2020 for the Group's construction projects, subject to the terms and conditions of 2018 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 2018 Framework Agreement are subject to annual caps and shall not exceed the amounts set out below:

Period	Total value not exceeding
1 January 2018 – 31 December 2018	HK$105,000,000
1 January 2019 – 31 December 2019	HK$190,000,000
1 January 2020 – 31 December 2020	HK$195,000,000

During the year, the relevant maximum aggregate value of the contracts was approximate HK$64,757,000 and the transaction is disclosed in note 46 to the consolidated financial statements.

The transaction was announced by the Company in its announcement dated 24 November 2017 and approved by independent shareholders at the special general meeting of the Company held on 15 December 2017.

In light of the expiry of the term of the 2018 Framework Agreement on 31 December 2020 and to ensure compliance with Chapter 14A of the Listing Rules, on 11 November 2020, the Company entered into a new framework agreement (the "2021 Framework Agreement") with Wai Kee, 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 2021 to 31 December 2023 for the Group's construction projects, subject to the terms and conditions of the 2021 Framework Agreement. The maximum aggregate value of the contract sum in respect of the purchase of Concrete by the Group from Wai Kee (or its subsidiaries and/or associates) for the periods concerned under the 2021 Framework Agreement are subject to annual caps and will not exceed the amounts set out below:

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

The transaction 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.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

(2) Framework Agreements with Road King

On 24 November 2017, the Company entered into a framework agreement (the "Framework Agreement") with Road King in respect of the engagement of member of the Group, subject to successful tender, as the main contractor for the construction works of the present and future property development projects of Road King and its subsidiaries (collectively "Road King Group") in Hong Kong for the three financial years ending 31 December 2020. The parties have acknowledged that if the annual value to be recognised under the contracts entered into between Road King Group and the Group pursuant to the Framework Agreement in respect of each of the financial years specified below exceed the amounts specified below that year in the row headed "Annual Cap", either or both parties may be required to seek additional shareholders' approval under the Listing Rules and shall use all reasonable endeavours to seek such approval in a timely manner:

	Financial year ending 31 December		
	2018	2019	2020
Annual cap	HK$650 million	HK$2,460 million	HK$2,880 million

During the year, the relevant maximum aggregate value of the contracts was approximate HK$367,995,000 and the transaction is disclosed in note 46 to the consolidated financial statements.

The transaction was announced by the Company in its announcement dated 24 November 2017 and approved by independent shareholders at the special general meeting of the Company held on 15 December 2017.

The continuing connected transactions mentioned in (1) and (2) above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

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

(ii) on normal commercial terms; and

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

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

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

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

Name of Director	Details of Changes
Zen Wei Peu, Derek	Mr. Zen has been re-designated as the Chairman of Road King Infrastructure Limited (Stock Code: 1098) with effect from 1 January 2021.
David Howard Gem	On 26 February 2021, Mr. Gem entered into a Letter of Appointment with the Company for the period of three years from 1 March 2021 to 29 February 2024 and is subject to retirement by rotation in accordance with the Bye-laws of the Company.
Chan Chi Hung, Anthony	On 26 February 2021, Mr. Chan entered into a Letter of Appointment with the Company for the period of three years from 1 March 2021 to 29 February 2024 and is subject to retirement by rotation in accordance with the Bye-laws of the Company.
Ho Tai Wai, David	On 26 February 2021, Mr. Ho entered into a Letter of Appointment with the Company for the period of three years from 1 March 2021 to 29 February 2024 and is subject to retirement by rotation in accordance with the Bye-laws of the Company.
Ling Lee Ching Man, Eleanor	On 26 February 2021, Mrs. Ling entered into a Letter of Appointment with the Company for the period of three years from 1 March 2021 to 29 February 2024 and is subject to retirement by rotation in accordance with the Bye-laws of the Company.
Lo Yiu Ching, Dantes	On 26 February 2021, Mr. Lo entered into a Letter of Appointment with the Company for the period of three years from 1 March 2021 to 29 February 2024 and is subject to retirement by rotation in accordance with the Bye-laws of the Company.
Ng Cheuk Hei, Shirley	On 26 February 2021, Ms. Ng entered into a Letter of Appointment with the Company for the period of three years from 1 March 2021 to 29 February 2024 and is 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 for the year ended 31 December 2020.

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$30,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the per cent of its public float exceeds 25% for the year ended 31 December 2020 and up to 23 March 2021, 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, 23 March 2021

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

Throughout the year of 2020, the Company has complied with the code provisions of Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules, except for code provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

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

THE BOARD

Composition

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

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

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

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

There is no financial, business and family relationship among members of the Board.

Appointment and Re-election

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

THE BOARD (Continued)

Non-executive Directors

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

Independence of Independent Non-executive Directors

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

Role and Delegation

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

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

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

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

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

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

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

THE BOARD (Continued)

Board Meetings

The Board meets regularly at least four times each year and additional meetings are arranged if and when required. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. During the year, the attendance records of individual Directors at the Board meetings, meetings of three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, the annual general meeting held on 22 May 2020 and the special general meeting held on 30 December 2020 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 22 May 2020	Special General Meeting held on 30 December 2020
Executive Directors						
Zen Wei Peu, Derek	4/4	–	2/2	3/3	1	1
Chang Kam Chuen, Desmond	4/4	–	–	–	1	1
Non-executive Directors						
David Howard Gem	1/4	–	–	–	0	0
Chan Chi Hung, Anthony	4/4	–	–	–	1	1
Independent Non-executive Directors						
Ho Tai Wai, David	4/4	3/3	2/2	3/3	1	1
Ling Lee Ching Man, Eleanor	4/4	3/3	2/2	3/3	1	0
Lo Yiu Ching, Dantes	4/4	3/3	2/2	3/3	1	0
Ng Cheuk Hei, Shirley (Note 1)	2/4	–	–	–	–	1

Notes:

1. Ms. Ng Cheuk Hei, Shirley has been appointed as an Independent Non-executive Director of the Company with effect from 25 May 2020. Two board meetings were held before her appointment and two board meetings were held after her appointment.

"-": Not applicable

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

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

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.

THE BOARD (Continued)

Board Meetings (Continued)

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

Induction and Continuous Professional Development

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

During the year and up to the date of this report, briefing of the Group's business was given to the newly appointed Director and a comprehensive induction package on the directors' duties was provided to her.

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

All Directors are requested to provide the Company with their respective training records pursuant to the Code. Trainings received by each of the Directors during the period from 1 January 2020 to 31 December 2020 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
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	A, B
Lo Yiu Ching, Dantes	B
Ng Cheuk Hei, Shirley	A, B

Notes:

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

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

THE BOARD (Continued)

Directors' and Officers' Liability Insurance and Indemnity

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

Chairman and Chief Executive Officer

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

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

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

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

Board Diversity Policy

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

BOARD COMMITTEES

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

Audit Committee

Composition

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

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

Role and Function

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

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2020 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 2019 and 2020, and the interim results of the Group for the six months ended 30 June 2020;
- Review of the Group's financial information, financial reporting procedures, risk management, internal control systems, and financial and accounting policies and practices;
- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to provide non-audit services;
- Review of the audit plan for the financial year ended 31 December 2020;
- 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 2020 and 2021 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Review of the 2021 internal audit plan;
- Review of the findings in the internal control reports;
- Review of reporting mechanism for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters related to the Company;
- Review of the continuing connected transactions of the Company; and
- Meetings with the external auditor, in the absence of Executive Directors and management.

Nomination Committee

Composition

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

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

Role and Function

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

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2020 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;
- Recommendation to the Board on the appointment of the nominated Independent Non-executive Director;
- Review of the Nomination Policy and the Board Diversity Policy (collectively the "Policies");
- Review of the measurable objectives for implementing the Policies; and
- Determination of the rotation of the Directors for the 2020 and 2021 annual general meetings.

Nomination Policy

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

Nomination Procedures

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

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

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

In May 2020, the Board approved the appointment of Ms. Ng Check Hei, Shirley as an Independent Non-executive Director of the Company, who retired from office at the first general meeting (the "Special General Meeting", which was held on 30 December 2020) after her appointment and, being eligible, offered herself for re-election at the Special General Meeting.

BOARD COMMITTEES (Continued)

Remuneration Committee

Composition

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

Role and Function

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

Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2020 and up to the date of this report:

- Approval of the service contract of an Executive Director;
- Approval of performance bonus of Executive Directors for 2019;
- Approval of emoluments of Executive Directors (where Mr. Zen Wei Peu, Derek abstained from voting in determining his own remuneration) and senior management;
- Approval of salary adjustment in 2020 and 2021; and
- Recommendations on remuneration of newly appointment Independent Non-executive Director.

Remuneration policy

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

The remuneration of a Director is determined with reference to his duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of Directors for the year ended 31 December 2020 are set out in note 10 to the consolidated financial statements of this annual report. The emoluments paid to senior management for the year ended 31 December 2020 were within the following bands:

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' Securities Transactions. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2020.

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu has been re-appointed as the Company's external auditor at the annual general meeting of 2020 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 2020 are as follows:

Type of services	Fee paid/payable HK$
Audit	2,050,000
Non-audit services	
Interim review	550,000
Other services	530,000
Total	3,130,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 61 to 65 forming part of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's risk management and internal control systems put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31 December 2020. The Audit Committee considered that the risk management and internal control systems of the Company and its subsidiaries were effective and adequate.

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

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

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

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT

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

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

26th Considerate Contractors Site Award Scheme presented by Development Bureau, Hong Kong SAR Government and Construction Industry Council

- 2 Considerate Contractors Site Awards (Silver Award)
- 3 Outstanding Environmental Management and Performance Awards (Merit Award)
- 2 Model Worker Awards
- Best Model Frontline Supervisor Award
- Model Subcontractor Award (Gold Award)

Construction Safety Week 2020 - Innovative Safety Initiative Award 2020 presented by Development Bureau, Hong Kong SAR Government and Construction Industry Council

- Safety Management System, Training & Promotion (Gold Award)
- 3 Awards of Health and Welfare (Merit Award)
- Safety Operational Device (Merit Award)

Construction Sites Safety and Housekeeping Award Scheme 2020 (Merit Award) presented by Drainage Services Department, Hong Kong SAR Government

CIC Sustainable Construction Award 2020 – Industry Practitioners presented by Construction Industry Council

- Construction Manager Outstanding Award
- Young Practitioner Excellent Award

Airport Safety Recognition Scheme 2019/20 presented by Airport Authority Hong Kong

- 2 HKIA Safety Excellence Awards (Merit)
- Role Model Safety Behaviour
- 3 Good Safety Suggestions

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT (Continued)

Construction Safety Week 2020 - Lifting Safety Promotional Campaign 2020 presented by Development Bureau, Hong Kong SAR Government and Construction Industry Council

- Lifting Team (Silver Award)
- Lifting Safety Management System (Bronze Award)
- Frontline Level – Lifting Team (Merit Award)
- Innovative Enhancement for Lifting Safety (Merit Award)

Construction Safety Promotional Campaign 2020 - Competition on Safety Culture - presented by Occupational Safety & Health Council

- Best Safety Culture Site (Gold Award)
- Best Safety Project Manager/Site Agent (Gold Award)
- Best Operation of Construction Site Activity Team (Gold Award)
- Best Safety Culture Subcontractor (Gold Award)

Construction Safety Promotional Campaign 2020 presented by Occupational Safety & Health Council

- Best Method Statement (Silver Award)
- Best Safety Enhancement Program for Operating Excavators (Merit Award)
- Best Program for Work Safety in Hot Weather and Employees' Health Protection (Merit Award)

Outstanding Safety Award: Platinum presented by The Institute of Safety and Health Practitioners

Outstanding Health Award: Platinum presented by The Institute of Safety and Health Practitioners

Hong Kong Green Awards 2020 – Green Management Award – Project Management (Large Corporation) (Silver Award) presented by Green Council

2 19th Hong Kong Occupational Safety & Health Awards - Safety Performance Award (Outstanding) (Construction Category) - presented by Occupational Safety and Health Council

2 Environmental Merit Awards 2020 - Hong Kong Construction Association

HKCA Proactive Safety Contractor Award 2019 presented by Hong Kong Construction Association

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

SHAREHOLDERS' RIGHTS

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

Any vote of shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and the Stock Exchange on the day of the general meeting. Since May 2009, there were no changes to the memorandum of association of the Company and Bye-laws. The updated versions of the memorandum of association of the Company and Bye-laws are available on the websites of the Company and the Stock Exchange.

Detailed procedures for the shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board has established a shareholders' communication policy setting out various channels of communication, with the objective of enabling the shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its shareholders' meeting as an important means of communication with the shareholders in which the shareholders will be able to have an open dialogue with the Board. The Board members, in particular, the chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. External auditor also attends the Company's annual general meetings and addresses queries from the shareholders relating to the conduct of the audit, and the preparation and content of its auditor's report.

Apart from holding shareholders' meeting, the Company also endeavours to maintain effective communication with all shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the websites of the Company and the Stock Exchange.

Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

DIVIDEND POLICY

The Company has adopted a Dividend Policy. It aims to provide shareholders with stable and sustainable returns.

In proposing any dividend payout, the Board shall take into account, inter alia, the Group's financial condition, working capital requirements and future expansion plans, actual operations and liquidity position, the Company's retained earnings, distributable reserves and cash flow situation, general economic condition and other factors that the Board considers appropriate.

INVESTOR RELATIONS

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

MESSAGES FROM CHAIRMAN

Dear shareholders,

On behalf of the board of directors ("the Board") of Build King Holdings Limited ("the Company"), I am pleased to present the fifth Environmental, Social and Governance Report, which covers our sustainability performance from 1 January 2020 to 31 December 2020.

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

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

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

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

On behalf of the Board, I would like to express my appreciation and gratitude to management teams for their effort in delivering on our sustainability commitments in 2020.

Zen Wei Peu, Derek
Chairman

23 March 2021

Environmental, Social and Governance Report

ABOUT THIS REPORT

This Report contains information of our main business in Hong Kong as a main contractor providing all-rounded construction related services to a portfolio of clients including Hong Kong government departments, quasi-government authorities and institutions, and private developers. Currently, there are over 50 active construction projects in Hong Kong contributing 97% of the group turnover for the financial year 2020 and employing 94% of the Group employees. Owing to the differences in reporting standards across the regions, the information of environmental infrastructure projects in PRC was not covered in this Report.

This Report discloses our performance and initiatives regarding ESG issues and relevant Key Performance Indicators ("KPIs") of different aspects from 1 January to 31 December 2020. The content can be found on pages 54 to 56.

This Report was developed referencing existing local and globally recognized reporting frameworks, namely Hong Kong Stock Exchange (HKEX) Appendix 27 of the Main Board Listing Rules (HKEX ESG Guide). A summary of our key performance data is shared in the Performance Data Summary 2020 section. A content index is included at the end of the Report as a tool to help readers more easily locate relevant information across the Report and to demonstrate compliance with the HKEX ESD Guide.

FEEDBACK

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

Corporate Website:
https://www.buildking.hk

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

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

Contact information:

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

Email: info@buildking.hk

ESG MANAGEMENT APPROACH

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

Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance and has complied with the Corporate Governance Code (the "CG Code") sets out in Appendix 14 of the Listing Rules. The detailed content can be found in the Corporate Governance Report on pages 23 to 36.

Governance Structure

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

Anti-Corruption

At Build King, we take anti-corruption and avoidance of bribery seriously, viewing these issues as long-term challenges 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 adhere to the Group policies. We also organize seminars regularly on integrity and corruption prevention for our employees. In 2020, a total of 186 employees have attended these seminars. We believe that these measures form a robust system to prevent risks related to corruption across all our operations. During the year under review, no confirmed incident of corruption concerning the Group or its employees was identified.

ESG MANAGEMENT APPROACH (Continued)

Materiality Assessment

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

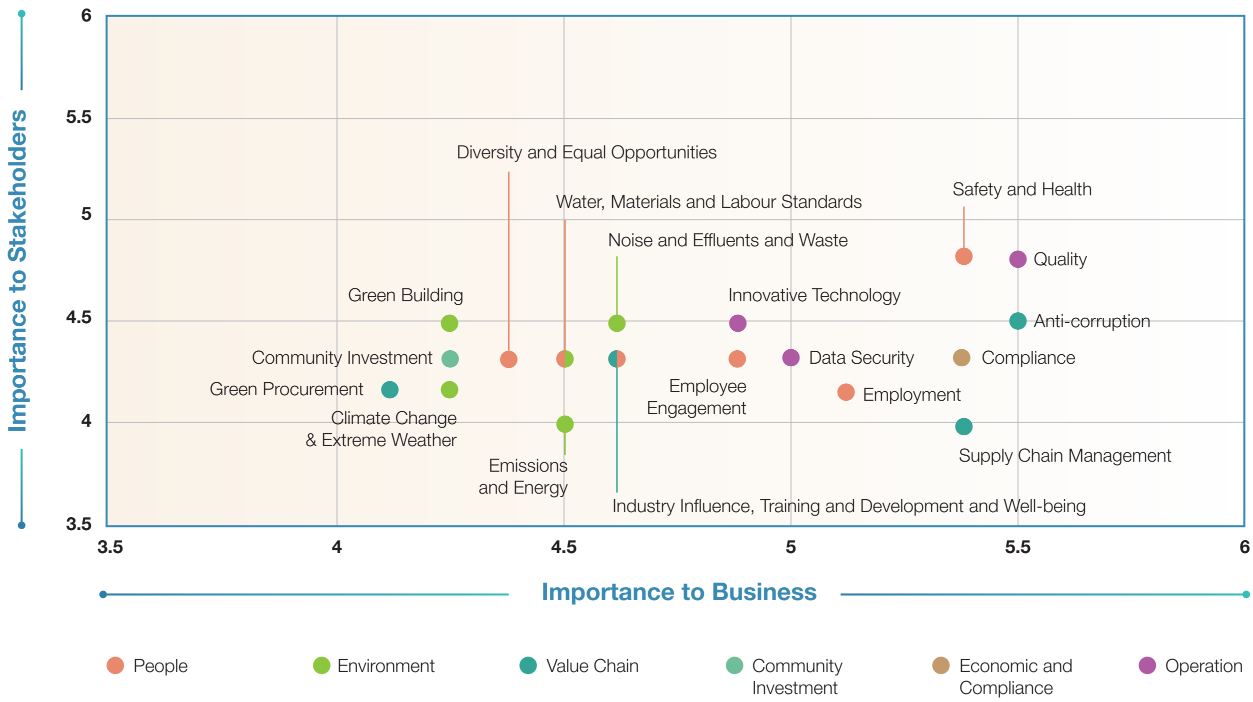
Section in this report	Material Issues	
People	1	Employment
	2	Occupational Safety and Health
	3	Training and Development
	4	Labour Standards
	5	Employee Engagement
	6	Diversity and Equal Opportunities
	7	Well-being
Environment	8	Emissions
	9	Energy
	10	Noise
	11	Effluents and Waste
	12	Water
	13	Materials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

ESG MANAGEMENT APPROACH (Continued)

Materiality Assessment (Continued)

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

ESG ISSUES MATERIALITY MATRIX



PROVIDING BETTER PROSPECTS FOR OUR PEOPLE

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

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

We respect the fundamental rights of our employees and are committed to building an equal, diverse and inclusive working environment, and providing equal opportunities in all aspects of employment regardless of gender, race, ethnic origin, marital status, education or disabilities. In 2020, there was no known report of any incidence of discrimination by our employees in the Group.

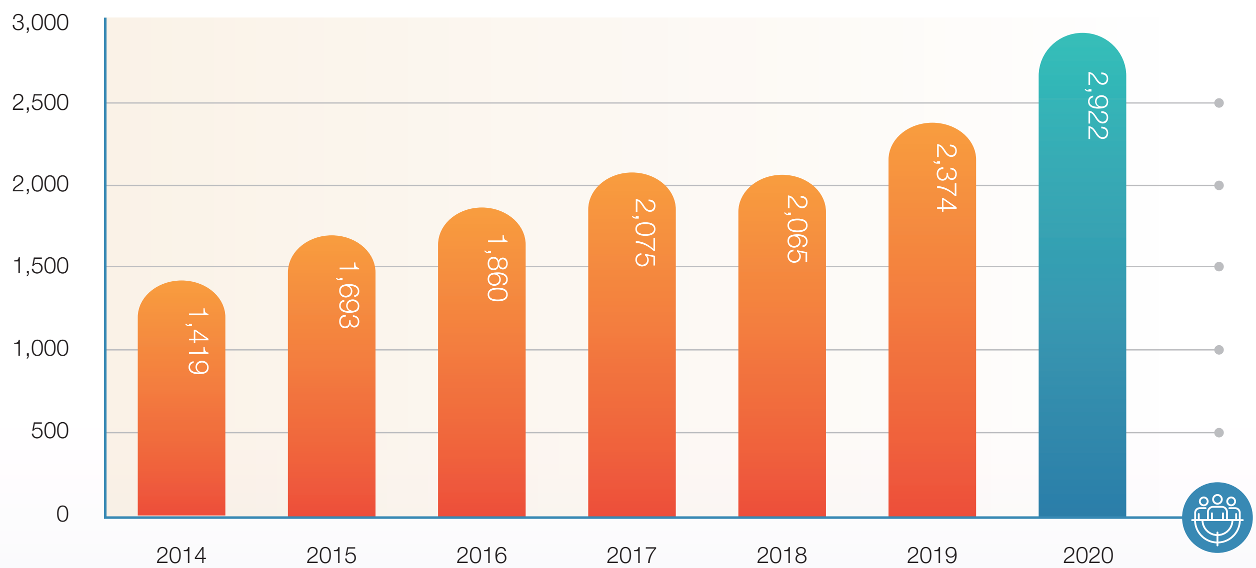
The Group has complied with regional legislative regulations regarding labor standards. We prohibit child, forced or compulsory labor in any of our operations. We extended these requirements to our supply chain to ensure they adhere to all legal standards as well. Self-audit and ad-hoc assessments are conducted regularly to review the employment practices and to detect and rectify any control deficiencies. In 2020, no operation was identified as having significant risk of child or forced labor.

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

Employees Composition

The total number of employees has reached 2,922 in 2020, an increase of around 23% compared to previous year.

Total Workforce

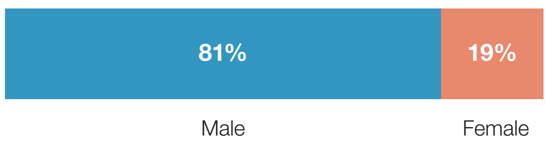


PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

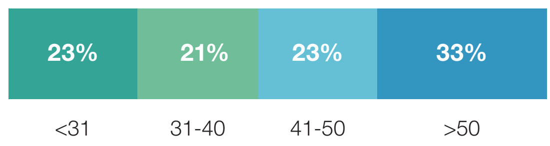
Employees Composition (Continued)

The majority of our new hires are in Hong Kong, representing 99% of total new employees, while the rest are employed in other regions. Gender diversity is a particular challenge in construction industry. In 2020, 19% of our total workforces are female and 81% are male. The workforce is evenly distributed among all age groups.

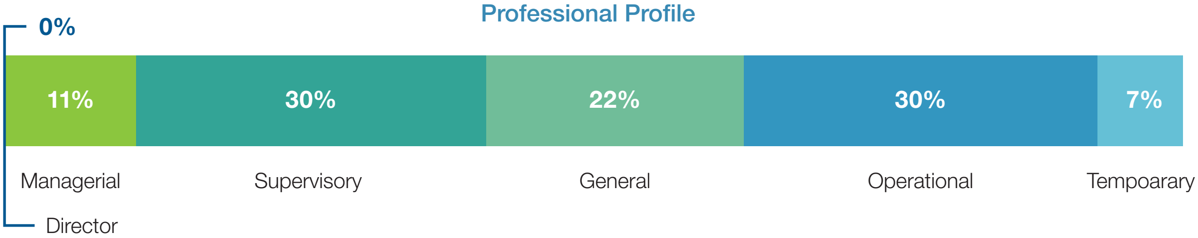
Gender Profile



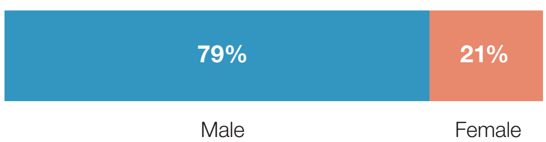
Age Profile



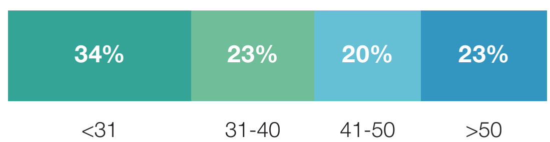
Professional Profile



Employee turnover
(by Gender)



Employee turnover
(by Age)



Employee Engagement

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

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Diversity and Equal Opportunities

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

Well-being

The Group cares about the well-being of our employees, and is dedicated to provide employees with healthy and safe working environment. In 2020, the Group has been awarded the Caring Company by The Hong Kong Council of Social Service, Certificate of Good Employer by Labour Department, MPF Good Employer by Mandatory Provident Fund Schemes Authority and HK Corporate Citizenship by Hong Kong Productivity Council.

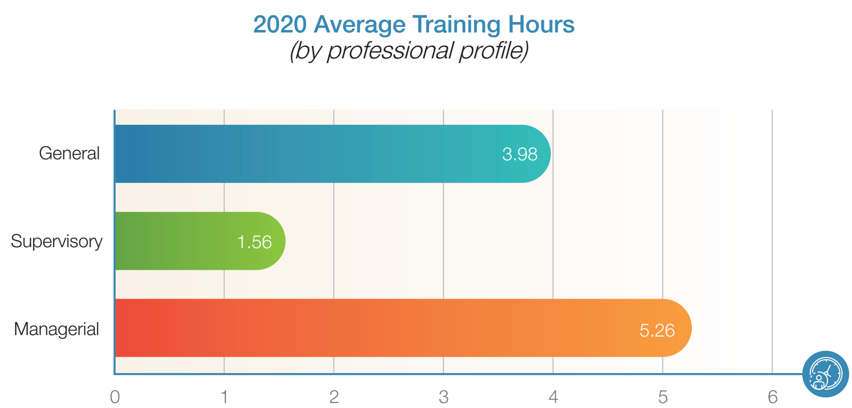
Welfare

The Group commits to continually improving our employees healthcare and well-being.

The Group Medical Insurance and Group Life Insurance Scheme have been renewed with significant upgrades, which includes introducing and increasing maximum limit for some flexible protection coverage.

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 light of the coronavirus pandemic, many training courses were cancelled, postponed or had been changed to virtual training to reduce the risk of virus spreading in the community. To prepare for the challenging business environment, two management workshops had been organized in mid-2020 with the objectives of identifying key areas of improvement and plans to address these areas.

Blended learning approach was adopted in 2020. Some training such as ICAC training was arranged online, while some training like Primavera P6 training was taught in an instructor-led classroom with a small group of staff. Likewise, we have launched an eLearning platform since 2017, which provides a series of tailor-made online learning programs to our staff. Seven new programs were introduced and uploaded in 2020, including “How to run effective virtual meetings”, “Smart thinking in Construction”, “Principle of NEC” etc.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Training and Development (Continued)

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

Safety and Health Policy

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

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

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

To achieve continuous improvements of our safety performance, we adopt a risk-based control approach to ensure all working procedures are compliant with laws, regulations and risk assessment. In 2020, the Group had a fatal accident in one of our project.

The accident frequency rate was 0.15 per 100,000 man-hours worked, against the target rate of 0.21 and the total lost days due to work injuries was 4,656.

Control Mechanisms

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

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

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE (Continued)

Preventive measures of Coronavirus

The coronavirus pandemic in 2020 was a global health crisis, and was also the toughest challenge to the occupational safety and health management we have ever faced at our workplaces.

The Group recognizes the risk of virus spreading in our construction sites and offices, which might seriously affect the health and daily lives of our employees. In this regard, a series of preventive measures have been in place to protect our employees:-

- Distributing epidemic prevention materials to all employees;
- Daily body temperature checking and recording;
- Providing hygienic measures trainings to workers to enhance their knowledge and awareness;
- Carrying out office general cleaning and disinfection work regularly;
- Approving special work arangement inlcuding flexible working hours and work-from-home; and
- Arranging regular COVID-19 testings at all sites for construction workers.

With the joint effort by all our employees, there was no serious outbreak at our construction site in 2020.

BUILDING TOWARDS A BETTER ENVIRONMENT

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

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

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

Pollution Abatement

In view of the variety of our projects, each project is required to develop the project-specific Environmental Management Plan ("EMP"). 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, we require all frontline staff to attend induction training which covers the introduction of Group's environmental targets and relevant legislation. Toolbox talks are also provided to remind them the corresponding environmental mitigation measures for various procedures. Besides, the environmental management team conduct weekly site inspection to ensure that the environmental measures have been implemented as planned. If non-compliance is found, remedial actions are taken immediately and findings examined in subsequent environmental management meetings to alarm the management and frontline staff.

Air Quality Management

To effectively reduce the dust arising out from construction works, water sprinkler system had been set along the haul road. Automatic Sprinkler System with auto-water spraying function according to ambient air condition was also provided. For sites with large working area, water cannon with long range water spray would be used.

Noise Management

Apart from implementing the general noise control measures, the Group has hired a consultant to design a long scale noise enclosure for construction works. The noise enclosure was certified to reduce the noise level by 16 dB(A), which can effectively reduce the noise impact for nearby resident.

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Effluent and Water Management

To prevent the surface runoff from leakage to public area, U-channel has been constructed at site boundary for collecting wastewater. In addition, cut-off drains have also been placed at site entrances to direct surface runoff to Wastewater Treatment Facilities at site in compliance with the legal requirements. The treated wastewater would be reused for sprinkler system, vehicle wheel washing or irrigation etc.

Chemical Waste Management

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

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

Green Building

The Group is dedicated to protect the surrounding environment and to reduce the impact generated from construction works. Tree conservation specialists were hired to provide regular inspection of site vegetation and supervision of tree pruning work. To minimize the influence to coral arising out from our marine works, we preserved the coral through relocation before commencement of construction works. Coral dive survey was carried out before the relocation to ensure the ocean ecology was preserved.

Reduce carbon footprint

Batching plant have been set inside some of our construction sites to minimize the carbon footprint by reducing the transportation distance.

Energy Efficiency

To utilize the renewable energy, green roof and sky light was considered in the design of site office to reduce the heat gain and to utilize the daylight to the indoor environment. The energy consumption for indoor lighting and air-conditioning were therefore reduced.

Carbon Reduction

When selecting construction materials, we would avoid materials that was harmful to the environment as far as possible, for example, non-chlorofluorocarbons and non-hydrochlorofluorocarbons materials were used in air-conditioning system and paint to avoid the release of ozone depletion substance.

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

Sustainable Use of Resources and Waste Management

In order to minimize the waste generated from construction works, we have adopted the Cement Solidification Process to reuse dredged marine sediment for reclamation procedures.

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

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

Climate Change

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

- ***Governance***

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

  – Adopting best practices to improve energy efficiency in operation

  – Increasing the use of renewable energy in construction

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

  – Increasing greenery areas at construction sites

  – Collaborating with partners on developing innovations for sustainable buildings

- ***Strategy***

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

BUILDING TOWARDS A BETTER ENVIRONMENT (Continued)

- ***Risk Management***

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

- ***Metrics and Targets***

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

MANAGING OUR SUPPLY CHAIN

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

The Group's supply chain network involves 1,995 suppliers which are located in Hong Kong. The way we collaborate with them has a significant impact on our sustainability performance.

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

Selection Criteria

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

Management Approach

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

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

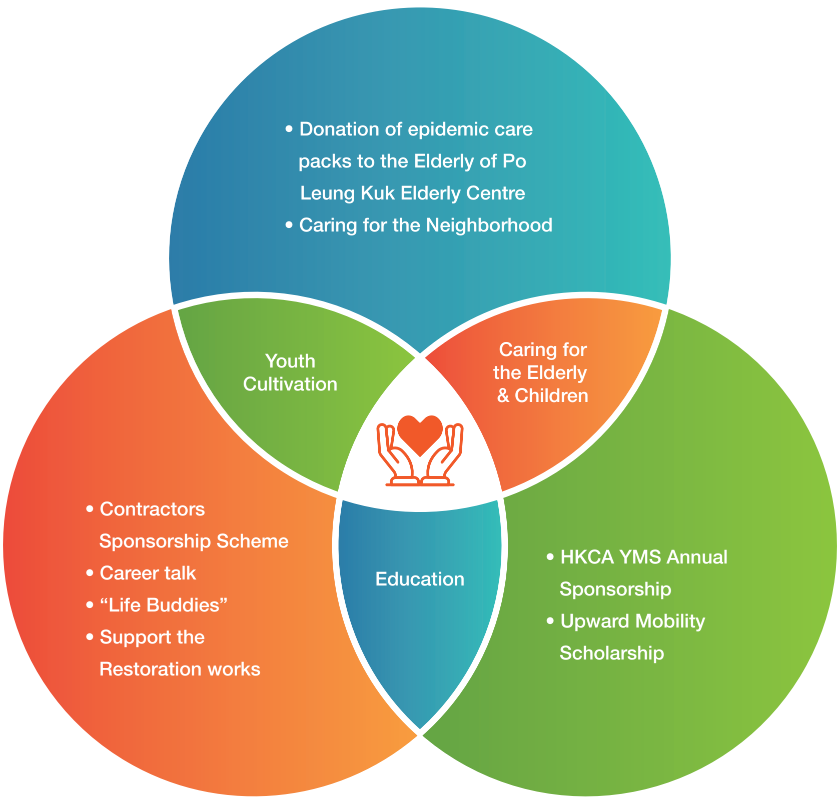
CARING FOR OUR COMMUITY

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

Corporate Social Responsibility Policy

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

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



CARING FOR OUR COMMUITY (Continued)

Youth Cultivation

Contractors Sponsorship Scheme

We continued to sponsor this Scheme in 2020. In addition to the monthly sponsorship, applicants would also receive 20-day site internship programme. The Group hoped to attract more talents to join the construction industry through this scheme, and could in turn recruit more graduates from Hong Kong Institute of Construction.

Career Talk

To allow students to have better understanding about the trends of construction industry and expectations from the employers while searching for young talents to join us.

"Life Buddies" Mentoring Scheme

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

Support the Restoration works of Lo Pan Temple

Lo Pan Temple is the only temple in Hong Kong dedicated to the worship of Lo Pan and accorded Grade 1 status by the Antiquities Advisory Board. To support the restoration works to Lo Pan Temple, we have made a donation to the fund raising event of Hong Kong Lo Pan Kwong Yuet Tong.

Education

HKCA Youth Members Society (YMS) Annual Sponsorship

We nurture young engineers to be the future leaders in construction industry. We continued to sponsor YMS in 2020 in supporting them to organise events to enhance members' understanding of the construction industry, and assist their young members' personal professional growth and career development.

Upward Mobility Scholarship

To provide a better learning environment and learning opportunities for the less privileged students from secondary schools, special schools and vocational training schools, we continued to sponsor this Scholarship in 2020. We hope the students could develop their full potential without being constrained by their present socio-economic status.

Caring for the Elderly & Children

Donation of epidemic care packs to the Elderly of Po Leung Kuk Elderly Centre

Caring for the elderly, especially those with the mental and health problems, has become an increasing concerned issue in Hong Kong. To build a warm environment and to provide assistance to the elderly in need, we have established a long-term partnership with Po Leung Kuk Elderly Centre.

In view of the coronavirus pandemic in 2020, the Group has donated various epidemic prevention materials to the Elderly of Po Leung Kuk Elderly Centre to remind them to take good care and stay vigilant against virus.

CARING FOR OUR COMMUITY (Continued)

Caring for the Elderly & Children (Continued)

Caring for the Neighborhood

The Group and our partners have taken a host of measures to support our neighborhood in order to reduce the impact arising from the coronavirus outbreak. Measures included distributing health and food kit to the disadvantaged, organizing Mask Holder Design Completion to strengthen their awareness of the coronavirus and arranging tutorial classes to students to help them catching up the learning progress during class suspension period.

ENHANCEMENT ON OPERATION

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

Innovative Technology

The Group values the effectiveness brought by innovative technology, and believe it would in turns uplift the site safety performance. Therefore the Group has invested resources in new initiatives. Most of the projects have acquired the licensed innovative devices in the industry like smart safety helmet, while some project teams have introduced their own innovative safety devices and systems tailor made for their projects, e.g. developed an innovative mobile app "SIMple" which is a tailor-made app that digitalize various site management records including site safety inspection. With its user-friendly interfaces and efficiency button features, the site records keeping has been strengthen, which leads to efficient work processes, better analysis of data and thus improve the safety standard and achieve better quality of work. The innovation idea of "SIMple" was recognized by the industry and has been awarded the Gold Award of the Innovative Safety Initiative Award (ISIA) 2020 (Safety Management System, Training and Promotion Category).

Quality Management

The Group has instituted an integrated management system and detail can be found from Quality Assurance, Safety and Environmental Management on page 33 to 34.

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

Data Security

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

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

The Group is committed to protecting data privacy and preventing data leakage or loss by adopting stringent physical security measures and acceptable industry practices. Additionally, cybersecurity measures such as the latest anti-hacker firewall and a regularly updated anti-virus programme have been applied to safeguard data integrity.

PERFORMANCE DATA SUMMARY 2020

	Environment	2020	2019
	Total Resources Consumption		
	Electricity (kWh)	**13,323,603.70**	9,825,367.20
	Petrol (litres)	**597,467.89**	2,727,487.03
	Diesel (litres)	**21,186,815.84**	15,343,199.21
	Water (m^3)	**625,386.15**	547,041.45
	Types of emissions		
	NOx emissions (g)	**29,902,973.51**	37,630,358.06
	PM emissions (g)	**2,256,411.56**	3,748,852.91
	SOx emissions (g)	**349,890.52**	287,119.57
	Greenhouse Gases Emissions		
	Total emissions (tCO_2e)	**64,230.75**	48,485.87
	Scope I (tCO_2e)	**55,448.34**	40,152.18
	Scope II (tCO_2e)	**8,440.53**	6,358.65
Environment	Scope III (tCO_2e)	**341.88**	1,975.04
	Waste		
	Hazardous waste (tonnes)	**46.93**	16.42
	Non-hazardous waste (tonnes)	**155,324.90**	146,811.40
	Paper		
	Paper Consumption (tonnes)	**70.54**	411.47
	Paper Recycled (tonnes)	**8.41**	23.07
	Intensity		
	Hazardous waste	**9.39**	4.11
	Non-hazardous waste	**3,788.41**	4,194.61
	Energy consumption	**324,965.94**	265,550.46
	Water consumption	**18,393.71**	16,089.45

PERFORMANCE DATA SUMMARY 2020 (Continued)

	Employment	2020	2019
Social	***Total Workforce***		
	by Age		
	<31	**681**	567
	31-40	**611**	534
	41-50	**657**	526
	>50	**973**	747
	by Gender		
	Male	**2,358**	1,928
	Female	**564**	446
	by Professional Profile		
	Director	**12**	10
	Managerial	**323**	276
	Supervisory	**866**	735
	General	**637**	492
	Operational	**874**	693
	Temporary	**210**	168
	by Employment type		
	Full time	**2,922**	2,373
	Part time	**0**	1
	by Region		
	Hong Kong	**2,764**	2,318
	PRC	**157**	55
	UAE	**1**	1
	Employee Turnover		
	by Age		
	<31	**172**	158
	31-40	**115**	123
	41-50	**100**	97
	>50	**118**	135

PERFORMANCE DATA SUMMARY 2020 (Continued)

	Employment (Continued)	2020	2019
Social	***Employee Turnover (Continued) by Gender***		
	Male	**399**	415
	Female	**106**	98
	by Region		
	Hong Kong	**491**	507
	PRC	**14**	6
	Occupational Health and Safety		
	Work-related injuries	**28**	22
	Accident Frequency Rate (per 100,000 man-hours)	**0.15**	0.10
	Accident Frequency Rate (per 1,000 workers)	**4.80**	3.52
	Training and Development		
	Average Training Hours	**3.01**	5.69
	Percentage of Employees Trained by Gender		
	Male	**39%**	45%
	Female	**40%**	47%
	by Professional Profile		
	Managerial	**56%**	64%
	Supervisory	**27%**	33%
	General	**49%**	46%
	Average Training hours Completed per Employee by Gender		
	Male	**3.12**	5.62
	Female	**2.62**	6.02
	by Category		
	Managerial	**5.26**	7.40
	Supervisory	**1.56**	3.08
	General	**3.98**	8.78

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 2020
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 2020
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 2020
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment – Carbon Reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment – Sustainable Use of Resources and Waste Management
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Environment – Energy Efficiency
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2020
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary 2020
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environment – Effluent and Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable

HKEX ESG CONTENT INDEX (Continued)

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
A. Environmental		
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimizing the issuers' significant impact on the environment and natural resources.	Environment – Sustainable use of Resources and Waste Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment – Sustainable use of Resources and Waste Management
Aspect A4	**Climate Change**	
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environment – Climate Change
B. Social		
Aspect B1	**Employment and Labor Practices**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People
KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	People – Our Workforce; Performance Data Summary 2020
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary 2020
Aspect B2	**Health and safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People – Occupational Health & Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Performance Data Summary 2020; People – Safety and Health Policy
KPI B2.2	Lost days due to work injury.	People – Safety and Health Policy
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	People – Control Mechanisms and Preventive measures of Coronavirus

HKEX ESG CONTENT INDEX (Continued)

KPIs	HKEx ESG Reporting Guide Requirements	Section and Remarks
B. Social		
Aspect B3	**Development and training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	People – Training and Development; Performance Data Summary 2020
KPI B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary 2020
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
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not Applicable
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not Applicable
KPI B6.4	Description of quality assurance process and recall procedures.	Not Applicable
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Not Applicable
Aspect B7	**Anti-Corruption**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	ESG Management Approach – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	ESG Management Approach – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	ESG Management Approach – Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	ESG Management Approach – Anti-corruption
Aspect B8	**Community investment**	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community – Corporate Social Responsibility Policy
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community

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 66 to 150, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from construction contracts	
We identified the revenue recognition from construction contracts as a key audit matter due to the significance of the amount to the consolidated financial statements as a whole and degree of judgement and estimation uncertainty involved. Most construction contracts take several years to complete and the scope of work may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the construction contracts and regularly assesses the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. As set out in note 4 to the consolidated financial statements, the management measures the value of completed construction work based on output method, which is to recognise revenue on the basis of direct measurement of the value of construction work transferred to the customer to date relative to the remaining construction works promised to be completed under the construction contract. The Group regularly reviews and revises the estimation of contract revenue prepared for each construction contract as the contract progresses based on internal construction progress reports and certificates issued by the independent quantity surveyors. As disclosed in note 5 to the consolidated financial statements, the revenue recognised from construction works was HK$7,566,801,000, which represents 99.2% of total revenue of the Group.	Our procedures in relation to the recognition of revenue from construction contracts included: • Evaluating the effectiveness of key internal controls in place on preparation of internal construction progress reports and revenue recognition from construction works; • Reviewing the Group's latest internal construction progress reports to verify the value of construction works completed by assessing management's key estimates on preparation of internal construction progress reports and comparing to the latest certificates issued by independent quantity surveyors, on a sample basis; • Visiting construction sites to observe the construction works and interviewing the project managers for the progress of construction works, on a sample basis; and • Assessing the reliability of internal construction progress reports by comparing the actual outcome against management's key estimates of completed 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$248,381,000 and HK$1,793,164,000, respectively, which represents 4.6% and 32.9% 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; 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.

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
23 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue from services	5	**7,628,388**	7,568,461
Cost of sales		**(6,939,748)**	(6,832,633)
Gross profit		**688,640**	735,828
Investments and other income	7	**161,370**	26,244
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		**(24,690)**	(12,473)
Administrative expenses		**(355,466)**	(375,433)
Finance costs	8	**(16,995)**	(18,778)
Share of results of joint ventures		**16,511**	22,351
Share of results of associates		**(1,754)**	(1,941)
Profit before tax	9	**467,616**	375,798
Income tax expense	12	**(27,391)**	(78,153)
Profit for the year		**440,225**	297,645
Profit (loss) for the year attributable to:			
Owners of the Company		**440,907**	296,419
Non-controlling interests		**(682)**	1,226
		440,225	297,645
		HK cents	HK cents
Earnings per share	14		
– Basic		**35.5**	23.9

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Profit for the year	**440,225**	297,645
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**23,971**	(3,358)
Share of reserves of joint ventures	**(226)**	2
Total comprehensive income for the year	**463,970**	294,289
Total comprehensive income attributable to:		
Owners of the Company	**462,228**	293,052
Non-controlling interests	**1,742**	1,237
	463,970	294,289

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	15	**364,326**	195,275
Right-of-use assets	16	**50,812**	30,036
Intangible assets	17	**268,945**	108,293
Goodwill	18	**30,554**	30,554
Interests in joint ventures	20	**176,815**	151,003
Interests in associates	21	**4,188**	5,663
Loan to an associate	22	**2,700**	—
Other financial asset at amortised cost	23	**36,955**	36,144
Debtors, deposits and prepayments	25	**—**	55,875
		935,295	612,843
Current assets			
Inventories	24	**12,750**	33,452
Debtors, deposits and prepayments	25	**472,643**	414,909
Contract assets	26	**1,793,164**	2,135,584
Amount due from a joint venture	27	**701**	—
Amounts due from associates	27	**7,786**	8,050
Amounts due from other partners of joint operations	27	**61,373**	176,910
Financial assets at FVTPL	28	**490,137**	56,555
Tax recoverable		**35,018**	2,295
Pledged bank deposits	29	**39,683**	64,170
Time deposits with original maturity of not less than three months	29	**79,540**	76,782
Bank balances and cash	29	**1,515,154**	1,687,720
		4,507,949	4,656,427
Current liabilities			
Creditors and accrued charges	30	**2,616,149**	2,661,608
Contract liabilities	31	**568,706**	779,716
Lease liabilities	32	**23,043**	20,839
Amount due to an intermediate holding company	33	**16,945**	15,652
Amounts due to fellow subsidiaries	33	**1,530**	7,070
Amount due to a joint venture	33	**—**	1,142
Amounts due to other partners of joint operations	33	**1,176**	2,152
Amounts due to non-controlling interests	33	**3,094**	3,094
Amount due to an associate	34	**19,896**	18,791
Tax payable		**32,541**	174,922
Bank loans - due within one year	35	**482,762**	238,781
Bonds	39	**13,965**	115,829
		3,779,807	4,039,596
Net current assets		**728,142**	616,831
Total assets less current liabilities		**1,663,437**	1,229,674

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Capital and reserves			
Ordinary share capital	36	**124,188**	124,188
Reserves		**1,456,715**	1,054,097
Equity attributable to owners of the Company		**1,580,903**	1,178,285
Non-controlling interests		**8,391**	6,649
Total equity		**1,589,294**	1,184,934
Non-current liabilities			
Deferred tax liabilities	38	**5,750**	5,750
Obligations in excess of interests in joint ventures	20	**106**	27
Obligations in excess of interests in associates	21	**14,432**	14,153
Amount due to an associate	34	**2,258**	2,712
Lease liabilities	32	**28,597**	8,189
Other creditors	40	**23,000**	—
Bonds	39	**—**	13,909
		74,143	44,740
		1,663,437	1,229,674

The consolidated financial statements on pages 66 to 150 were approved and authorised for issue by the Board of Directors on 23 March 2021 and are signed on its behalf by:

Zen Wei Peu, Derek
Chairman

Chang Kam Chuen, Desmond
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company								Non-controlling interests HK$'000	Total equity HK$'000
	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		
At 1 January 2019	124,188	14,186	4,284	(943)	(63,141)	4,290	857,770	940,634	3,951	944,585
Profit for the year	–	–	–	–	–	–	296,419	296,419	1,226	297,645
Exchange differences arising on translation of foreign operations	–	–	(3,369)	–	–	–	–	(3,369)	11	(3,358)
Share of reserves of joint ventures	–	–	2	–	–	–	–	2	–	2
Total comprehensive (expense) income for the year	–	–	(3,367)	–	–	–	296,419	293,052	1,237	294,289
Acquisition of additional interests in a subsidiary (note 49)	–	–	–	(758)	–	–	–	(758)	458	(300)
Acquisition of subsidiaries (note 48)	–	–	–	–	–	–	–	–	5,499	5,499
Disposal of partial interest in a subsidiary without losing control	–	–	–	–	–	–	–	–	(2)	(2)
Allotment of shares to non-controlling interests	–	–	–	–	–	–	–	–	6	6
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(4,500)	(4,500)
Dividend paid	–	–	–	–	–	–	(54,643)	(54,643)	–	(54,643)
At 1 January 2020	**124,188**	**14,186**	**917**	**(1,701)**	**(63,141)**	**4,290**	**1,099,546**	**1,178,285**	**6,649**	**1,184,934**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**440,907**	**440,907**	**(682)**	**440,225**
Exchange differences arising on translation of foreign operations	**–**	**–**	**21,547**	**–**	**–**	**–**	**–**	**21,547**	**2,424**	**23,971**
Share of reserves of joint ventures	**–**	**–**	**(226)**	**–**	**–**	**–**	**–**	**(226)**	**–**	**(226)**
Total comprehensive income for the year	**–**	**–**	**21,321**	**–**	**–**	**–**	**440,907**	**462,228**	**1,742**	**463,970**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(59,610)**	**(59,610)**	**–**	**(59,610)**
At 31 December 2020	**124,188**	**14,186**	**22,238**	**(1,701)**	**(63,141)**	**4,290**	**1,480,843**	**1,580,903**	**8,391**	**1,589,294**

Notes:

a. The other reserve represents the excess of the consideration paid over the additional interests in net assets of respective acquired subsidiaries.

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 2020

	2020 HK$'000	2019 HK$'000
Operating activities		
Profit before tax	**467,616**	375,798
Adjustments for:		
Finance costs	**16,995**	18,778
Amortisation of intangible assets	**3,877**	1,797
Depreciation of property, plant and equipment	**61,076**	107,249
Depreciation of right-of-use assets	**25,540**	22,286
Profit from construction work of service concession arrangement	**(7,596)**	—
Share of results of joint ventures	**(16,511)**	(22,351)
Share of results of associates	**1,754**	1,941
(Gain) loss on disposal of property, plant and equipment	**(964)**	1,949
Decrease in fair value of financial assets at FVTPL	**24,690**	12,473
Impairment loss recognised on amount due from other partner of a joint operation	**7,013**	27,315
Dividends from financial assets at FVTPL	**(3,240)**	(3,678)
Interest on financial assets at FVTPL	**(10,537)**	—
Interest on bank deposits	**(9,013)**	(15,945)
Interest on other receivables	**(7,463)**	(1,460)
Interest on other financial asset at amortised cost	**(987)**	(975)
Interest on loans to a joint venture	**—**	(2,361)
Gain on bargain purchase arising from acquisition	**—**	(368)
Gain on disposal of partial interest in a subsidiary	**—**	(2)
Impairment loss recognised on goodwill	**—**	924
Operating cash flows before movements in working capital	**552,250**	523,370
(Increase) decrease in other financial asset at amortised cost	**(811)**	2,510
Decrease in inventories	**20,702**	25,101
Decrease (increase) in debtors, deposits and prepayments	**9,271**	(8,126)
Decrease (increase) in contract assets	**342,420**	(458,229)
Increase in financial assets at FVTPL	**(458,369)**	(14,405)
(Decrease) increase in creditors and accrued charges	**(45,459)**	412,433
(Decrease) increase in contract liabilities	**(211,010)**	103,995
Decrease in amounts due to fellow subsidiaries	**(5,540)**	(1,769)
Decrease in amounts due from other partners of joint operations	**108,524**	8,769
Decrease in amounts due to other partners of joint operations	**(976)**	(539)
Cash generated from operations	**311,002**	593,110
Dividends from financial assets at FVTPL	**3,240**	3,678
Interest on financial assets at FVTPL received	**10,537**	—
Interest on other financial asset at amortised cost received	**987**	975
Interest on bank deposits received	**9,013**	15,945
Interest on loans to a joint venture received	**—**	2,361
Income taxes paid	**(202,495)**	(19,774)
Net cash from operating activities	**132,284**	596,295

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Investing activities			
Purchases of property, plant and equipment		**(231,534)**	(73,702)
Additions of service concession arrangement		**(151,911)**	–
Placement of time deposits		**(79,540)**	(366,782)
Loans to a joint venture		**(18,160)**	(92,699)
Advances to associates		**(2,436)**	(351)
Advance to a joint venture		**(1,843)**	–
Payments for right-of-use assets		**(721)**	–
Capital contribution to a joint venture	20	**(12)**	(20,315)
Withdrawal of time deposits		**76,782**	574,400
Withdrawal of pledged bank deposits		**24,487**	–
Dividends received from a joint venture		**8,724**	14,494
Proceeds from disposal of property, plant and equipment		**6,067**	3,500
Interest on other receivables received		**53**	197
Placement of pledged bank deposits		**–**	(61,834)
Acquisition of interest in a subsidiary		**–**	(300)
Net cash inflow on acquisition of subsidiaries	48	**–**	138,486
Repayments from a joint venture		**–**	66,947
Net cash (used in) from investing activities		**(370,044)**	182,041
Financing activities			
New banks loans raised		**350,330**	107,819
Loans from other creditors		**23,000**	–
Advance from (repayment to) an intermediate holding company		**1,293**	(3,239)
Repayments of bonds		**(116,000)**	–
Repayments of bank loans		**(110,619)**	(186,594)
Dividend paid		**(59,610)**	(54,643)
Repayments of lease liabilities		**(22,892)**	(21,914)
Interest paid		**(15,957)**	(17,209)
Interest paid on lease liabilities		**(160)**	(425)
Dividend paid to non-controlling interests		**–**	(4,500)
Net cash from (used in) financing activities		**49,385**	(180,705)
Net (decrease) increase in cash and cash equivalents		**(188,375)**	597,631
Cash and cash equivalents at beginning of the year		**1,687,720**	1,092,545
Effect of foreign exchange rate changes, net		**15,809**	(2,456)
Cash and cash equivalents at end of the year		**1,515,154**	1,687,720
Represented by:			
Bank balances and cash		**1,515,154**	1,687,720

1. GENERAL INFORMATION

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

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and joint ventures are set out in notes 51, 21 and 20 respectively. The Company and its subsidiaries are hereafter collectively referred to as the "Group".

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year 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.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

3.1 Basis of preparation of consolidated financial statements (Continued)

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

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

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

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

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

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

Business combinations

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

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

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

3.2 Significant accounting policies (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 which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

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

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

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

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

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

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the 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 whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

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

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

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

3.2 Significant accounting policies (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.

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.

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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.

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.

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

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

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

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

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

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

3.2 Significant accounting policies (Continued)

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 Group's 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. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

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

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

3.2 Significant accounting policies (Continued)

Service concession arrangements

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

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

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

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

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.

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

3.2 Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

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

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

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

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

3.2 Significant accounting policies (Continued)

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

Government grants

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

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

Taxation

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

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

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and 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 indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Service concession arrangements

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost (which equals to fair value at initial recognition) less accumulated amortisation and any accumulated impairment losses, if any. Amortisation commences when the intangible asset is available for use. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

3.2 Significant accounting policies (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.

Financial instruments

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

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (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 "decrease in fair value of financial assets at FVTPL" line item. Dividend and interest earned on the financial asset are included in the "investments and other income" line item.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

The Group always recognises lifetime ECL for trade debtors and contract assets without significant financing component. The ECL on these assets are assessed individually.

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.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

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

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

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

(ii) Definition of default

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

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

3.2 Significant accounting policies (Continued)

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

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

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets other than goodwill 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, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Measurement of value of construction contracts

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

Provision of ECL for trade receivables and contract assets

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

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

Income taxes

The realisability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal or further recognition takes place. As at 31 December 2020, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK$340,680,000 (2019: HK$441,818,000) due to unpredictability of future profit streams.

5. REVENUE FROM SERVICES

(i) Disaggregation of revenue from contracts with customers

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

Segments	2019		
	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
Types of service			
Construction contract	7,538,870	—	7,538,870
Sewage treatment plant operation	—	23,695	23,695
Steam fuel plant operation	—	5,896	5,896
Total revenue	7,538,870	29,591	7,568,461
Timing of revenue recognition			
Over time	7,538,870	29,591	7,568,461

5. REVENUE FROM SERVICES (Continued)

(ii) Performance obligations for contracts with customers

Construction contract

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

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

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

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

Sewage treatment plant operation

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

Steam fuel plant operation

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 amounting to HK$25,574,000,000 (2019: HK$16,659,000,000). Management expects that all the remaining performance obligations will be recognised as revenue over the next six years (2019: six years) from the end of the reporting period.

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

6. SEGMENTAL INFORMATION

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

Year ended 31 December 2020

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

Year ended 31 December 2019

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Results			
Segment revenue	7,538,870	29,591	7,568,461
Segment profit	385,076	5,392	390,468
Unallocated expenses			(7,507)
Investments income			3,678
Decrease in fair value of financial assets at FVTPL			(12,473)
Share of results of joint ventures			22,351
Share of results of associates			(1,941)
Finance costs			(18,778)
Profit before tax			375,798

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

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

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2020

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

For the year ended 31 December 2020

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

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2019

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Assets			
Segment assets	2,867,280	327,080	3,194,360
Interests in joint ventures			151,003
Interests in associates			5,663
Unallocated assets			1,918,244
Total consolidated assets			5,269,270
Liabilities			
Segment liabilities	3,470,555	31,140	3,501,695
Obligations in excess of interests in joint ventures			27
Obligations in excess of interests in associates			14,153
Unallocated liabilities			568,461
Total consolidated liabilities			4,084,336

For the year ended 31 December 2019

	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	32,776	55,509	88,285
Additions to right-of-use assets	14,938	1,403	16,341
Additions to intangible assets	—	51,504	51,504
Depreciation of property, plant and equipment	107,064	185	107,249
Depreciation of right-of-use assets	22,274	12	22,286
Amortisation of intangible assets	—	1,797	1,797
Interest income on bank deposits, other receivable, other financial asset at amortised cost and loans to a joint venture	13,533	7,208	20,741
Impairment loss recognised on amount due from other partner of a joint operation	27,315	—	27,315
Impairment loss recognised on goodwill	—	924	924
Gain on bargain purchase arising from acquisition	368	—	368

6. SEGMENTAL INFORMATION (Continued)

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

- all assets are allocated to reportable segments other than goodwill, interests in joint ventures and associates, financial assets at FVTPL, tax recoverable, pledged bank deposits, time deposit with original maturity of not less than three months and bank balances and cash; and

- all liabilities are allocated to reportable segments other than certain amounts due to an intermediate holding company, tax payable, bank loans, bonds, deferred tax liabilities and obligations in excess of interests in joint ventures and associates.

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

	Non-current assets	
	2020	2019
	HK$'000	HK$'000
Hong Kong	**438,074**	323,677
The PRC	**457,566**	253,022
	895,640	576,699

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:

	2020	2019
	HK$'000	HK$'000
Customer A[1]	**4,102,282**	3,785,532
Customer B[1]	**N/A[2]**	1,088,056

[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

	2020 HK$'000	2019 HK$'000
Investments and other income include:		
Dividends from financial assets at FVTPL	**3,240**	3,678
Gain on bargain purchase arising from acquisition of a joint operation	**–**	368
Interest on bank deposits	**9,013**	15,945
Interest on other receivables	**7,463**	1,460
Interest on other financial asset at amortised cost	**987**	975
Interest on financial assets at FVTPL	**10,537**	–
Interest on loans to a joint venture	**–**	2,361
PRC value-added tax refund	**–**	1,233
Government subsidy	**558**	30
Employment Support Scheme	**116,303**	–
Gain on disposal of property, plant and equipment	**964**	–

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on:		
Bank borrowings	**11,634**	8,108
Bonds	**4,199**	9,620
Other borrowings	**351**	–
Lease liabilities	**160**	425
Imputed interest expense on non-current interest-free amount due to an associate	**651**	625
	16,995	18,778

9. PROFIT BEFORE TAX

	2020 **HK$'000**	2019 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	**2,050**	2,050
Depreciation of property, plant and equipment	**61,076**	107,249
Hire charges for plant and machinery	**316,426**	280,490
Depreciation of right-of-use assets	**25,540**	22,286
Amortisation of intangible assets	**3,877**	1,797
Loss on disposal of property, plant and equipment	**—**	1,949
Impairment loss recognised on amount due from other partner of a joint operation	**7,013**	27,315
Net foreign exchange (gains) losses	**(6,216)**	3,306
Impairment loss recognised on goodwill	**—**	924
Staff costs:		
Directors' remuneration (note 10)	**14,222**	27,533
Other staff costs	**1,135,495**	1,102,986
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$942,000 (2019: HK$912,000)	**42,763**	39,003
	1,192,480	1,169,522

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the eight (2019: eight) directors were as follows:

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

	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 2019					
Executive Directors					
Zen Wei Peu, Derek	–	2,936	18,300	–	21,236
Chang Kam Chuen, Desmond	–	2,413	2,264	228	4,905
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	144	–	–	–	144
Chow Ming Kuen, Joseph (Note 2)	120	–	–	–	120
	1,392	5,349	20,564	228	27,533

Notes:

1. Ng Cheuk Hei, Shirley was appointed as director on 25 May 2020.

2. Chow Ming Kuen, Joseph ceased as director on 13 October 2018.

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

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

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

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

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

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

11. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included one (2019: two) director, details of whose emoluments are set out in note 10 above. The emoluments of the remaining four (2019: three) highest paid individuals were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	10,424	7,728
Performance related incentive payments	14,239	9,080
Retirement benefits scheme contributions	995	740
	25,658	17,548

Their emoluments were within the following bands:

	Number of employees	
	2020	2019
HK$5,000,001 to HK$5,500,000	—	1
HK$5,500,001 to HK$6,000,000	1	—
HK$6,000,001 to HK$6,500,000	1	2
HK$6,500,001 to HK$7,000,000	1	—
HK$7,000,001 to HK$7,500,000	1	—

12. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax:		
Hong Kong	27,748	73,440
The PRC	42	958
	27,790	74,398
(Over) under-provision in prior years:		
Hong Kong	843	3,718
The PRC	(1,242)	37
	(399)	3,755
	27,391	78,153

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

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

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

	2020 HK$'000	2019 HK$'000
Profit before tax	467,616	375,798
Income tax expense at the applicable rate of 16.5% (2019: 16.5%)	77,157	62,007
Tax effect of share of results of joint ventures	(2,724)	(3,688)
Tax effect of share of results of associates	289	320
Tax effect of expenses that are not deductible in determining taxable profit	6,644	14,228
Tax effect of income that is not taxable in determining taxable profit	(25,735)	(4,725)
(Over) under-provision in prior years	(399)	3,755
Tax effect of unrecognised tax losses	59,079	23,510
Tax effect of utilisation of tax losses previously not recognised	(75,767)	(30,552)
Tax effect of different rates for subsidiaries operating in other jurisdictions	(62)	345
Others	(11,091)	12,953
Income tax expense	27,391	78,153

13. DIVIDEND

A final dividend for the year ended 31 December 2020 of HK7.0 cents (2019: HK4.8 cents) per ordinary share, totaling approximately HK$86,931,000 based on 1,241,877,992 ordinary shares (2019: approximately HK$59,610,000 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:

	2020 **HK$'000**	2019 HK$'000
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per ordinary share	**440,907**	296,419

	Number of shares	
	2020 **'000**	2019 '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 2019	–	7,395	266,688	45,301	12,396	386,912	–	718,692
Exchange realignment	–	–	–	(15)	(22)	–	(220)	(257)
Additions	6,860	6,473	19,966	3,632	284	6,412	30,075	73,702
Acquisition of subsidiaries (note 48)	–	–	62	761	721	–	13,039	14,583
Transfer	2,069	–	20,410	534	–	–	(23,013)	–
Disposals	–	(3,058)	(11,103)	(98)	(550)	–	–	(14,809)
At 31 December 2019	8,929	10,810	296,023	50,115	12,829	393,324	19,881	791,911
Exchange realignment	595	–	1,627	130	99	–	1,340	3,791
Additions	–	1,406	119,043	3,095	2,365	21,805	83,820	231,534
Transfer	–	–	7,266	–	–	–	(7,266)	–
Disposals	–	–	(7,856)	(65)	(1,201)	–	–	(9,122)
At 31 December 2020	9,524	12,216	416,103	53,275	14,092	415,129	97,775	1,018,114
DEPRECIATION AND IMPAIRMENT								
At 1 January 2019	–	6,853	134,288	40,404	9,983	307,242	–	498,770
Exchange realignment	–	–	–	(13)	(10)	–	–	(23)
Provided for the year	29	1,687	30,617	3,172	911	70,833	–	107,249
Eliminated on disposals	–	(3,058)	(5,841)	(52)	(409)	–	–	(9,360)
At 31 December 2019	29	5,482	159,064	43,511	10,475	378,075	–	596,636
Exchange realignment	2	–	4	48	41	–	–	95
Provided for the year	452	2,969	45,996	3,045	1,061	7,553	–	61,076
Eliminated on disposals	–	–	(3,055)	(20)	(944)	–	–	(4,019)
At 31 December 2020	483	8,451	202,009	46,584	10,633	385,628	–	653,788
CARRYING VALUES								
At 31 December 2020	9,041	3,765	214,094	6,691	3,459	29,501	97,775	364,326
At 31 December 2019	8,900	5,328	136,959	6,604	2,354	15,249	19,881	195,275

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 2020			
Carrying amount	**2,129**	**48,683**	**50,812**
As at 31 December 2019			
Carrying amount	1,368	28,668	30,036
For the year ended 31 December 2020			
Depreciation charge	**51**	**25,489**	**25,540**
For the year ended 31 December 2019			
Depreciation charge	12	22,274	22,286

	2020 HK$'000	2019 HK$'000
Expense relating to short-term leased properties	**3,228**	7,298
Total cash outflow for leases	**27,001**	29,637
Additions to right-of-use assets	**46,226**	16,341

For both years, the Group leases offices premises for its operations. Lease contracts are entered into for fixed term of 1 year to 5 years (2019: 1 year to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 31 December 2020, the Group has obtained the land use right certificates for all leasehold lands in the PRC except for leasehold lands with carrying amount of HK$766,000 (2019: HK$967,000) in which the Group is in the process of obtaining.

17. INTANGIBLE ASSETS

	Construction licenses HK$'000 (Note a)	Service concession arrangement HK$'000 (Notes b & c)	Total HK$'000
COST			
At 1 January 2019	32,858	38,107	70,965
Exchange realignment	—	(1,577)	(1,577)
Acquisition of a subsidiary (note 48(b))	—	51,504	51,504
At 31 December 2019	**32,858**	**88,034**	**120,892**
Exchange realignment	**—**	**5,861**	**5,861**
Additions	**—**	**159,507**	**159,507**
At 31 December 2020	**32,858**	**253,402**	**286,260**
AMORTISATION			
At 1 January 2019	—	11,007	11,007
Exchange realignment	—	(205)	(205)
Charge for the year	—	1,797	1,797
At 31 December 2019	**—**	**12,599**	**12,599**
Exchange realignment	**—**	**839**	**839**
Charge for the year	**—**	**3,877**	**3,877**
At 31 December 2020	**—**	**17,315**	**17,315**
CARRYING VALUES			
At 31 December 2020	**32,858**	**236,087**	**268,945**
At 31 December 2019	32,858	75,435	108,293

Notes:

(a) The amount represents the fair value of the construction licenses (with indefinite useful lives) held by a wholly-owned subsidiary, Build King Construction Limited (the "Acquired Subsidiary"), as at the date it was acquired by the Group in 2005.

The construction licenses are granted by the Works Branch, Development Bureau of the Hong Kong Special Administrative Region (the "HKSAR") to the Acquired Subsidiary through which the Acquired Subsidiary is eligible to undertake government construction contracts of all five categories of public works, namely port works, site formation, road and drainage, water works and buildings with no limitation in contract sum. The construction licenses basically have no legal life but are renewable every year as long as the Acquired Subsidiary is able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of 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.

17. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

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

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

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

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

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

(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.

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

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.

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 a CGU, a subsidiary, acquired in 2005, which is included in Hong Kong segment and holds the construction licenses granted by the Works Branch, Development Bureau of the HKSAR and through which it is eligible to undertake government construction contracts for all five categories of public works with no limitation in contract sum.

The recoverable amounts of the above groups of CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. All value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, a discount rate of 10% (2019: 10%) and a growth rate of 0% (2019: 0%). Cash flow projections during the budget period for the CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

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

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

	2020 HK$'000	2019 HK$'000
Cost of investment in unlisted joint ventures	**40,968**	40,956
Share of post-acquisition profits and other comprehensive income, net of dividends received	**45,184**	37,623
	86,152	78,579
Loans to joint ventures (note)	**90,557**	72,397
	176,709	150,976
Included in:		
Non-current assets	**176,815**	151,003
Non-current liabilities	**(106)**	(27)
	176,709	150,976

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

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

At 31 December 2020, the Group has contractual obligations to share the net liabilities of certain joint ventures amounting to HK$106,000 (2019: HK$27,000).

Details of each of the Group's joint ventures at 31 December 2020 and 2019 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
			2020 %	2019 %	2020 %	2019 %	
德州恒源熱力有限公司 ("Dezhou Heng Yuan") (note a)	Incorporated	PRC	**49**	49	**50**	50	Central heating
Sunny Harvest Corporation Limited ("Sunny Harvest") (note b)	Incorporated	Hong Kong	**50**	50	**50**	50	Provision of transportation services
Lion Trade Global Limited ("Lion Trade") (note c)	Incorporated	BVI	**30**	30	**50**	50	Investment holding
Ruyi Residence Development Sdn. Bhd. ("Ruyi Residence") (note d)	Incorporated	Malaysia	**64**	—	**$33^1/_3$**	—	Property development

Notes:

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

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

(c) Lion Trade was formed by the Group together with a wholly owned subsidiary of Wai Kee in July 2017 with initial paid up capital of United States dollars ("US$") 100. The Group holds 30% equity interest in Lion Trade. In October 2017, shareholders' approval was obtained for the Group to provide shareholder's loan of US$15,000,000 (equivalent to HK$117,000,000) to Lion Trade to invest in a joint venture, which was jointly established with an independent third party and holds a residential property in the United States of America ("USA") for rental and capital appreciation purpose. At 31 December 2020 and 2019, the Group has provided shareholder's loan of US$6,000,000 (equivalent to HK$46,800,000) to Lion Trade. The Group and Wai Kee jointly control over Lion Trade because unanimous consent from both joint venture partners is required to make decisions in the Board of Directors under the Articles of Association of Lion Trade.

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

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

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

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

Dezhou Heng Yuan

	2020 HK$'000	2019 HK$'000
Current assets	**80,773**	68,531
Non-current assets	**124,322**	129,624
Current liabilities	**(42,366)**	(41,226)
Non-current liabilities	**(16,437)**	(24,060)

	2020 HK$'000	2019 HK$'000
Revenue	**63,296**	57,418
Profit for the year	**31,226**	27,500
Total comprehensive income for the year	**31,226**	27,500
The above profit for the year includes the following:		
Depreciation and amortisation	**(6,983)**	(6,218)
Interest income	**18**	25
Income tax expense	**(11)**	(76)

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

Dezhou Heng Yuan (Continued)

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

	2020 HK$'000	2019 HK$'000
Net assets of Dezhou Heng Yuan	**146,292**	132,869
Proportion of the Group's equity interests in Dezhou Heng Yuan	**49%**	49%
Carrying amount of the Group's interests in Dezhou Heng Yuan	**71,683**	65,106

Aggregate information of joint ventures that are not individually material.

	2020 HK$'000	2019 HK$'000
The Group's share of profit and total comprehensive income	**984**	8,878
Aggregate carrying amount of the Group's interests in these joint ventures	**14,469**	13,473

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

	2020 HK$'000	2019 HK$'000
Cost of investment in unlisted associates	**10,330**	10,330
Share of post-acquisition losses and other comprehensive expenses	**(20,574)**	(18,820)
	(10,244)	(8,490)
Included in:		
Non-current assets	**4,188**	5,663
Non-current liabilities	**(14,432)**	(14,153)
	(10,244)	(8,490)

At 31 December 2020, the Group has contractual obligations to share the net liabilities of certain associates amounting to HK$14,432,000 (2019: HK$14,153,000).

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

Details of each of the Group's associates as at 31 December 2020 and 2019 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
			2020 %	2019 %	2020 %	2019 %	
Hong Kong Landfill Restoration Group Limited ("Hong Kong Landfill")	Incorporated	Hong Kong	**34.5**	34.5	**34.5**	34.5	Civil engineering
Genetron Engineering Company Limited ("Genetron Engineering")	Incorporated	Hong Kong	**30**	30	**30**	30	Civil engineering
B Bim Creation Limited	Incorporated	Hong Kong	**30**	30	**30**	30	Consultancy service

Summarised financial information of material associates

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

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

Hong Kong Landfill

	2020 HK$'000	2019 HK$'000
Current assets	**56,836**	40,463
Non-current assets	**36,948**	37,305
Current liabilities	**(122,648)**	(106,074)

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

Hong Kong Landfill (Continued)

	2020 HK$'000	2019 HK$'000
Revenue	**36,038**	47,585
Loss for the year	**(558)**	(718)
Total comprehensive expense for the year	**(558)**	(718)

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:

	2020 HK$'000	2019 HK$'000
Net liabilities of Hong Kong Landfill	**(28,864)**	(28,306)
Proportion of the Group's equity interests in Hong Kong Landfill	**50%**	50%
Carrying amount of the Group's obligations in excess of interests in Hong Kong Landfill	**(14,432)**	(14,153)

Genetron Engineering

	2020 HK$'000	2019 HK$'000
Current assets	**16,312**	16,678
Non-current assets	**1,209**	1,733
Current liabilities	**(7,237)**	(6,258)
Non-current liabilities	**(3,181)**	—

	2020 HK$'000	2019 HK$'000
Revenue	**30,721**	37,702
Loss for the year	**(5,051)**	(7,457)
Total comprehensive expense for the year	**(5,051)**	(7,457)

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

Genetron Engineering (Continued)

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

	2020 HK$'000	2019 HK$'000
Net assets of Genetron Engineering	**7,103**	12,153
Proportion of the Group's equity interests in Genetron Engineering	**30%**	30%
Carrying amount of the Group's interests in Genetron Engineering	**2,131**	3,646

Aggregate information of associate that is not individually material.

	2020 HK$'000	2019 HK$'000
The Group's share of profit and total comprehensive income	**40**	655
Aggregate carrying amount of the Group's interests in the associate	**2,057**	2,017

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 2020.

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

23. OTHER FINANCIAL ASSET AT AMORTISED COST

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

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

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

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

24. INVENTORIES

	2020 HK$'000	2019 HK$'000
Uninstalled construction materials	**12,750**	33,452

The cost of inventories recognised as an expense during the year is HK$859,948,000 (2019: HK$713,852,000).

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:

	2020 HK$'000	2019 HK$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	**231,232**	217,112
61 to 90 days	**748**	—
Over 90 days	**16,401**	22,394
	248,381	239,506
Bills receivables	**10,537**	20,733
Other debtors, deposits and prepayments	**213,725**	154,670
	472,643	414,909

As at 1 January 2019, trade receivables from contracts with customers amounted to HK$256,069,000.

As at 31 December 2019, Tianjin Wai Kee Earth, a subsidiary of the Group, advanced a loan to an independent third party in the amount of RMB50,000,000 (equivalent approximately to HK$55,875,000). The loan is interest bearing at 12% fixed rate per annum and will be fully repaid before 31 December 2021, therefore the amount is classified as current at 31 December 2020. The amount was classified as non-current at 31 December 2019.

As at 31 December 2020, the Group advanced a loan to a partner of a joint venture in the amount of HK$3,150,000. The loan is interest bearing at 7% fixed rate per annum and will be fully repaid before 31 December 2021, therefore the amount is classified as current and included in other debtors, deposits and prepayments.

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

Details of impairment assessment are set out in note 43.

26. CONTRACT ASSETS

	2020 **HK$'000**	2019 HK$'000
Analysed as current:		
Unbilled revenue of construction contracts (note a)	**1,295,164**	1,573,075
Retention receivables of construction contracts (note b)	**498,000**	562,509
	1,793,164	2,135,584
Retention receivables of construction contracts		
Due within one year	**148,699**	194,721
Due more than one year	**349,301**	367,788
	498,000	562,509

As at 1 January 2019, contract assets amounted to HK$1,672,750,000.

Notes:

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

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

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

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

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

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

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

28. FINANCIAL ASSETS AT FVTPL

	2020 HK$'000	2019 HK$'000
Financial assets mandatorily measured at FVTPL:		
Listed securities in Hong Kong (Note a)	**38,519**	48,550
Quoted equity securities in the USA (Note b)	**4,976**	8,005
Financial assets designated at FVTPL:		
Quoted debt securities (Note c)	**446,642**	—
	490,137	56,555
Analysed for reporting purposes as:		
Current assets	**490,137**	56,555

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 2020 and 31 December 2019.

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

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

Bank deposits of the Group amounting to HK$39,683,000 (2019: HK$64,170,000) are pledged to banks for securing the banking facilities granted to the Group. The pledged bank deposits carry interest at market rates which range from 0.001% to 2.43% (2019: 0.002% to 2.8%) per annum.

As at 31 December 2020, time deposits of HK$79,540,000 (2019: HK$76,782,000) with original maturity of not less than three months carry interest at market rates which range from 0.42% to 2.43% (2019: 2.35% to 2.5%) per annum.

As at 31 December 2020, bank balances and cash include the time deposits of HK$304,162,000 (2019: HK$409,300,000) with original maturity of three months or less, bank balances and cash carry interest at market rates which range from 0.001% to 0.46% (2019: 0.002% to 2.6%) per annum.

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

30. CREDITORS AND ACCRUED CHARGES

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

	2020 HK$'000	2019 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**251,572**	226,538
61 to 90 days	**27,869**	95,433
Over 90 days	**35,092**	65,358
	314,533	387,329
Retention payables	**471,869**	434,822
Accrued project costs	**1,736,502**	1,751,318
Other creditors and accrued charges	**93,245**	88,139
	2,616,149	2,661,608
Retention payables:		
Repayable within one year	**163,973**	154,626
Repayable more than one year	**307,896**	280,196
	471,869	434,822

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

31. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Construction contracts	**568,706**	779,716

As at 1 January 2019, contract liabilities amounted to HK$566,355,000.

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 2020 that was included in the contract liabilities at the beginning of the year was HK$315,593,000 (2019: HK$285,325,000).

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

Construction contracts

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

32. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**23,043**	20,839
In the second year	**14,331**	7,985
In the third to fifth year inclusive	**14,266**	204
	51,640	29,028
Less: Amounts due within one year shown under current liabilities	**(23,043)**	(20,839)
Amounts shown under non-current liabilities	**28,597**	8,189

33. AMOUNT(S) DUE TO AN INTERMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/A JOINT VENTURE/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% (2019: 5.4%) per annum.

35. BANK LOANS

	2020 HK$'000	2019 HK$'000
The maturity of the bank loans that based on repayment schedule of respective loan agreements is as follows:		
Within one year	**363,003**	134,491
In the second year	**101,441**	104,290
In the third to fifth year inclusive	**18,318**	—
	482,762	238,781
Less: Amounts due within one year shown under current liabilities	**(482,762)**	(238,781)
Amounts shown under non-current liabilities	**—**	—
Secured bank loans	**350,644**	64,156
Unsecured bank loans	**132,118**	174,625
	482,762	238,781

35. BANK LOANS (Continued)

At the end of the reporting period, all bank loans are variable rate borrowings which carry interest rate ranging from 0.92% to 5.00% (2019: 2.93% to 5.53%) per annum, except for a bank loan of RMB31,980,000 (equivalent approximately to HK$38,117,000) which carries fixed interest rate at 5.87% per annum. All variable rate bank loans carry interest rate which is repriced every month.

As at 31 December 2020, the Group has bank loans in the amount of HK$482,762,000 (2019: HK$174,625,000) contain a repayable on demand clause and accordingly related bank loans that are repayable more than one year after the end of reporting period with aggregate carrying amount of HK$119,759,000 (2019: HK$104,290,000) have been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK$839,641,000 (2019: HK$1,013,624,000).

36. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2019, 31 December 2019 and 31 December 2020	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2019, 31 December 2019 and 31 December 2020	1,241,877,992	124,188

37. CONVERTIBLE PREFERENCE SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Convertible preference shares of HK$0.01 each		
At 1 January 2019, 31 December 2019 and 31 December 2020	3,000,000,000	30,000
Issued and fully paid:		
Convertible preference shares of HK$0.01 each		
At 1 January 2019, 31 December 2019 and 31 December 2020	–	–

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

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

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

38. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group represent fair value of intangible assets arising from the acquisition of a subsidiary during the year ended 31 December 2005. There is no movement of balance during each of the two years ended 31 December 2020 and 2019.

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:

	2020 HK$'000	2019 HK$'000
Tax losses:		
Carried forward indefinitely	**340,680**	441,818

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

39. BONDS

On 5 January 2015 and 28 October 2015, Build King Construction Limited, a wholly owned subsidiary of the Company as the issuer and the Company as guarantor have entered into a placing agreement with a placing agent, an independent third party for the purposes of arranging placees for the issue of bonds in denomination of HK$1,000,000 each up to an aggregate principal amount of HK$100,000,000 and HK$50,000,000 respectively. The bonds will be matured at the date immediately following five years after the first issue of the bonds and carry coupon interest of 7% per annum, accrued daily on a 365 days basis that is payable semi-annually in arrears on every 1 January and 1 July of each calendar year, up to but excluding the maturity date of the bonds. At 31 December 2020, bonds with the total amount of HK$127,400,000 (2019: HK$127,400,000), net of issue expenses, are issued. Such expenses will be amortised over the life of the bonds by charging the expenses to the profit or loss using effective interest rate of 7.60% per annum and increasing the net carrying amount of the bonds with the corresponding amount.

	2020 **HK$'000**	2019 HK$'000
Analysed for reporting purpose as:		
Non-current	**–**	13,909
Current	**13,965**	115,829
	13,965	129,738

40. OTHER CREDITORS

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

41. JOINT OPERATIONS

At 31 December 2020 and 2019, the Group had interests in the following principal joint operations:

Name of joint operation	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group		Principal activities
			2020 %	2019 %	
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering
China State-Build King Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering
CRBC-Kaden Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
CRBC-CEC-Kaden Joint Venture	Unincorporated	Hong Kong	**32.5**	32.5	Civil engineering
Kaden-Chun Wo Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
CRBC-Build King Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering
Build King-Richwell Engineering Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
Build King - SCT Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
Build King - SKEC Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
Build King - SKEC 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**	—	Civil engineering
Build King - STEC Joint Venture	Unincorporated	Hong Kong	**51**	—	Civil engineering
Build King - Hyundai Joint Venture	Unincorporated	Hong Kong	**70**	—	Building construction

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

42. CAPITAL RISK MANAGEMENT

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

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

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

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

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at FVTPL	**490,137**	56,555
Financial assets at amortised cost	**2,169,479**	2,541,145
	2,659,616	2,597,700
Financial liabilities		
Amortised cost	**3,180,775**	3,080,740

(b) Financial risk management objectives and policies

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

43. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

(i) Interest rate risk

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

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

Sensitivity analysis

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

For variable rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2019: 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 (2019: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 would decrease/increase by HK$3,676,000 (2019: HK$1,939,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank loans.

(ii) Other price risk

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

Other price sensitivity analysis

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

If the prices of the respective equity instruments had been 5% (2019: 5%) higher/lower while all other variables were held constant, the profit for the year ended 31 December 2020 would increase/decrease by HK$24,507,000 (2019: HK$2,828,000) as a result of the changes in fair value of financial assets at FVTPL.

43. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(iii) Currency risk

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

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

Credit risk management and impairment assessment

Apart from the trade receivables from the two (2019: two) largest debtors, the Group does not have significant risk exposure to any single counterparty at 31 December 2020.

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 74% (2019: 65%) of the total trade receivables was due from the Group's two largest debtors.

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

The credit risk of amounts due from associates, a joint venture and other partners of joint operations, loan to an associate are managed through an internal process. The Group actively monitors the outstanding amount owed by each related party and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Group closely monitors the financial performance of associates, a joint venture and other partners of joint operations which mainly engage in the construction service in Hong Kong. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

43. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management and impairment assessment (Continued)

Other financial asset at amortised cost and other debtors and deposits

The credit risk of other financial assets and other debtors and deposits is managed through an internal process. The Group closely monitor the outstanding amounts of other financial asset at amortised cost and other debtors and deposits and identifies any credit risk in a timely manner in order to reduce the risk of a credit related loss. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

Pledged bank deposits, time deposits with original maturity of not less than three months, bank balances and bills receivables

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

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

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

43. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management and impairment assessment (Continued)

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

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000
Financial assets at amortised cost						
Loan to an associate	22	N/A	Low risk (Note 1)	12m ECL	**2,700**	–
Other financial assets at amortised cost	23	N/A	Low risk (Note 1)	12m ECL	**36,955**	36,144
Amount due from a joint venture	27	N/A	Low risk (Note 1)	12m ECL	**701**	–
Amounts due from associates	27	N/A	Low risk (Note 1)	12m ECL	**7,786**	8,050
Amounts due from other partners of joint operations	27	N/A	Low risk (Note 1)	12m ECL	**61,373**	176,910
			Loss (Note 1)	Lifetime ECL (credit- impaired)	**34,328**	27,315
Other debtors and deposits*	25	N/A	Low risk (Note 1)	12m ECL	**166,669**	158,733
Debtors	25	N/A	Low risk (Note 2)	Lifetime ECL	**248,381**	239,506
Bills receivables	25	N/A	Low risk (Note 1)	12m ECL	**10,537**	20,733
Pledged bank deposits	29	Baa1 to Aa2 (2019: Baa1 to Aa3)	N/A	12m ECL	**39,683**	64,170
Time deposits with original maturity of not less than three months	29	A2 to A1 (2019: A2 to A1)	N/A	12m ECL	**79,540**	76,782
Bank balances	29	Baa3 to Aa3 (2019: Baa3 to Aa2)	N/A	12m ECL	**1,512,100**	1,684,910
Other items:						
Contract assets	26	N/A	Low risk (Note 2)	Lifetime ECL	**1,793,164**	2,135,584

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

43. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management and impairment assessment (Continued)

Notes:

1. For the purposes of internal credit risk management, the Group uses the financial information of the joint ventures, associates and other partners of joint operations and the past-due information of other debtors to assess whether credit risk has increased significantly since initial recognition. The related companies and other partners of joint operations are considered by management to have sound financial position and do not have any past-due amounts, except for an amount of due from other partner of a joint operation of HK$34,328,000 (2019: HK$27,315,000) which is credit-impaired. The balances of other debtors and deposits and bills receivables are not past due.

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

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

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

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

For loans to joint ventures, amounts due from associates and amounts due from other partners of joint operations, the management of the Group makes individual assessment on the recoverability of each balance based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. During the year ended 31 December 2020, impairment allowance of HK$7,013,000 (2019: HK$27,315,000) was made on credit-impaired amount due from other partner of a joint operation.

43. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management and impairment assessment (Continued)

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

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2019	—
Impairment losses recognised	27,315
As at 31 December 2019	27,315
Impairment losses recognised	7,013
As at 31 December 2020	**34,328**

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.

43. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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
2020								
Non-interest bearing	–	2,282,486	3,087	65,321	238,121	72,033	2,661,048	2,661,048
Fixed interest rate instruments	6.34	39,236	3,065	11,553	–	–	53,854	52,081
Variable interest rate instruments	2.02	456,115	230	460	1,840	24,840	483,485	467,646
		2,777,837	6,382	77,334	239,961	96,873	3,198,387	3,180,775
Lease liabilities	3.50	7,364	6,750	10,239	27,878	1,679	53,910	51,640
2019								
Non-interest bearing	–	2,409,674	1,080	18,559	213,737	69,171	2,712,221	2,712,221
Fixed interest rate instruments	7.60	68,606	11,143	40,224	14,618	–	134,591	129,738
Variable interest rate instruments	5.98	203,785	36,324	–	–	–	240,109	238,781
		2,682,065	48,547	58,783	228,355	69,171	3,086,921	3,080,740
Lease liabilities	3.50	6,198	6,223	9,030	8,329	–	29,780	29,028

43. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or 3 months or less" time band in the above maturity analysis. As at 31 December 2020, the aggregate carrying amounts of these bank borrowings amounted to HK$482,762,000 (2019: HK$174,625,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within three years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details are set out in respective loan agreements as detailed below:

	3 months or less HK$'000	3 - 6 months HK$'000	6 - 12 months HK$'000	1 - 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2020	**282,861**	**61,096**	**25,241**	**125,923**	**495,121**	**482,762**
At 31 December 2019	24,004	12,135	37,750	106,040	179,929	174,625

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.

(c) Fair value

The investments held for trading 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 fair values of the financial assets and financial liabilities that are not measured at fair value on a recurring basis have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

44. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,560**	55,855

45. RETIREMENT BENEFITS SCHEMES

The Group has two MPF Schemes and state-managed retirement schemes for all eligible employees in Hong Kong and the PRC. The MPF Schemes are registered with the Mandatory Provident Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance"). The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by the MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinance, the Group also provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The amount charged to profit or loss of HK$42,996,000 (2019: HK$39,231,000) 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.

46. RELATED PARTY TRANSACTIONS

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

	2020 **HK$'000**	2019 HK$'000
Fellow subsidiaries		
Land plant hire income (Note a)	**104**	44
Purchase of construction materials (Note b)	**64,757**	73,103
Construction contract revenue (Note b)	**65,586**	52,383
An associate of ultimate holding company		
Construction contract revenue (Note b)	**367,995**	1,105,439

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$18,215,000 (2019: HK$12,989,000).

Balances with an associate of ultimate holding company are included respectively in contract assets of HK$164,958,000 (2019: HK$240,730,000) and contract liabilities of nil (2019: HK$381,000).

46. RELATED PARTY TRANSACTIONS (Continued)

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:

	2020 HK$'000	2019 HK$'000
Short-term employee benefits	63,122	65,432
Post-employment benefits	2,293	1,959
	65,415	67,391

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

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other creditors HK$'000 (Note 40)	Bank loans HK$'000 (Note 35)	Bonds HK$'000 (Note 39)	Lease liabilities HK$'000 (Note 32)	Dividend payable HK$'000	Amount due to an intermediate holding company HK$'000 (Note 33)	Amount due to an associate HK$'000 (Note 34)	Amounts due to non-controlling interests HK$'000 (Note 33)	Total HK$'000
As at 1 January 2019 (restated)	–	253,400	129,219	36,004	–	18,891	20,878	3,094	461,486
Financing cash flows	–	(86,883)	(9,101)	(22,339)	(59,143)	(3,239)	–	–	(180,705)
Interest expenses	–	8,108	9,620	425	–	–	625	–	18,778
New leases entered	–	–	–	14,938	–	–	–	–	14,938
Acquisition of a subsidiary (Note 48)	–	65,258	–	–	–	–	–	–	65,258
Exchange realignment	–	(1,102)	–	–	–	–	–	–	(1,102)
Dividend declared	–	–	–	–	59,143	–	–	–	59,143
At 31 December 2019	–	238,781	129,738	29,028	–	15,652	21,503	3,094	437,796
Financing cash flows	22,649	228,077	(119,972)	(23,052)	(59,610)	1,293	–	–	49,385
Interest expenses	351	11,634	4,199	160	–	–	651	–	16,995
New leases entered	–	–	–	45,504	–	–	–	–	45,504
Exchange realignment	–	4,270	–	–	–	–	–	–	4,270
Dividend declared	–	–	–	–	59,610	–	–	–	59,610
At 31 December 2020	23,000	482,762	13,965	51,640	–	16,945	22,154	3,094	613,560

48. ACQUISITION OF SUBSIDIARIES

(a) As one of the partner for Hsin Chong- Build King JV (the "Joint Venture"), Hsin Chong Construction Company Limited ("Hsin Chong") was in financial difficulties, pursuant to the joint venture agreement between Hsin Chong and the Group, the Group exercised their right on 13 December 2018, of which subsequently be upheld by court order dated 13 June 2019, to exclude Hsin Chong from further participation and management of the Joint Venture and took over Hsin Chong interests in the Joint Venture. As the Group has taken over the 65% interests in the Joint Venture previously held by Hsin Chong and has control over all the relevant activities of the Joint Venture, the Joint Venture accordingly become wholly-owned subsidiary on the date of exclusion.

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

Assets acquired and liabilities assumed at the acquisition date:

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

Gain on bargain purchase arising from the acquisition:

	HK$'000
Cash consideration paid	–
Less: net assets acquired by the Group at the acquisition date	(368)
Gain on bargain purchase arising from the acquisition	(368)

The fair value of the Joint Venture's identifiable assets and liabilities had been assessed by the management of the Group and it considered that the fair value of debtors, deposits and prepayments at the date of acquisition amounted to HK$2,443,000, approximated to gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considered that the contractual cash flows not expected to be collected was insignificant and the gain on bargain purchase arising from acquisition of HK$368,000 was credited to the Group as investments and other income.

48. ACQUISITION OF SUBSIDIARIES (Continued)

(a) (Continued)

Net cash inflow on acquisition:

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

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

(b) On 21 October 2019, the Group agreed with the other two joint venture partners of Tianjin Wai Kee Earth to further increase the registered capital of Tianjin Wai Kee Earth to RMB156,500,000 (equivalent to approximately HK$176,800,000) and the registered capital of Tianjin Wai Kee Earth attributable to the Group is increased to RMB124,600,000 (equivalent to approximately HK$140,800,000). Accordingly, the Group held 79.62% equity interest in Tianjin Wai Kee Earth. Pursuant to the revised Articles of Association of Tianjin Wai Kee Earth, all the major financial and operating decisions require simple majority of votes. Three out of five directors of Tianjin Wai Kee Earth are appointed by the Group. As the Group controls over 50% of the voting powers in the board of directors of Tianjin Wai Kee Earth which give the Group the current ability to direct the relevant activities, therefore, Tianjin Wai Kee Earth and its subsidiaries are deemed to be acquired by the Group and become a non-wholly owned subsidiary of the Group under HKFRS 10 "Consolidated Financial Statements" and their results, assets and liabilities are consolidated with those of the Group. The amount of goodwill arising as a result of the acquisition was HK$924,000.

Deemed consideration transferred

	HK$'000
Interest in joint venture	24,271

Acquisition-related costs had been excluded from the consideration transferred. The costs were insignificant and recognised as an expense within the administrative expenses line item in the consolidated statement of profit or loss.

48. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

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

	HK$'000
Property, plant and equipment	13,658
Intangible assets	51,504
Right-of-use assets	1,403
Inventories	414
Debtors, deposits and prepayments	89,414
Bank balances and cash	5,325
Creditors and accrued charges	(19,842)
Loans from a joint ventures partner	(47,772)
Bank loans	(65,258)
Net assets	28,846

The fair value of Tianjin Wai Kee Earth's identifiable assets and liabilities has been assessed by the management of the Group and it considered that the fair value of the debtors, deposits and prepayment at the date of acquisition amounted to HK$89,414,000, 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.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	24,271
Add: non-controlling interests (Note)	5,499
Less: net assets acquired	(28,846)
Goodwill arising on acquisition	924

Note: The non-controlling interests (20.38%) in Tianjin Wai Kee Earth recognised at the acquisition date was measured by reference to the proportionate shares of respective recognised amounts of net assets of relevant subsidiaries and amounted to HK$5,499,000.

Goodwill arose in the acquisition of Tianjin Wai Kee Earth because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development of Tianjin Wai Kee Earth. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

48. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

Net cash inflow on acquisition of Tianjin Wai Kee Earth

	HK$'000
Cash consideration paid	—
Less: cash and cash equivalents balances acquired	(5,325)
	5,325

Included in the profit for the year is HK$86,000 attributable to the additional business generated by Tianjin Wai Kee Earth. Revenue for the year includes HK$5,896,000 generated from Tianjin Wai Kee Earth.

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been HK$7,622,754,000, and profit for the year of the Group would have been HK$294,684,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

At 31 December 2019, the management of the Group recognises an impairment loss of HK$924,000 in relation to goodwill arising on the acquisition of Tianjin Wai Kee Earth which is included in administrative expenses.

49. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 16 December 2019, the Group entered into a sale and purchase agreements to acquire of its 30% equity interest in Build King Interior & Construction Limited ("BKIC"), from an independent third party at a consideration of HK$300,000. The consideration was satisfied by way of cash. The difference between the consideration and the carrying value of the additional interest acquired by the Group was recognised in equity as other reserve. Immediately after the acquisition, BKIC became a wholly-owned subsidiary of the Group. BKIC is engaged in fitting out, improvement and alteration works for buildings.

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current asset		
Unlisted investments in subsidiaries	**60,000**	60,000
Current assets		
Amounts due from subsidiaries	**318,995**	256,059
Bank balances and cash	**1,316**	1,266
	320,311	257,325
Current liabilities		
Other creditors and accrued charges	**192**	361
Amount due to an intermediate holding company	**2,514**	2,514
Amounts due to subsidiaries	**237,825**	175,601
	240,531	178,476
Net current assets	**79,780**	78,849
Total assets less current liabilities	**139,780**	138,849
Capital and reserves		
Ordinary share capital	**124,188**	124,188
Reserves	**15,592**	14,661
Total equity	**139,780**	138,849

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 2019	14,186	419,212	115	(418,407)	15,106
Profit and total comprehensive income for the year	–	–	–	54,198	54,198
Dividend paid	–	–	–	(54,643)	(54,643)
At 31 December 2019	**14,186**	**419,212**	**115**	**(418,852)**	**14,661**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**60,541**	**60,541**
Dividend paid	**–**	**–**	**–**	**(59,610)**	**(59,610)**
At 31 December 2020	**14,186**	**419,212**	**115**	**(417,921)**	**15,592**

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

51. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2020 and 2019 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		Principal activities
				2020 %	2019 %	
Allied Wise Limited	Hong Kong	Hong Kong	HK$2	100	100	Investment holding
Amazing Reward Group Limited	BVI	Hong Kong	US$1,000,000	100	100	Investment holding
Titan Foundation Limited	Hong Kong	Hong Kong	HK$20,000,000	100	100	Civil engineering
Build King Construction Limited ("BKCL")	United Kingdom	Hong Kong	GBP16,072,500	100	100	Construction and civil engineering
Build King Civil 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 Management Limited	Hong Kong	Hong Kong	HK$2	100	100	Provision of administrative and management services to group companies
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

51. 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 2020 %	2019 %	Principal activities
Top Tactic Holdings Limited	BVI	BVI	US$1	**100**	100	Investment holding
Wai Kee China Construction Company Limited	Hong Kong	PRC	HK$10,000,000	**100**	100	Civil engineering
Wai Kee China Infrastructure Limited	Hong Kong	PRC	HK$1	**100**	100	Investment holding
Build King (Zens) Engineering Limited	Hong Kong	Hong Kong	HK$66,000,002 Ordinary shares	**100**	100	Civil engineering
			HK$14,800,000 Non-voting deferred shares	**100**	100	
			HK$5,200,000 Non-voting deferred shares (note a)	**–**	–	
Wisdom Aim Investments Limited	Hong Kong	Hong Kong	HK$1	**100**	100	Provision of secretarial and nominee services to group companies
Wuxi Qianhui Sewage Treatment Co., Ltd. (note b)	PRC	PRC	US$9,000,000	**95.6**	95.6	Sewage treatment
Build King Interior & Construction Limited	Hong Kong	Hong Kong	HK$1,000,000	**100**	100	Fitting out, improvement and alteration works for buildings
惠記環保工程(上海)有限公司(note c)	PRC	PRC	US$800,000	**100**	100	Environmental engineering
Tianjin Wai Kee Earth (note b)	PRC	PRC	RMB220,000,000	**84.73**	79.62	Steam fuel supply

51. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the company. On a winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the company only after the distribution of substantial amounts as specified in the Articles of Association to holders of ordinary shares of the company.

(b) The company is a co-operative joint venture registered in the PRC.

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

Except for Top Tactic Holdings Limited, all subsidiaries are indirectly held by the Company.

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

Except for BKCL which has issued bonds (note 39), none of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

In the opinion of the directors of the Company, there are no subsidiaries that have non-controlling interest individually which are material to the Group at the end of each reporting period. Therefore, no information is disclosed for these non-wholly owned subsidiaries.

RESULTS

	Year ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Group revenue	4,871,491	5,986,382	6,305,348	7,568,461	**7,628,388**
Share of revenue of joint ventures	13,381	34,933	75,314	109,126	**118,590**
	4,884,872	6,021,315	6,380,662	7,677,587	**7,746,978**
Group revenue	4,871,491	5,986,382	6,305,348	7,568,461	**7,628,388**
Operating profit	183,853	266,899	538,224	374,166	**469,854**
Share of results of joint ventures	7,512	8,654	16,319	22,351	**16,511**
Share of results of associates	569	519	(1,190)	(1,941)	**(1,754)**
Finance costs	(13,857)	(18,950)	(20,467)	(18,778)	**(16,995)**
Profit before tax	178,077	257,122	532,886	375,798	**467,616**
Income tax expense	(28,531)	(70,048)	(119,128)	(78,153)	**(27,391)**
Profit for the year	149,546	187,074	413,758	297,645	**440,225**

FINANCIAL POSITION

	At 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Total assets	3,081,557	3,739,800	4,296,230	5,269,270	**5,443,244**
Total liabilities	(2,534,727)	(3,027,240)	(3,351,645)	(4,084,336)	**(3,853,950)**
Net assets	546,830	712,560	944,585	1,184,934	**1,589,294**

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zen Wei Peu, Derek
(Chairman, Chief Executive Officer and Managing Director)
Chang Kam Chuen, Desmond

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 (appointed with effect from 24 March 2021)

NOMINATION COMMITTEE

Lo Yiu Ching, Dantes *(Chairman)*
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
Ng Cheuk Hei, Shirley (appointed with effect from 24 March 2021)
Zen Wei Peu, Derek

REMUNERATION COMMITTEE

Ling Lee Ching Man, Eleanor *(Chairwoman)*
Ho Tai Wai, David
Lo Yiu Ching, Dantes
Ng Cheuk Hei, Shirley (appointed with effect from 24 March 2021)
Zen Wei Peu, Derek

COMPANY SECRETARY

Chang Kam Chuen, Desmond

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

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