WAI KEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

Financial Performance Highlights

Revenue	**HK$6,736 million**
Profit attributable to owners of the Company	**HK$1,211 million**
Basic earnings per share	**HK152.64 cents**
Final dividend per share	**HK23.4 cents**
Equity attributable to owners of the Company per share	**HK$9.82**

RESULTS

The board of directors (the "Board") of Wai Kee Holdings Limited (the "Company") announces the audited results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue from goods and services	*2*	**6,735,845**	6,500,117
Cost of sales		**(5,803,952)**	(5,864,366)
Gross profit		**931,893**	635,751
Other income	*4*	**69,096**	63,077
Other gains and losses	*5*	**(139,581)**	36,219
Selling and distribution costs		**(98,290)**	(90,998)
Administrative expenses		**(481,315)**	(355,631)
Finance costs	*6*	**(76,437)**	(67,505)
Share of results of associates		**1,262,277**	833,456
Share of results of joint ventures		**35,020**	9,968
Profit before tax	*7*	**1,502,663**	1,064,337
Income tax expense	*8*	**(119,132)**	(70,048)
Profit for the year		**1,383,531**	994,289
Profit for the year attributable to:			
Owners of the Company		**1,210,625**	912,462
Non-controlling interests		**172,906**	81,827
		1,383,531	994,289
		HK cents	*HK cents*
Earnings per share	*10*		
– Basic		**152.64**	115.05
– Diluted		**152.61**	114.90

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**1,383,531**	994,289
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(7,244)**	9,602
Share of translation reserves of associates	**(365,976)**	355,564
Share of translation reserves of joint ventures	**604**	-
Other comprehensive (expense) income for the year	**(372,616)**	365,166
Total comprehensive income for the year	**1,010,915**	1,359,455
Total comprehensive income for the year attributable to:		
Owners of the Company	**841,128**	1,273,192
Non-controlling interests	**169,787**	86,263
	1,010,915	1,359,455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**307,714**	544,633
Intangible assets		**254,557**	510,864
Goodwill		**29,838**	29,838
Interests in associates		**7,391,059**	6,556,960
Interests in joint ventures		**268,124**	229,113
Available-for-sale investments		**-**	63,112
Financial assets at fair value through profit or loss ("FVTPL")		**80,125**	-
Other financial asset at amortised cost		**38,654**	42,909
Deposits paid for acquisition of property, plant and equipment		**-**	1,619
		8,370,071	7,979,048
Current assets			
Inventories		**97,775**	56,886
Amounts due from customers for contract work		**-**	253,443
Debtors, deposits and prepayments	*11*	**551,621**	1,924,917
Contract assets	*12*	**1,672,750**	-
Amounts due from associates		**11,201**	14,168
Loans to joint ventures		**22,020**	-
Amounts due from other partners of joint operations		**212,994**	134,934
Tax recoverable		**13,135**	11,950
Financial assets at FVTPL		**102,588**	46,391
Cash held on behalf of customers		**744**	-
Time deposits with original maturity of not less than three months		**284,400**	-
Pledged bank deposits		**2,336**	37
Bank balances and cash		**1,526,070**	1,305,972
		4,497,634	3,748,698
Current liabilities			
Amounts due to customers for contract work		**-**	410,053
Creditors and accrued charges	*13*	**2,428,595**	2,284,541
Contract liabilities		**566,355**	-
Amounts due to associates		**17,686**	16,842
Amounts due to joint ventures		**1,236**	1,142
Amounts due to other partners of joint operations		**2,691**	61,710
Amounts due to non-controlling shareholders		**3,359**	3,359
Tax liabilities		**128,738**	61,301
Bank loans		**327,250**	389,721
		3,475,910	3,228,669
Net current assets		**1,021,724**	520,029
Total assets less current liabilities		**9,391,795**	8,499,077

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Payable for extraction right	**258,227**	335,294
Provision for rehabilitation costs	**20,354**	29,980
Deferred tax liabilities	**5,750**	5,750
Obligations in excess of interests in associates	**14,416**	17,246
Obligations in excess of interests in joint ventures	**4,853**	-
Amount due to an associate	**3,192**	3,701
Bank loans	**672,000**	504,350
Bonds	**219,869**	219,350
	1,198,661	1,115,671
Net assets	**8,193,134**	7,383,406
Capital and reserves		
Share capital	**79,312**	79,312
Share premium and reserves	**7,707,733**	6,983,417
Equity attributable to owners of the Company	**7,787,045**	7,062,729
Non-controlling interests	**406,089**	320,677
Total equity	**8,193,134**	7,383,406

Notes:

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

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

1.1 Impacts and changes in accounting policies on application of HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, i.e. 1st January, 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Construction contracts;
- Sewage treatment plant operation;
- Sale of construction materials including concrete and asphalt; and
- Sale of quarry products.

1.1.1 Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1st January, 2018.

	Notes	Impact on application of HKFRS 15 at 1st January, 2018 *HK$'000*
Retained profits		
Adjustments of amounts due from customers for contract work and creditors and accrued charges	*(a)*	(153,879)
Adjustments of interests in associates	*(e)*	(23,710)
Tax effect	*(a)*	16,465
		(161,124)
Non-controlling interests	*(a) & (e)*	60,233
		(100,891)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st January, 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31st December, 2017 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	Carrying amounts under HKFRS 15 at 1st January, 2018* HK$'000
Non-current asset					
Interests in associates	*(e)*	6,556,960	-	(23,710)	6,533,250
Current assets					
Inventories	*(a)*	56,886	38,064	-	94,950
Amounts due from customers for contract work	*(a)*	253,443	(38,064)	(215,379)	-
Debtors, deposits and prepayments	*(b) & (c)*	1,924,917	(1,342,656)	-	582,261
Contract assets	*(b) & (c)*	-	1,342,656	-	1,342,656
Current liabilities					
Amounts due to customers for contract work	*(d)*	410,053	(410,053)	-	-
Creditors and accrued charges	*(a)*	2,284,541	-	(61,500)	2,223,041
Contract liabilities	*(d)*	-	410,053	-	410,053
Tax liabilities	*(a)*	61,301	-	(16,465)	44,836
Capital and reserves					
Share premium and reserves	*(a) & (e)*	6,983,417	-	(100,891)	6,882,526
Non-controlling interests	*(a) & (e)*	320,677	-	(60,233)	260,444

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Deferred materials of HK$38,064,000 were reclassified from amounts due from customers for contract work to inventories. Under HKAS 11, construction costs were charged to profit or loss by reference to the stage of completion of the contract, which is measured by reference to the estimated total revenue for contracts entered into by the Group that have been performed to date. Under HKFRS 15, costs that related to satisfy performance obligations are expensed as incurred. Construction costs of HK$215,379,000 that have been incurred but deferred to be recognised in profit or loss under HKAS 11 included in amounts due from customers for contract work were charged to retained profits and non-controlling interests. Construction costs of HK$61,500,000 that have not yet incurred but accelerated to be recognised in profit or loss under HKAS 11 and included in creditors and accrued charges were credited to retained profits and non-controlling interests. The related tax effects of HK$16,465,000 were recognised in tax liabilities and included in adjustment to retained profits.

(b) At the date of initial application, unbilled revenue of HK$887,735,000 arising from the construction contracts are conditional on the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers, and such balance was reclassified from trade and other receivables to contract assets.

(c) At the date of initial application, retention receivables of HK$454,921,000 arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.

(d) The reclassification of HK$410,053,000 from amounts due to customers for contract work to contract liabilities under HKFRS 15 represented the Group's obligations to transfer to the customers of the services to which the assets relate and the Group has received consideration from the customers.

(e) The net effect arising from the initial application of HKFRS 15 by an associate of the Group resulted in a decrease in the carrying amount of interests in associates of HK$23,710,000 with corresponding adjustment to retained profits.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position at 31st December, 2018 and its consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position at 31st December, 2018

	As reported *HK$'000*	Reclassification *HK$'000*	Remeasurement *HK$'000*	Amounts without application of HKFRS15 *HK$'000*
Non-current asset				
Interests in associates	7,391,059	-	48,182	7,439,241
Current assets				
Inventories	97,775	(58,146)	-	39,629
Amounts due from customers for contract work	-	11,480	4,042	15,522
Debtors, deposits and prepayments	551,621	1,672,750	-	2,224,371
Contract assets	1,672,750	(1,672,750)	-	-
Tax recoverable	13,135	-	881	14,016
Current liabilities				
Amounts due to customers for contract work	-	566,355	-	566,355
Creditors and accrued charges	2,428,595	(46,666)	8,023	2,389,952
Contract liabilities	566,355	(566,355)	-	-
Tax liabilities	128,738	-	1,638	130,376
Capital and reserves				
Share premium and reserves	7,707,733	-	44,936	7,752,669
Non-controlling interests	406,089	-	(1,492)	404,597

Impact on the consolidated statement of profit or loss for the year ended 31st December, 2018

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Cost of sales	(5,803,952)	(157,860)	(5,961,812)
Gross profit	931,893	(157,860)	774,033
Share of results of associates	1,262,277	26,193	1,288,470
Profit before tax	1,502,663	(131,667)	1,370,996
Income tax expense	(119,132)	15,708	(103,424)
Profit for the year	1,383,531	(115,959)	1,267,572
Profit for the year attributable to:			
Owners of the Company	1,210,625	(54,234)	1,156,391
Non-controlling interests	172,906	(61,725)	111,181
	1,383,531	(115,959)	1,267,572

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31st December, 2018

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Profit for the year	1,383,531	(115,959)	1,267,572
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(7,244)	-	(7,244)
Share of translation reserves of associates	(365,976)	(1,721)	(367,697)
Share of translation reserves of joint ventures	604	-	604
Other comprehensive expense for the year	(372,616)	(1,721)	(374,337)
Total comprehensive income for the year	1,010,915	(117,680)	893,235
Total comprehensive income for the year attributable to:			
Owners of the Company	841,128	(55,955)	785,173
Non-controlling interests	169,787	(61,725)	108,062
	1,010,915	(117,680)	893,235

Impact on consolidated statement of cash flows for the year ended 31st December, 2018

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Operating activities			
Profit before tax	1,502,663	(131,667)	1,370,996
Adjustments for:			
Share of results of associates	(1,262,277)	(26,193)	(1,288,470)
Depreciation of property, plant and equipment	221,783	(184,637)	37,146
Operating cash flows before movements in working capital	625,775	(342,497)	283,278
Decrease in inventories	84,187	20,082	104,269
Decrease in amounts due from customers for contract work	-	237,921	237,921
Decrease in debtors, deposits and prepayments	33,661	(330,094)	(296,433)
Increase in contract assets	(330,094)	330,094	-
Decrease in amounts due to customers for contract work	-	156,302	156,302
Increase in creditors and accrued charges	90,837	84,494	175,331
Increase in contract liabilities	156,302	(156,302)	-

The explanations of the above changes affected in the current year by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related interpretations are similar to the explanations set out in notes (a) to (e) above for describing the adjustments made to the consolidated statement of financial position at 1st January, 2018 upon adoption of HKFRS 15.

1.2 Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses ("ECL") for financial assets and other items (for example, contract assets); and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1st January, 2018. The difference between the carrying amounts at 31st December, 2017 and the carrying amounts at 1st January, 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

1.2.1 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 at the date of initial application, i.e. 1st January, 2018.

	Note	Available-for-sale investments *HK$'000*	Financial assets at FVTPL required by HKFRS 9 *HK$'000*	Retained profits *HK$'000*
Closing balance at 31st December, 2017 - HKAS 39		63,112	-	5,557,911
Effects arising from initial application of HKFRS 9:				
Reclassification				
From available-for-sale investments to financial assets at FVTPL	*(a)*	(63,112)	63,112	-
Remeasurement				
From cost less impairment to fair value	*(a)*	-	8,717	8,717
Opening balance at 1st January, 2018 - HKFRS 9		-	71,829	5,566,628

Notes:

(a) From available-for-sale investments to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of HK$63,112,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The net fair value gains of HK$8,717,000 relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained profits at 1st January, 2018.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Except for those which had been determined as credit impaired under HKAS 39, trade receivables and contract assets have been assessed individually in relation to the outstanding balance of the construction contracts and sewage treatment plant operation, the remaining balances are grouped based on past-due analysis. The contract assets relate to unbilled revenue and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial asset at amortised cost, including time deposits with original maturity of not less than three months, pledged bank deposits, bank balances, trade and other receivables, amounts due from associates and other partners of joint operations, loans to joint ventures and other financial assets, are assessed on lifetime ECL (not credit impaired) and 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

At 1st January, 2018, no additional credit loss allowance has been recognised against retained profits as the amount is considered as insignificant to the Group.

1.3 Impacts on opening consolidated statement of financial position arising from the application of all new HKFRSs

As a result of the changes in the Group's accounting policies described above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected.

	31st December, 2017 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	1st January, 2018 (Restated) *HK$'000*
Non-current assets				
Interests in associates	6,556,960	(23,710)	-	6,533,250
Available-for-sale investments	63,112	-	(63,112)	-
Financial assets at FVTPL	-	-	71,829	71,829
Current assets				
Inventories	56,886	38,064	-	94,950
Amounts due from customers for contract work	253,443	(253,443)	-	-
Debtors, deposits and prepayments	1,924,917	(1,342,656)	-	582,261
Contract assets	-	1,342,656	-	1,342,656
Current liabilities				
Amounts due to customers for contract work	410,053	(410,053)	-	-
Creditors and accrued charges	2,284,541	(61,500)	-	2,223,041
Contract liabilities	-	410,053	-	410,053
Tax liabilities	61,301	(16,465)	-	44,836
Net current assets	520,029	(137,414)	-	382,615
Total assets less current liabilities	8,499,077	(161,124)	8,717	8,346,670
Net assets	7,383,406	(161,124)	8,717	7,230,999
Capital and reserves				
Share premium and reserves	6,983,417	(100,891)	8,717	6,891,243
Non-controlling interests	320,677	(60,233)	-	260,444
Total equity	7,383,406	(161,124)	8,717	7,230,999

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2018, movements in working capital have been computed based on opening consolidated statement of financial position at 1st January, 2018 as disclosed above.

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1st January, 2019.
[2] Effective for annual periods beginning on or after 1st January, 2021.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020.

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.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31st December, 2018, the Group, as lessee, has non-cancellable operating lease commitments of HK$97,993,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$44,690,000 and refundable rental deposits received of HK$86,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) - Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening without restating comparative information.

Amendments to HKAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarify that an entity applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or a joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

At 31st December, 2018, loans to joint ventures of HK$25,597,000 are considered as long-term interests that, in substance form part of the Group's net investments in the relevant joint ventures. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

2. REVENUE FROM GOODS AND SERVICES

Year ended 31st December, 2018

Disaggregation of revenue from contracts with customers

	Construction and sewage treatment *HK$'000*	**Construction materials** *HK$'000*	**Quarrying** *HK$'000*	**Consolidated** *HK$'000*
Type of goods and services				
Construction contracts	6,222,861	-	-	6,222,861
Sewage treatment plant operation	22,493	-	-	22,493
Sale of construction materials	-	428,886	-	428,886
Sale of quarry products	-	-	61,605	61,605
Total	**6,245,354**	**428,886**	**61,605**	**6,735,845**
Geographical markets				
Hong Kong	6,222,861	428,886	61,605	6,713,352
Other regions in the People's Republic of China (the "PRC")	22,493	-	-	22,493
Total	**6,245,354**	**428,886**	**61,605**	**6,735,845**
Timing of revenue recognition				
At a point in time	-	428,886	61,605	490,491
Over time	6,245,354	-	-	6,245,354
Total	**6,245,354**	**428,886**	**61,605**	**6,735,845**

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

	Segment revenue *HK$'000*	**Inter-segment elimination** *HK$'000*	**Consolidated** *HK$'000*
Revenue from contracts with customers			
Construction and sewage treatment	6,305,348	(59,994)	6,245,354
Construction materials	587,150	(158,264)	428,886
Quarrying	184,678	(123,073)	61,605
	7,077,176	**(341,331)**	**6,735,845**

Year ended 31st December, 2017

An analysis of the Group's revenue for the year is as follows:

	HK$'000
Revenue analysed by revenue from:	
Construction and sewage treatment	5,939,251
Construction materials	524,576
Quarrying	36,290
	6,500,117

3. SEGMENT INFORMATION

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

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

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

Quarrying
- production and sale of quarry products

Property development and investment, toll road, investment and asset management
- strategic investment in Road King Infrastructure Limited ("Road King"), an associate of the Group

Segment revenue and results

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

Year ended 31st December, 2018

	Segment revenue			
	Gross	**Inter-segment elimination**	**External**	**Segment profit (loss)**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Construction and sewage treatment	**6,305,348**	**(59,994)**	**6,245,354**	**231,832**
Construction materials	**587,150**	**(158,264)**	**428,886**	**(97,687)**
Quarrying	**184,678**	**(123,073)**	**61,605**	**(13,762)**
Property development and investment, toll road, investment and asset management	**-**	**-**	**-**	**1,254,825**
Total	**7,077,176**	**(341,331)**	**6,735,845**	**1,375,208**

Year ended 31st December, 2017

	Segment revenue			
	Gross	Inter-segment elimination	External	Segment profit (loss)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Construction and sewage treatment	5,986,382	(47,131)	5,939,251	100,026
Construction materials	664,286	(139,710)	524,576	4,315
Quarrying	181,286	(144,996)	36,290	(12,182)
Property development and investment, toll road, investment and asset management	-	-	-	804,592
Total	6,831,954	(331,837)	6,500,117	896,751

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

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

	2018	2017
	HK$'000	*HK$'000*
Total segment profit	**1,375,208**	896,751
Unallocated items		
Other income	**31,857**	28,526
Other gains and losses	**(144,399)**	14,909
Administrative expenses	**(46,127)**	(36,482)
Finance costs	**(33,221)**	(22,050)
Share of results of associates	**8,607**	29,139
Share of results of joint ventures	**18,704**	1,669
Income tax expense	**(4)**	-
Profit attributable to owners of the Company	**1,210,625**	912,462

Segment assets and liabilities

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

Other segment information

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

Year ended 31st December, 2018

	Construction and sewage treatment *HK$'000*	**Construction materials** *HK$'000*	**Quarrying** *HK$'000*	**Property development and investment, toll road, investment and asset management** *HK$'000*	**Segment total** *HK$'000*	**Unallocated** *HK$'000*	**Intra-group elimination** *HK$'000*	**Total** *HK$'000*
Depreciation of property, plant and equipment	**(188,695)**	**(27,516)**	**(4,703)**	**-**	**(220,914)**	**(869)**	**-**	**(221,783)**
Amortisation of intangible assets	**(1,385)**	**-**	**-**	**-**	**(1,385)**	**-**	**-**	**(1,385)**
Impairment loss on intangible assets	**-**	**-**	**-**	**-**	**-**	**(173,328)**	**-**	**(173,328)**
Impairment loss on property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**(32,098)**	**-**	**(32,098)**
Allowance for credit losses reversed	**-**	**803**	**-**	**-**	**803**	**-**	**-**	**803**
Gain on disposal of property, plant and equipment, net	**327**	**364**	**2,756**	**-**	**3,447**	**58**	**-**	**3,505**
Interest income	**6,520**	**4**	**502**	**-**	**7,026**	**26,412**	**(18,500)**	**14,938**
Finance costs	**(20,467)**	**(34,404)**	**(6,845)**	**-**	**(61,716)**	**(33,221)**	**18,500**	**(76,437)**
Share of results of associates	**(1,190)**	**-**	**35**	**1,254,825**	**1,253,670**	**8,607**	**-**	**1,262,277**
Share of results of joint ventures	**16,319**	**-**	**(3)**	**-**	**16,316**	**18,704**	**-**	**35,020**
Income tax expense	**(119,128)**	**-**	**-**	**-**	**(119,128)**	**(4)**	**-**	**(119,132)**

Year ended 31st December, 2017

	Construction and sewage treatment *HK$'000*	Construction materials *HK$'000*	Quarrying *HK$'000*	Property development and investment, toll road, investment and asset management *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Intra-group elimination *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	(9,496)	(35,178)	(558)	-	(45,232)	(1,239)	-	(46,471)
Amortisation of intangible assets	(1,459)	-	-	-	(1,459)	-	-	(1,459)
Allowance for doubtful debts reversed	-	2,656	-	-	2,656	-	-	2,656
Gain on disposal of property, plant and equipment, net	1	4	669	-	674	-	-	674
Interest income	3,005	1	268	-	3,274	23,675	(17,870)	9,079
Finance costs	(18,950)	(30,360)	(14,015)	-	(63,325)	(22,050)	17,870	(67,505)
Share of results of associates	519	-	(794)	804,592	804,317	29,139	-	833,456
Share of results of joint ventures	8,299	-	-	-	8,299	1,669	-	9,968
Income tax expense	(70,048)	-	-	-	(70,048)	-	-	(70,048)

Geographical information

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

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

	Revenue from external customers		**Non-current assets** *(note)*	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**6,713,352**	6,478,796	**7,981,378**	7,590,353
The PRC	**22,493**	21,321	**98,478**	89,643
Others	**-**	-	**171,436**	193,031
	6,735,845	6,500,117	**8,251,292**	7,873,027

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

Information about customers

Two (2017: two) customers of the construction and sewage treatment segment located in Hong Kong individually contributing over 10% of the Group's revenue.

	2018	2017
	HK$'000	*HK$'000*
Customer A	**2,299,268**	2,169,747
Customer B	**760,104**	1,601,714
	3,059,372	3,771,461

4. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Other income includes:		
Dividend income from financial asset at FVTPL	**3,367**	2,458
Interest income from financial asset at FVTPL	**1,961**	-
Interest on loan and other receivables	**737**	6,141
Interest on bank deposits	**10,973**	1,504
Interest on amounts due from associates	**224**	285
Interest on other financial asset at amortised cost	**1,043**	1,149
Government subsidy	**589**	310
Operation fee income	**27,220**	26,470
PRC Value-Added Tax refund	**1,278**	1,901
Rental income from land and buildings	**837**	1,273
Rental income from plant and machinery	**2,630**	2,630
Allowance for credit losses reversed	**803**	2,656
Service income from associates	**120**	120

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Discount on acquisition of additional interest in an associate	**49,420**	49,084
Loss on deemed disposal of partial interest in an associate	**(6,837)**	(34,368)
Gain on change in fair value of financial assets at FVTPL, net	**19,757**	20,829
Gain on disposal of property, plant and equipment, net	**3,505**	674
Impairment loss on intangible assets	**(173,328)**	-
Impairment loss on property, plant and equipment	**(32,098)**	-
	(139,581)	36,219

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans	**38,939**	26,436
Interest on bonds	**14,152**	13,998
Imputed interest on payable for extraction right	**20,453**	24,342
Imputed interest on provision for rehabilitation costs	**2,296**	2,161
Imputed interest on non-current interest-free amount due to an associate	**597**	568
	76,437	67,505

7. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration		
Current year	**3,537**	3,354
Underprovision in prior year	**342**	58
	3,879	3,412
Amortisation of intangible assets	**81,470**	71,679
Less: Amount capitalised in inventories	**(80,085)**	(70,220)
	1,385	1,459
Depreciation of property, plant and equipment	**229,040**	167,312
Less: Amount attributable to construction contracts	**-**	(113,336)
Amount capitalised in inventories	**(7,257)**	(7,505)
	221,783	46,471
Exchange loss (gain), net	**5**	(1,203)
Hire charges for plant and machinery	**169,972**	144,747
Less: Amount attributable to construction contracts	**-**	(144,747)
	169,972	-
Operating lease rentals in respect of land and buildings	**74,916**	72,369
Less: Amount attributable to construction contracts	**-**	(17,274)
	74,916	55,095
Share of income tax expense of associates (included in share of results of associates)	**2,416,687**	1,227,986
Staff costs	**1,201,627**	1,078,796
Less: Amount attributable to construction contracts	**-**	(814,646)
	1,201,627	264,150
Write-down of inventories	**331**	-

8. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**106,823**	60,197
The PRC	**1,498**	2,045
	108,321	62,242
Underprovision in prior years		
Hong Kong	**10,798**	7,564
The PRC	**13**	242
	10,811	7,806
	119,132	70,048

On 21st March, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. 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.

9. DIVIDENDS

Dividends paid and recognised as distributions during the year:

	2018	2017
	HK$'000	*HK$'000*
2017 final dividend – HK22.5 cents per share (2017: 2016 final dividend – HK16.5 cents per share)	**178,453**	130,865
2018 interim dividend – HK7.6 cents per share (2017: 2017 interim dividend – HK3.8 cents per share)	**60,277**	30,139
	238,730	161,004

A final dividend for the year ended 31st December, 2018 of HK23.4 cents (2017: HK22.5 cents) per ordinary share amounting to HK$185,591,000 (2017: HK$178,453,000) has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

10. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**1,210,625**	912,462
Effect of dilutive potential ordinary shares:		
Decrease in share of profit of an associate arising from assumed exercise of share options issued by that associate	**(253)**	(1,124)
Earnings for the purpose of diluted earnings per share	**1,210,372**	911,338

	2018	2017
Number of ordinary shares for the purposes of basic and diluted earnings per share	**793,124,034**	793,124,034

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Trade debtors – goods and services	**359,414**	386,996
Unbilled revenue of construction contracts	**-**	887,735
	359,414	1,274,731
Less: Allowance for credit losses	**(1,128)**	(1,930)
	358,286	1,272,801
Bills receivables	**6,773**	2,130
Retention receivables	**-**	454,921
Other debtors	**66,926**	105,094
Deposits and prepayments	**119,636**	89,971
	551,621	1,924,917

At 31st December, 2018 and 1st January, 2018, trade receivables (net of allowance for credit losses) from contracts with customers amounted to HK$358,286,000 and HK$385,066,000 respectively.

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction works. The following is an aged analysis of trade receivables (net of allowance for credit losses) presented based on the invoice date:

	2018	2017
	HK$'000	*HK$'000*
Trade debtors		
Unbilled revenue	**-**	887,735
0 to 60 days	**325,957**	363,951
61 to 90 days	**7,113**	3,953
Over 90 days	**25,216**	17,162
	358,286	1,272,801

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limit by customer. Limits and scores attributed to customers are reviewed periodically.

12. CONTRACT ASSETS

	31st December, 2018	1st January, 2018*
	HK$'000	*HK$'000*
Analysed as current:		
Unbilled revenue of construction contracts	**1,171,490**	887,735
Retention receivables of construction contracts	**501,260**	454,921
	1,672,750	1,342,656
Retention receivable of construction contracts		
Due within one year	**303,200**	129,691
Due after one year	**198,060**	325,230
	501,260	454,921

* The amounts in this column are after the adjustments upon the application of HKFRS 15.

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

13. CREDITORS AND ACCRUED CHARGES

	2018	2017
	HK$'000	*HK$'000*
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	**163,080**	290,940
61 to 90 days	**23,119**	15,780
Over 90 days	**43,625**	40,588
	229,824	347,308
Retention payables	**368,066**	365,023
Accrued project costs	**1,545,509**	1,376,388
Payable for extraction right	**77,067**	72,960
Other creditors and accrued charges	**208,129**	122,862
	2,428,595	2,284,541
Retention payables		
Due within one year	**207,503**	124,257
Due after one year	**160,563**	240,766
	368,066	365,023

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

DIVIDENDS

The Board recommends the payment of a final dividend of HK23.4 cents (2017: HK22.5 cents) per ordinary share payable to shareholders whose names appear in the register of members of the Company on Tuesday, 28th May, 2019. This dividend together with the interim dividend of HK7.6 cents (2017: HK3.8 cents) per ordinary share paid during the year represent total dividend distributions of HK31.0 cents (2017: HK26.3 cents) per ordinary share for the year ended 31st December, 2018.

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 Friday, 5th July, 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Tuesday, 21st May, 2019, the register of members of the Company will be closed from Thursday, 16th May, 2019 to Tuesday, 21st May, 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 15th May, 2019.

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 Tuesday, 28th May, 2019. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 27th May, 2019 to Tuesday, 28th May, 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 24th May, 2019.

BUSINESS REVIEW

For the year ended 31st December, 2018, the Group's revenue was HK$6,736 million (2017: HK$6,500 million), generating an audited consolidated profit attributable to owners of the Company of HK$1,211 million (2017: HK$912 million), an increase of 33% as compared with that of 2017.

The Group has applied, for the first time, HKFRS 15 "Revenue from Contracts with Customers" which is one of the new Hong Kong Financial Reporting Standards applied in the current year. Had this new accounting standard not been applied, the Group's audited profit attributable to owners of the Company for the year ended 31st December, 2018 would be reduced by HK$54 million (decrease of HK$80 million in share of profit from Build King Holdings Limited ("Build King"), net of increase of HK$26 million in share of profit from Road King Infrastructure Limited ("Road King")) to HK$1,157 million, an increase of 27% as compared with that of 2017.

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

For the year ended 31st December, 2018, the Group shared a profit of HK$1,255 million (2017: HK$805 million) from Road King, an associate of the Group. As of the date of this announcement, the Group holds 42.39% interest in Road King.

During the year ended 31st December, 2018, the Group purchased 6,851,000 (2017: 7,761,000) ordinary shares in Road King at an aggregate consideration below the additional net assets value shared by the Group and hence recognised an aggregate discount of HK$49 million (2017: HK$49 million) on acquisition of additional interest in Road King. On the other hand, Road King issued 1,200,000 (2017: 8,200,000) ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option schemes of Road King. As the shares were issued at an exercise price lower than the net assets value per share of Road King, the Group recorded an aggregate loss of HK$7 million (2017: HK$34 million) on deemed disposal of partial interest in Road King. As a result, the net effect of the aforesaid transactions increased the Group's interest in Road King by 0.85% (2017: 0.59%).

For the year ended 31st December, 2018, Road King recorded an audited profit attributable to its owners of HK$2,988 million (2017: HK$1,944 million), an increase of 54% as compared with that of 2017.

In 2018, Road King closely followed the market trend and adhered to the business principle of ensuring a balance between profitability and sales volume, and its operation team concerted their efforts and drove property sales of the year (including joint venture projects) to a record high of RMB34,503 million, representing an increase of 31% as compared with last year.

In the second half of 2018, the land market in Mainland China cooled down significantly after the government stepped up the austerity measures. Road King seized the opportunities and further acquired four land parcels in the second half of the year, totaling nine land parcels with a gross floor area of 1,040,000 sqm for the year, for optimising and replenishing the land reserve of Road King.

At 31st December, 2018, Road King's land reserve in Mainland China and Hong Kong were 7,880,000 sqm and 120,000 sqm respectively. Total land reserve was 8,000,000 sqm and total area of properties pre-sold but yet to be delivered was 1,930,000 sqm.

The total traffic volume and toll revenue of Road King's expressway projects were 94 million vehicles and RMB3,079 million respectively in 2018, representing an increase of approximately 11% and 16% as compared with those of 2017. Benefited from the economic growth arising from transformation and upgrade in the real economy of Beijing-Tianjin-Hebei Region and the three provinces of Northeast China, the traffic volume and toll revenue of two expressways in Hebei Province recorded a double-digit growth. Besides, the operation of Longcheng Expressway in Shanxi Province and Machao Expressway in Anhui Province became more matured, and the total toll revenue of these two expressways increased by 26% as compared with that of 2017.

In the second half of 2018, CVC Capital Partners acquired 25% equity interest of expressway business at a consideration of HK$2 billion by way of capital contribution, thus adding new momentum to the development of Road King's expressway business. Road King will take this as the foundation and continue to explore and invest in expressway projects located in Mainland China and Southeast Asia regions with reasonable returns so as to form a solid foundation for the its development. Longer term development must be linked to the 'One Belt One Road' initiatives.

In 2018, Road King has consolidated the businesses of investment and asset management segment, including its property fund, cultural attraction and tourism, and entertainment and content development businesses. Road King has also newly commenced its business in providing content services. This segment (including joint venture projects) achieved sales of RMB2,855 million, including the contracted sales of RMB2,659 million and outstanding subscribed sales of RMB196 million in 2018. Profit of the investment and asset management segment increased to HK$246 million. Road King will continue to explore through property fund and property related businesses, to solicit new opportunities and drivers for profit growth under controllable risks.

Road King will continue its pragmatic approach and adhere to the business strategy of striking a balance between profitability and sales volume. In addition, Road King will continue to research and develop market-oriented products to boost the sales volume, maintain the growth trend of profit and promote the brand name of Road King. Road King will also continue to explore business related opportunities, strive to increase toll road assets, optimise the land reserve portfolio and seek for more collaboration opportunities with business partners for further development.

Construction and Sewage Treatment

For the year ended 31st December, 2018, the Group shared a profit of HK$232 million (2017: HK$100 million) from Build King, the construction arm of the Group. As of the date of this announcement, the Group holds 56.76% interest in Build King.

For the year ended 31st December, 2018, Build King recorded revenue of HK$6,305 million (2017: HK$5,986 million) and an audited profit attributable to its owners of HK$412 million (2017: HK$184 million), an increase of 124% as compared with that of 2017. This comprises profit of HK$407 million (2017: HK$161 million) from construction and sewage treatment operations and gain of HK$5 million (2017: HK$23 million) from investment in listed securities.

Part of the profit was the impact of adoption of the new accounting standard HKFRS 15 "Revenue from Contracts with Customers". The impacts of change of the accounting policy are detailed in the note 2 of Build King's 2018 final results announcement dated 19th March, 2019. Had the new accounting standard not been applied, the profit for the year would have been HK$272 million, representing an increase of 45% over the profit of HK$187 million for the corresponding period in 2018.

Although the increase of turnover in both the civil and building divisions of Build King was mild, the gross profit soared by 50% from HK$463 million in last year to HK$696 million (excluding the impact of adoption of the new accounting standard) in current year. It was because several major projects were completed during the year and the settlement of these final accounts contributed to the significant part of the profit for the year. On investment side, the joint ventures engaging in investment properties in USA and central heating business in northern PRC also started to contribute a total profit of HK$16 million.

At the beginning of 2018, Build King was not optimistic in securing new major civil engineering projects because of fierce competition in construction market but Build King team's hardworking yielded good results. In total, Build King's civil division successfully bided twelve civil engineering projects of the total contract sum of HK$6 billion. Together with other minor subcontracts and the five new building projects of HK$4.6 billion, Build King secured new contracts of over HK$10 billion during the year. At the date of this announcement, the total outstanding works amounted to HK$18 billion. There were number of civil projects running to completion with their final accounts close to conclusion in 2018.

Build King's building division secured five new projects of HK$4.6 billion, a record year for building tenders. Among these new projects are the building work of contract sum of HK$1.7 billion for Road King's residential property development project at Au Tau, Yuen Long, and a building project of contract sum of HK$1 billion for private property development in Shum Shui Po. These new projects were all smoothly progressed and will complete in 2020.

The investments on projects in PRC also continued to generate steady profit to Build King. The central heating supply in Dezhou was running smoothly as planned. The sewage treatment plant at Wuxi City were operating at average 45,000 tonnes per day which was 90% of its maximum design capacity. Currently, Build King is working on how to upgrade the equipment to meet the higher standards for effluent discharged from the treatment plant and accordingly the increase of sewage treatment fee is being discussed for the additional investment. It was anticipated the upgrading work will be implemented in 2019.

Construction Materials

For the year ended 31st December, 2018, the construction materials division recorded revenue of HK$587 million (2017: HK$664 million) and a net loss of HK$98 million (2017: net profit of HK$4 million).

The results of the construction materials division turn from profit in the previous year to loss in the current year was because of the continued difficult market conditions where concrete prices remained at low levels resulting in very low profit margins. Raw material costs however did not reduce at a corresponding rate thus further adding pressure on the margins.

The improvement in the secured volume of concrete has reached the satisfactory level for the capacity of the concrete batching facilities at Lam Tei, however the profit margin generated therefrom is not able to absorb the operating costs and the fixed costs incurred at Lam Tei. Additionally, the low concrete prices and reduced infrastructure activity on Hong Kong Island impacted negatively on the operations of the Tin Wan facilities and resulted in a loss.

The result for the asphalt business for 2018 was a loss due to slowdown in the replenishment of the order book resulting from delays of large infrastructure projects. That in turn resulted in greater competition and pressure on prices, which caused reduction in margins.

The management continues to adopt prudent cost control measures and is committed to provide high quality of services to both of our concrete and asphalt customers. The concrete batching facilities at Tin Wan are facing reduced demand due to continued low infrastructure activity on Hong Kong Island, hence the division has restructured the operation by terminating the lease of the concrete batching facilities in Hong Kong Island and by leasing a concrete batching facility in Kowloon Peninsula. Arrangement of such move is in progress and the related costs for the demolition of the concrete batching facilities at Tin Wan will be incurred in 2019.

Quarrying

For the year ended 31st December, 2018, the quarrying division recorded revenue of HK$185 million (2017: HK$181 million) and a net loss of HK$14 million (2017: HK$12 million).

The quarrying division recorded similar figure of net loss as that of last year. Although the volume of aggregates produced and sold from the crushing facilities at Lam Tei Quarry had gradually picked up to the satisfactory level, loss from sales of aggregates produced at Lam Tei Quarry was recorded. That was because the selling prices for aggregates sold to both internal and external customers remained at the low level to meet the competitive market. The thin profit margin generated from sales was unable to cover the substantial amount of operation costs and fixed overheads at Lam Tei Quarry. With the positive impact of Renminbi devaluation in early 2018 on costs incurred in the PRC, the result of operation at Niu Tou Island turned from net loss in 2017 to a slightly net profit in 2018.

The selling prices of aggregates rose during the year because of the decline in aggregates supply from China to Hong Kong. Unfortunately, the capacity of the existing crushing facilities at Lam Tei Quarry limits the production volume of aggregates to secure additional sales volume with higher prices. Nevertheless, the management has been exercising cost control measures to minimise the cost of aggregates and is assessing to increase the capacity of the crushing facilities at Lam Tei Quarry in order to strengthen the competitiveness and performance of quarrying division.

Impairment Loss of Lam Tei Quarry

The management has assessed the market situation of the construction materials and quarrying divisions and performed impairment assessment on the carrying amounts of property, plant and equipment, and the intangible assets (representing the extraction right of rock reserve and the rehabilitation costs to be incurred) for Lam Tei Quarry during the year ended 31st December, 2018 by reference to the valuation prepared by an independent external valuer. For the purpose of impairment assessment, assets of Lam Tei Quarry have been allocated to three individual cash generating units ("CGUs"), i.e. quarrying, concrete and asphalt CGUs, and the recoverable amounts of these CGUs have been determined based on the value in use calculation to determine whether the carrying amounts of these assets could be recovered. The calculation uses cash flow projection based on financial budgets covering the remaining contract period of Lam Tei Quarry and discounted at a discount rate of 10.59% to calculate the present value. Other key assumptions for the value in use calculation relate to the estimation of the prices and budgeted gross margins of aggregates, concrete and asphalt, and the volume of rock reserve to be extracted for the remaining contract period. The management considered that the carrying amounts of these assets of CGUs could not be fully recovered and therefore total impairment losses of HK$205 million (HK$32 million on property, plant and equipment, and HK$173 million on intangible assets) was recognised in profit or loss for the year ended 31st December, 2018.

Property Funds

The Group holds 34.6% interest in Grand China Cayman Investors III, Limited ("Grand China Fund") which indirectly holds 39.9% interest in a US company ("US Company I"). Following the disposals of two residential rental properties in 2016 and another two residential rental properties in 2017, the remaining five residential rental properties in Houston have already been disposed of by US Company I in 2018. All disposals were completed and cash distributions of the major portion of net sales proceeds were made in the second half year of 2018. Cash distribution of the remaining portion is expected to be made in the first half year of 2019. For the year ended 31st December, 2018, the Group shared profit of HK$9 million and received cash distribution of US$7.1 million from Grand China Fund.

The Group holds 10% interest in Grand China Overseas Investment Fund, Ltd. and Grand China Overseas Investment Management Co., Ltd. (collectively "GCOI Fund"). GCOI Fund is a fund of funds which in turn invested in numbers of sub-funds. Each sub-fund focuses on a unique property project in the USA. For the year ended 31st December, 2018, the Group received cash distribution of US$0.3 million from GCOI Fund. On 4th March, 2019, the Group entered into an agreement to dispose of its entire interest in GCOI Fund to the major shareholder of GCOI Fund at the consideration of US$5.8 million. For the year ended 31st December, 2018, gain on change in fair value of HK$11 million for the investment in GCOI Fund with reference to the cash distribution received in January 2019 and the consideration for the disposal to be received was recognised in profit or loss.

The Group holds 30% effective interest in the Sunnyvale project by investment in a US investment company ("US Company II") which in turn made capital contribution to another US company (the "Project Company") for the development of 3-storey townhouses on three lots of land in Sunnyvale. In 2017, the Project Company sold one of the three lots of land. Development work of 314 townhouses on the remaining two lots of land is in progress and these townhouses have been gradually built and sold. At 31st December, 2018, 177 townhouses were sold and closed, and another 45 townhouses were sold but not yet closed. For the year ended 31st December, 2018, revaluation surplus of HK$8 million for the investment in US Company II was recognised as gain on change in fair value in profit or loss.

Lion Trade Global Limited ("Lion Trade"), which is owned 70% by a wholly owned subsidiary of the Company and 30% by a wholly owned subsidiary of Build King, indirectly holds 75% interest in Wisdom H6 LLC ("JV Fund I") and 34.35% interest in Estates at Fountain Lake LLC ("JV Fund II"), both of which are US joint venture companies. JV Fund I holds a 4-storey residential rental property in Houston and JV Fund II holds a 3-storey residential rental property in Stafford of Texas. In December 2018, the occupancy rates of these two residential rental properties were around 91.5% and 94.4% respectively. For the year ended 31st December, 2018, the Group shared profit of HK$27 million, of which 30% was shared by Build King, and received cash distribution of US$0.3 million from these two US joint venture companies.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, total borrowings increased from HK$1,113 million to HK$1,219 million with the maturity profile summarised as follows:

	31st December, 2018	2017
	HK$'million	*HK$'million*
Within one year	**272**	335
In the second year	**486**	391
In the third to fifth year inclusive	**370**	296
Over five years	**91**	91
	1,219	1,113
Classified under:		
Current liabilities *(note a)*	**327**	390
Non-current liabilities *(note b)*	**892**	723
	1,219	1,113

Notes:

(a) At 31st December, 2018, bank loans that are repayable over one year after the end of the reporting period but contain a repayment on demand clause with an aggregate carrying amount of HK$55 million (2017: HK$55 million) have been classified as current liabilities.

(b) At 31st December, 2018, the amount included bonds with carrying amounts of HK$129 million (2017: HK$128 million) carrying fixed coupon interest of 7% per annum and HK$91 million (2017: HK$91 million) carrying fixed coupon interest of 5% per annum respectively.

During the year, the Group had no financial instruments for hedging purpose. At 31st December, 2018, apart from the bonds described above, the Group had no fixed-rate borrowings.

At 31st December, 2018, total amount of the Group's time deposits, bank balances and cash was HK$1,813 million (2017: HK$1,306 million), of which bank deposits amounting to HK$2 million (2017: HK$0.04 million) were pledged to banks to secure certain banking facilities granted to the Group. In addition, the Group has available unutilised bank facilities of HK$1,331 million (2017: HK$894 million). At 31st December, 2017, the Group also had available unutilised other borrowings facilities of HK$50 million.

For the year ended 31st December, 2018, the Group recorded finance costs of HK$76 million (2017: HK$68 million).

At 31st December, 2018, included in the financial assets at fair value through profit or loss, there were investments in unlisted convertible bonds of HK$38 million (2017: nil) and unlisted equity securities of HK$8 million (2017: nil) issued by a private entity engaged in manufacture and sale of pharmaceutical products in USA, and investment in equity securities listed in Hong Kong of HK$47 million (2017: HK$46 million). For the year ended 31st December, 2018, the Group recorded a net gain (net amount of change in fair value, interest income and withholding tax) of HK$1 million from the investments in the private entity in USA. Regarding the investment in equity securities listed in Hong Kong, the Group recorded a net gain (net amount of change in fair value and dividend income) of HK$4 million (2017: HK$23 million) from these investments for the year ended 31st December, 2018, of which net gain of HK$5 million (2017: HK$23 million) was derived from the securities invested by Build King.

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

Capital Structure and Gearing Ratio

At 31st December, 2018, the equity attributable to owners of the Company amounted to HK$7,787 million, representing HK$9.82 per share (2017: HK$7,063 million, representing HK$8.90 per share).

At 31st December, 2018, the gearing ratio, representing the ratio of interest bearing borrowings to equity attributable to owners of the Company, was 15.7% (2017: 15.8%) and the net gearing ratio, representing the ratio of net borrowings (interest bearing borrowings less time deposits, bank balances and cash) to equity attributable to owners of the Company, was -7.6% (2017: -2.7%) as a result of total amount of time deposits, bank balances and cash exceeding total amount of interest bearing borrowings.

Pledge of Assets

At 31st December, 2018 and 2017, apart from the bank deposits pledged to secure certain banking facilities granted to the Group, the shares of certain subsidiaries of the Company were also pledged to secure certain bank loans and banking facilities granted to the Group.

At 31st December, 2017, certain vessels with an aggregate carrying value of HK$140 million were pledged to secure a bank loan. The pledge has been released in 2018 upon repayment of the bank loan.

Capital Commitments

At 31st December, 2018, the Group committed capital expenditure contracted for but not provided in the Group's consolidated financial statements of HK$3 million (2017: HK$3 million) in respect of acquisition of property, plant and equipment.

Contingent Liabilities

At 31st December, 2018, the Group had outstanding tender/performance/retention bonds in respect of construction contracts amounting to HK$705 million (2017: HK$721 million).

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2018, the Group had 2,143 employees (2017: 2,218 employees), of which 2,080 (2017: 2,158) were located in Hong Kong, 62 (2017: 59) were located in the PRC and 1 (2017: 1) was located in UAE. For the year ended 31st December, 2018, the Group's total staff costs were HK$1,202 million (2017: HK$1,079 million).

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

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

FUTURE OUTLOOK

It has been observed that the market prices for aggregates and concrete are showing recovery, however the rate of increase in prices is slow. For asphalt business, the low overall demand will not assist in recovery of prices nor will it aid return to profitability.

Therefore, the operators in aggregates, concrete and asphalt industries should face extremely challenging time in 2019. To handle the challenges, the Group would continue implementing cost control measures to strengthen our competitiveness.

The performance of the property funds in 2018 has been in line with budget and it is anticipated that some of the funds will have profit contribution and cash distribution to the Group in 2019. The Group continues to closely monitor the performance of the property funds and look for new investments in US properties.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2018.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December, 2018.

AUDIT COMMITTEE

The Audit Committee of the Company has conducted a meeting with the management and external auditor to review the accounting policies adopted by the Group, the Group's consolidated financial statements for the year ended 31st December, 2018, the general scope of audit work conducted by the external auditor and assessment of the Group's internal controls.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Academy Room I-II, 1st Floor, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Tuesday, 21st May, 2019 at 3:30 p.m. and the Notice of the Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website (www.waikee.com) and the Stock Exchange's website (www.hkexnews.hk). The Annual Report 2018 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange, and despatched to the shareholders in due course.

APPRECIATION

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

By Order of the Board
Wai Kee Holdings Limited
William Zen Wei Pao
Chairman

Hong Kong, 19th March, 2019

At the date of this announcement, the Board comprises three executive directors, namely Mr. William Zen Wei Pao, Mr. Derek Zen Wei Peu and Miss Anriena Chiu Wai Yee, two non-executive directors, namely Mr. Brian Cheng Chi Ming and Mr. Gilbert Ho Chi Hang, and three independent non-executive directors, namely Dr. Steve Wong Che Ming, Mr. Samuel Wan Siu Kau and Mr. Francis Wong Man Chung.