WAI KEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2019

Financial Performance Highlights

Revenue	**HK$7,904 million**
Profit attributable to owners of the Company	**HK$1,264 million**
Basic earnings per share	**HK$1.59**
Final dividend per share	**HK24 cents**
Equity attributable to owners of the Company per share	**HK$10.73**

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, 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue from goods and services	*2*	**7,904,105**	6,735,845
Cost of sales		**(7,107,463)**	(5,803,952)
Gross profit		**796,642**	931,893
Other income	*4*	**63,813**	69,096
Other gains and losses	*5*	**(94,627)**	(139,581)
Selling and distribution costs		**(86,782)**	(98,290)
Administrative expenses		**(468,243)**	(481,315)
Finance costs	*6*	**(75,045)**	(76,437)
Share of results of associates		**1,295,071**	1,262,277
Share of results of joint ventures		**35,052**	35,020
Profit before tax	*7*	**1,465,881**	1,502,663
Income tax expense	*8*	**(78,259)**	(119,132)
Profit for the year		**1,387,622**	1,383,531
Profit for the year attributable to:			
Owners of the Company		**1,264,484**	1,210,625
Non-controlling interests		**123,138**	172,906
		1,387,622	1,383,531
		HK$	*HK$*
Earnings per share	*10*		
– Basic		**1.59**	1.53
– Diluted		**N/A**	1.53

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**1,387,622**	1,383,531
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(3,358)**	(7,244)
Share of translation reserves of associates	**(291,362)**	(365,976)
Share of translation reserves of joint ventures	**(658)**	604
Other comprehensive expense for the year	**(295,378)**	(372,616)
Total comprehensive income for the year	**1,092,244**	1,010,915
Total comprehensive income for the year attributable to:		
Owners of the Company	**970,629**	841,128
Non-controlling interests	**121,615**	169,787
	1,092,244	1,010,915

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**300,436**	307,714
Right-of-use assets		**31,537**	-
Intangible assets		**224,270**	254,557
Goodwill		**29,838**	29,838
Interests in associates		**8,053,725**	7,391,059
Interests in joint ventures		**276,681**	268,124
Financial assets at fair value through profit or loss ("FVTPL")		**60,805**	80,125
Other financial asset at amortised cost		**36,144**	38,654
Debtors, deposits and prepayments	*11*	**55,875**	-
		9,069,311	8,370,071
Current assets			
Inventories		**49,706**	97,775
Debtors, deposits and prepayments	*11*	**572,218**	551,621
Contract assets	*12*	**2,135,584**	1,672,750
Amounts due from associates		**10,089**	11,201
Loans to a joint venture		**-**	22,020
Amounts due from other partners of joint operations		**176,910**	212,994
Tax recoverable		**6,015**	13,135
Financial assets at FVTPL		**87,710**	102,588
Cash held on behalf of customers		**42,960**	744
Pledged bank deposits		**64,170**	2,336
Time deposits with original maturity of not less than three months		**76,782**	284,400
Bank balances and cash		**2,061,360**	1,526,070
		5,283,504	4,497,634
Current liabilities			
Creditors and accrued charges	*13*	**2,899,210**	2,428,595
Contract liabilities		**779,716**	566,355
Amount due to an associate		**18,791**	17,686
Amounts due to joint ventures		**1,142**	1,236
Amounts due to other partners of joint operations		**2,152**	2,691
Amounts due to non-controlling shareholders		**3,359**	3,359
Lease liabilities		**33,769**	-
Tax liabilities		**175,596**	128,738
Bank loans		**563,731**	327,250
Bonds		**115,829**	-
		4,593,295	3,475,910
Net current assets		**690,209**	1,021,724
Total assets less current liabilities		**9,759,520**	9,391,795

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Payable for extraction right	**176,820**	258,227
Provision for rehabilitation costs	**21,517**	20,354
Deferred tax liabilities	**5,750**	5,750
Obligations in excess of interests in associates	**15,511**	14,416
Obligations in excess of interests in joint ventures	**27**	4,853
Amount due to an associate	**2,712**	3,192
Lease liabilities	**23,837**	-
Bank loans	**382,050**	672,000
Bonds	**123,925**	219,869
	752,149	1,198,661
Net assets	**9,007,371**	8,193,134
Capital and reserves		
Share capital	**79,312**	79,312
Share premium and reserves	**8,432,758**	7,707,733
Equity attributable to owners of the Company	**8,512,070**	7,787,045
Non-controlling interests	**495,301**	406,089
Total equity	**9,007,371**	8,193,134

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 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, i.e. 1st January, 2019.

At 1st January, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.17% per annum.

	At 1st January, 2019
	HK$'000
Operating lease commitments disclosed at 31st December, 2018	97,993
Lease liabilities discounted at relevant incremental borrowing rates	90,711
Less: Recognition exemption - short-term leases	(16,211)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 at 1st January, 2019	74,500
Analysed as:	
Current	28,438
Non-current	46,062
	74,500

The carrying amount of right-of-use assets at 1st January, 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating leases of office premises and site areas recognised upon application of HKFRS 16	74,500
Add: Advance lease payments for lease of a site area adjusted to right-of-use assets on transition at 1st January, 2019	2,060
	76,560
By class:	
Land and buildings	76,560

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified at 1st January, 2019. The application has had no impact on the Group's consolidated statement of financial position at 1st January, 2019. However, effective from 1st January, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The Group had insignificant balances of refundable rental deposits at 1st January, 2019 and 31st December, 2019.

(c) Effective on 1st January, 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the Group's consolidated financial statements for the year ended 31st December, 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31st December, 2018	Adjustments	Carrying amounts under HKFRS 16 at 1st January, 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current asset			
Right-of-use assets	-	76,560	76,560
Current asset			
Debtors, deposits and prepayments	551,621	(2,060)	549,561
Current liability			
Lease liabilities	-	28,438	28,438
Non-current liability			
Lease liabilities	-	46,062	46,062

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2019, movements in working capital have been computed based on opening consolidated statement of financial position at 1st January, 2019 as disclosed above.

No adjustments have been made, in the application of HKFRS 16 as a lessor, on the Group's consolidated financial statements for the year ended 31st December, 2019.

1.2 Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that an entity applies HKFRS 9 "Financial Instruments", 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 amounts required by HKAS 28 (i.e. adjustments to the carrying amounts 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, 2019, loans to a joint venture of HK$25,597,000 are considered as long-term interests that, in substance form part of the Group's net investment in the relevant joint venture. 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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
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 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1st January, 2021.
[2] 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.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1st January, 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods 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.

Amendments to HKFRS 3 "Definition of a Business"

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1st January, 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1st January, 2020. The application of the amendments is not expected to have significant impact on the financial performance and position of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1st January, 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

2. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

Year ended 31st December, 2019

	Construction, sewage treatment and steam fuel *HK$'000*	Construction materials *HK$'000*	Quarrying *HK$'000*	Consolidated *HK$'000*
Type of goods and services				
Construction contracts	7,488,103	-	-	7,488,103
Sewage treatment plant operation	23,695	-	-	23,695
Steam fuel plant operation	5,896	-	-	5,896
Sale of construction materials	-	328,828	-	328,828
Sale of quarry products	-	-	57,583	57,583
Total	**7,517,694**	**328,828**	**57,583**	**7,904,105**
Geographical markets				
Hong Kong	7,488,103	328,828	57,583	7,874,514
Other regions in the People's Republic of China (the "PRC")	29,591	-	-	29,591
Total	**7,517,694**	**328,828**	**57,583**	**7,904,105**
Timing of revenue recognition				
At a point in time	-	328,828	57,583	386,411
Over time	7,517,694	-	-	7,517,694
Total	**7,517,694**	**328,828**	**57,583**	**7,904,105**

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

	Segment revenue *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue from contracts with customers			
Construction, sewage treatment and steam fuel	7,568,461	(50,767)	7,517,694
Construction materials	459,204	(130,376)	328,828
Quarrying	166,986	(109,403)	57,583
	8,194,651	**(290,546)**	**7,904,105**

Year ended 31st December, 2018

	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
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

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

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

Quarrying
– production and sale of quarry products

Property development and investment, toll road, investment and asset management
– strategic investment in Road King 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, 2019

	Segment revenue			
	Gross *HK$'000*	**Inter-segment elimination** *HK$'000*	**External** *HK$'000*	**Segment profit (loss)** *HK$'000*
Construction, sewage treatment and steam fuel	**7,568,461**	**(50,767)**	**7,517,694**	**168,248**
Construction materials	**459,204**	**(130,376)**	**328,828**	**(72,934)**
Quarrying	**166,986**	**(109,403)**	**57,583**	**(17,139)**
Property development and investment, toll road, investment and asset management	**-**	**-**	**-**	**1,286,934**
Total	**8,194,651**	**(290,546)**	**7,904,105**	**1,365,109**

Year ended 31st December, 2018

	Segment revenue			
	Gross *HK$'000*	Inter-segment elimination *HK$'000*	External *HK$'000*	Segment profit (loss) *HK$'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

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

	2019 *HK$'000*	2018 *HK$'000*
Total segment profit	**1,365,109**	1,375,208
Unallocated items		
Other income	**11,764**	31,857
Other gains and losses	**(52,400)**	(144,399)
Administrative expenses	**(45,851)**	(46,127)
Finance costs	**(36,297)**	(33,221)
Share of results of associates	**9,456**	8,607
Share of results of joint ventures	**12,703**	18,704
Income tax expense	**-**	(4)
Profit attributable to owners of the Company	**1,264,484**	1,210,625

4. OTHER INCOME

	2019 *HK$'000*	2018 *HK$'000*
Other income includes:		
Dividend income from financial asset at FVTPL	**3,699**	3,367
Interest income from financial asset at FVTPL	**-**	1,961
Interest on other receivables	**1,486**	737
Interest on bank deposits	**23,772**	10,973
Interest on amounts due from associates	**32**	224
Interest on other financial asset at amortised cost	**975**	1,043
Interest on loans to a joint venture	**2,361**	-
Government subsidy	**30**	589
Operation fee income	**23,415**	35,469
PRC value-added tax refund	**1,233**	1,278
Rental income from land and buildings	**569**	837
Rental income from plant and machinery	**2,661**	2,630
Allowance for credit losses reversed	**-**	803
Service income from associates	**70**	120

5. OTHER GAINS AND LOSSES

	2019 *HK$'000*	2018 *HK$'000*
Discount on acquisition of additional interest in an associate	**17,971**	49,420
Loss on deemed disposal of partial interest in an associate	**-**	(6,837)
(Loss) gain on change in fair value of financial assets at FVTPL, net	**(651)**	19,757
(Loss) gain on disposal of property, plant and equipment, net	**(1,885)**	3,505
Impairment loss on intangible assets	**(41,301)**	(173,328)
Impairment loss on property, plant and equipment	**(34,484)**	(32,098)
Impairment loss on right-of-use assets	**(28,354)**	-
Impairment loss on amount due from other partner of a joint operation	**(27,315)**	-
Impairment loss on goodwill	**(924)**	-
Gain on modification of terms of bond	**21,946**	-
Gain on bargain purchase arising from acquisition of a subsidiary	**368**	-
Gain on disposal of partial interest in a subsidiary	**2**	-
	(94,627)	(139,581)

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans	**39,633**	38,939
Interest on bonds	**9,620**	14,152
Imputed interest on bonds	**4,605**	-
Imputed interest on payable for extraction right	**16,345**	20,453
Imputed interest on provision for rehabilitation costs	**2,041**	2,296
Imputed interest on non-current interest-free amount due to an associate	**625**	597
Interest on lease liabilities	**2,176**	-
	75,045	76,437

7. PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration		
Current year	**3,679**	3,537
(Over) underprovision in prior year	**(7)**	342
	3,672	3,879
Allowance for credit losses	**4,249**	-
Amortisation of intangible assets *(note)*	**39,118**	81,470
Depreciation of property, plant and equipment *(note)*	**137,347**	229,040
Depreciation of right-of-use assets	**38,589**	-
Exchange loss, net	**5,205**	5
Hire charges for plant and machinery	**280,490**	169,972
Share of income tax expense of associates (included in share of results of associates)	**1,310,229**	2,416,687
Staff costs	**1,271,331**	1,201,627
Write-down of inventories	**141**	331

Note: Amortisation of intangible assets of HK$37,321,000 (2018: HK$80,085,000) and depreciation of property, plant and equipment of HK$7,679,000 (2018: HK$7,257,000) were capitalised in inventories.

8. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**73,440**	106,823
The PRC	**958**	1,498
	74,398	108,321
Underprovision in prior years		
Hong Kong	**3,824**	10,798
The PRC	**37**	13
	3,861	10,811
	78,259	119,132

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. Accordingly, 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:

	2019	2018
	HK$'000	*HK$'000*
2018 final dividend – HK23.4 cents per share (2018: 2017 final dividend – HK22.5 cents per share)	**185,591**	178,453
2019 interim dividend – HK8.0 cents per share (2018: 2018 interim dividend – HK7.6 cents per share)	**63,450**	60,277
	249,041	238,730

A final dividend for the year ended 31st December, 2019 of HK24.0 cents (2018: HK23.4 cents) per ordinary share amounting to HK$190,350,000 (2018: HK$185,591,000) 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:

	2019	2018
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**1,264,484**	1,210,625
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 *(note)*	**-**	(253)
Earnings for the purpose of diluted earnings per share	**1,264,484**	1,210,372

	2019	2018
Number of ordinary shares for the purposes of basic and diluted earnings per share	**793,124,034**	793,124,034

Note: The associate has no dilutive potential ordinary shares in issue during the current year.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Trade debtors – contracts with customers	**343,643**	359,413
Less: Allowance for credit losses	**(5,187)**	(1,127)
	338,456	358,286
Bills receivables	**20,733**	6,773
Other debtors	**157,958**	66,926
Deposits and prepayments	**110,946**	119,636
	628,093	551,621
Analysed as:		
Non-current	**55,875**	-
Current	**572,218**	551,621
	628,093	551,621

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

At 31st December, 2019, the Group's trade debtors included an amount of HK$11,433,000 (2018: nil) due from related companies which are a subsidiary and an associate of a substantial shareholder of the Company.

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

	2019	2018
	HK$'000	*HK$'000*
Trade debtors		
0 to 60 days	**298,617**	325,957
61 to 90 days	**8,167**	7,113
Over 90 days	**31,672**	25,216
	338,456	358,286

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

	2019	2018
	HK$'000	*HK$'000*
Analysed as current:		
Unbilled revenue of construction contracts	**1,573,075**	1,171,490
Retention receivables of construction contracts	**562,509**	501,260
	2,135,584	1,672,750
Retention receivables of construction contracts		
Due within one year	**194,721**	303,200
Due after one year	**367,788**	198,060
	562,509	501,260

At 1st January, 2018, contract assets amounted to HK$1,342,656,000.

At 31st December, 2019, the Group's unbilled revenue and retention receivables included amounts of HK$78,883,000 (2018: HK$62,869,000) and HK$35,100,000 (2018: HK$37,862,000) respectively due from related companies which are subsidiaries of a substantial shareholder of the Company.

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

13. CREDITORS AND ACCRUED CHARGES

	2019	2018
	HK$'000	*HK$'000*
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	**290,780**	163,080
61 to 90 days	**94,823**	23,119
Over 90 days	**66,431**	43,625
	452,034	229,824
Retention payables	**434,822**	368,066
Accrued project costs	**1,751,318**	1,545,509
Payable for extraction right	**81,406**	77,067
Other creditors and accrued charges	**179,630**	208,129
	2,899,210	2,428,595
Retention payables		
Due within one year	**154,626**	207,503
Due after one year	**280,196**	160,563
	434,822	368,066

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 HK24.0 cents (2018: HK23.4 cents) per ordinary share payable to shareholders whose names appear in the register of members of the Company on Friday, 29th May, 2020. This dividend together with the interim dividend of HK8.0 cents (2018: HK7.6 cents) per ordinary share paid during the year represent total dividend distributions of HK32.0 cents (2018: HK31.0 cents) per ordinary share for the year ended 31st December, 2019.

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 Tuesday, 7th July, 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 22nd May, 2020, the register of members of the Company will be closed from Tuesday, 19th May, 2020 to Friday, 22nd May, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 18th May, 2020.

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 Friday, 29th May, 2020. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 28th May, 2020 to Friday, 29th May, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 27th May, 2020.

BUSINESS REVIEW

For the year ended 31st December, 2019, the Group's revenue was HK$7,904 million (2018: HK$6,736 million), generating an audited consolidated profit attributable to owners of the Company of HK$1,264 million (2018: HK$1,211 million), an increase of 4% as compared with that of 2018.

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

For the year ended 31st December, 2019, the Group shared a profit of HK$1,287 million (2018: HK$1,255 million) from Road King, an associate of the Group. As of the date of this announcement, the Group holds 42.62% interest in Road King.

During the year ended 31st December, 2019, the Group purchased 1,690,000 (2018: 6,851,000) 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$18 million (2018: HK$49 million) on acquisition of additional interest in Road King. During the year ended 31st December, 2018, Road King issued 1,200,000 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 on deemed disposal of partial interest in Road King in 2018. As a result, the net effect of the aforesaid transactions increased the Group's interest in Road King by 0.23% (2018: 0.85%).

For the year ended 31st December, 2019, Road King recorded an audited profit attributable to its owners of HK$3,028 million (2018: HK$2,988 million), an increase of 1% as compared with that of 2018.

In 2019, Road King closely followed the market trend and adhered to the operating principle of ensuring a balance between profitability and sales volume, its operation team concerted their efforts and drove property sales of the year to RMB42,765 million, representing an increase of 24% as compared with that of 2018.

In 2019, the property market in Mainland China remained fluctuated significantly and the government continued to deepen and widen its austerity measures. Road King seized the market opportunities and totally acquired 15 pieces of land with an aggregate floor area of 1,490,000 sqm throughout the year. At the same time, three existing projects in Hong Kong are operating normally, construction works are in progress as scheduled. At 31st December, 2019, Road King's land reserves was approximately 7,350,000 sqm.

The total traffic volume of Road King's expressway projects in Mainland China was 95 million vehicles with an average daily traffic volume of 259,956 vehicles; toll revenue was about RMB3,162 million in 2019, representing a slight increase of 3% as compared with that of 2018. In 2019, Road King actively explored business opportunities for new expressway projects, and completed the acquisition of 40% equity interests of two expressways in Java, Indonesia in December, representing a breakthrough in overseas expressway investment and injecting new impetus in the development of expressway business of Road King.

In 2019, Road King continued to consolidate the businesses of investment and asset management segment, including its property fund, cultural, tourist and commercial, and entertainment, content development and supply businesses. This segment (including joint venture and associate projects) achieved sales of RMB2,803 million, including the contracted sales of RMB2,568 million and outstanding subscribed sales of RMB235 million.

There is outbreak of a novel coronavirus epidemic since early 2020, posting more uncertainties on the economic and market prospects. Both Mainland China and Hong Kong are facing a greater pressure of economic downturn, and various industries including the property market, capital market and transportation are negatively affected. Since 17th February, 2020, the PRC government has implemented a toll-free policy for all toll roads and such policy is expected to have adverse impact on the performance of Road King's toll road business in 2020. Nevertheless, Road King will maintain a prudent and positive attitude and continue to work in a pragmatic manner to take the challenges arising from changes in the market. In addition, 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, Sewage Treatment and Steam Fuel

For the year ended 31st December, 2019, the Group shared a profit of HK$168 million (2018: HK$232 million) from Build King Holdings Limited ("Build King"). As of the date of this announcement, the Group holds 56.76% interest in Build King.

For the year ended 31st December, 2019, Build King recorded revenue of HK$7,568 million (2018: HK$6,305 million) and an audited profit attributable to its owners of HK$296 million (2018: HK$412 million), a decrease of 28% as compared with that of 2018. This comprises profit of HK$305 million (2018: HK$407 million) from construction, sewage treatment and steam fuel operations and loss of HK$9 million (2018: gain of HK$5 million) from investment in securities.

The increase of turnover was in line with Build King management's forecast of progress of the contracts on hand. For the year 2018, the record-high profit was the combined result of adopting a new accounting standard and satisfactory final accounts of several major projects. As indicated in the Annual Report 2018 of Build King ("Build King Annual Report 2018"), the profit of 2018 was exceptional, but the Build King management did expect such profitability would not sustain. Despite deteriorating economy and ever competitive market, Build King still achieved gross profit margin of 9.7% and net profit margin of 3.9% which could be considered very healthy in the construction sector.

Amid the fierce competition in construction market, Build King continued to win new projects by leveraging on its better than average performance scores of current projects so that it can maintain a reasonable margin for the new projects. Since the issue of Build King Annual Report 2018, Build King has managed to secure twenty-two new projects of total contract sum about HK$8 billion, including ten building projects of HK$3.5 billion and twelve civil projects of HK$4 billion. At the date of this announcement, the total value of works on hand amounted to HK$19 billion.

Following substantial completion of several mega projects in 2018, the turnover of civil projects during 2019 decreased by 20% as compared with 2018. Most of current large projects were still in early stage in 2019 but they were gradually gaining momentum according to the program.

The building division registered a record-high turnover of HK$3.5 billion in 2019, mainly attributable to the substantial works of some projects. With the award of new building projects over HK$4 billion, the management of Build King are confident with the prospect of the building division in long term.

For the environmental infrastructure projects in the PRC, during 2019, Build King made further investment in existing projects as well as acquired new ventures to broaden its source of stable income. The sewage treatment plant in Wuxi City continued to run smoothly and generated a profit of HK$4 million in 2019. To meet the new environmental standard for the effluence discharged from the sewage treatment plant in Wuxi, Build King finally agreed 80% increment of sewage treatment fees with the local authorities to compensate for its additional investment of HK$106 million in upgrading the equipment and facilities. The upgrading works started in October 2019 and will be completed by June 2020. Upon completion, the sewage plant will operate at the same capacity of 45,000 tonnes per day but its contribution to Build King's profit will increase significantly. In October 2019, Build King committed to increase the investment from HK$57 million to HK$141 million in Tianjin Wai Kee Earth Investment Co., Ltd which is operating two plants in Gansu Province, each of which was granted an exclusive license to supply steam fuel to factories in a designated industrial park for 30 years. Build King expects the investment in these two plants will be paid back within five to six years. Should their financial performances be in line with Build King's plan, Build King will increase its investment in similar project in the coming years. Lastly, the centralised heat supply in Dezhou run smoothly and produced same annual profit as prior years.

Construction Materials

For the year ended 31st December, 2019, the construction materials division recorded revenue of HK$459 million (2018: HK$587 million) and a net loss of HK$73 million (2018: HK$98 million).

The reduction in loss for the construction materials division as compared with that of 2018 was mainly due to reduction in amortisation of intangible assets and depreciation of property, plant and equipment resulting from the impairment losses of those assets provided in 2018.

Although the operation at Tin Wan ceased in March 2019, costs for demolishing concrete batching facilities and rental of land at Tin Wan during the demolishing period were incurred in the second and third quarters of 2019. As the difficult market conditions of concrete business continues, the concrete prices remained at low levels resulting in very low profit margins. The thin profit margins are unable to absorb the operating costs and fixed costs of concrete batching facilities at Lam Tei Quarry and the newly rented batching facility at Yau Tong which started operation in April 2019.

For asphalt business, despite significant amount of impairment loss was provided in 2018, slight loss was still recorded in 2019 mainly due to the significant drop in sales volume of asphalt in the second half of 2019. During 2019, the replenishment of order book is much slower than expected as large infrastructure projects were delayed. Hence, co-operation with another asphalt operator was made in January 2020 to establish alliance for sharing the operating costs of asphalt production plant at Lam Tei Quarry.

The construction materials division has been facing difficult market conditions and severe competition. Delay of mega infrastructure projects in Hong Kong affects the market demands for concrete and asphalt. As a result of keen competition, the market prices of concrete and asphalt remain at low levels. Unless the concrete and asphalt prices rebound significantly, the performance of construction materials division will hardly be improved. The management continues to adopt prudent cost control measures and is committed to providing high quality of services to our customers in order to strengthen competitiveness.

Quarrying

For the year ended 31st December, 2019, the quarrying division recorded revenue of HK$167 million (2018: HK$185 million) and a net loss of HK$17 million (2018: HK$14 million).

The quarrying division recorded higher net loss than that of last year. Although the market prices of aggregates rose during the year resulting from the decline in aggregates supply from Mainland China to Hong Kong, the selling prices remained at low levels for aggregates supply contracts committed with customers in previous years. Also, the production capacity of the existing crushing facilities at Lam Tei Quarry limited the production volume of aggregates to secure additional sales volume with higher prices. Hence, the thin profit margin generated from sales was unable to cover the substantial amount of operation costs, which included the amortisation of extraction right of rock reserve and rehabilitation costs for Lam Tei Quarry, and fixed overheads at Lam Tei Quarry.

Following the closure of the concrete batching facilities at Tin Wan at the end of March 2019 and the commencement of aggregates supply to Yau Tong concrete batching facility from the outside supplier in April 2019, the operation at Niu Tou Island discontinued.

The establishment of the new crushing facility with double production capacity is headed toward its final completion stage as well as in final stage of fulfillment of the environmental rules and regulations which is expected to be completed in the first half of 2020 and full swing of production will start thereafter. The management has also been exercising cost control measures to minimize the production cost of aggregates.

Impairment Loss of Lam Tei Quarry

Having considered the drop in the demand and the competitive pricing of concrete, asphalt and aggregates in recent years, the management has performed impairment assessment on the carrying amounts of property, plant and equipment, and the intangible assets (representing the extraction right of rock reserve and the rehabilitation costs to be incurred) for Lam Tei Quarry during the year ended 31st December, 2019 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. The calculation uses cash flow projections based on financial budgets covering the remaining contract period of Lam Tei Quarry and discounted at a discount rate of 10.99% (2018: 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. Based on the impairment assessment, the management considers that the recoverable amounts of these assets of CGUs are less than their total carrying amounts, therefore total impairment losses of HK$76 million (2018: HK$205 million), comprising HK$35 million (2018: HK$32 million) in respect of property, plant and equipment and HK$41 million (2018: HK$173 million) in respect of intangible assets, was recognised in profit or loss for the year ended 31st December, 2019.

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 were disposed of by US Company I in 2018. Cash distributions of net sales proceeds were made in the second half year of 2018 and the first half year of 2019. For the year ended 31st December, 2019, the Group shared profit of HK$10 million and received cash distribution of US$1.3 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 a number of sub-funds. Each sub-fund focuses on a unique property project in the USA. 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 and gain on change in fair value of HK$11 million for the investment in GCOI Fund with reference to the consideration to be received was recognised in profit or loss for the year ended 31st December, 2018. For the year ended 31st December, 2019, the Group received cash distribution of US$0.2 million and sales proceeds of US$5.8 million.

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. From 2017 onward, 314 townhouses on the remaining two lots of land have been gradually built and sold. At 31st December, 2019, all 314 townhouses were sold, of which 312 townhouses were closed and only 2 townhouses were yet to be closed. For the year ended 31st December, 2019, revaluation surplus of HK$19 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 2019, the occupancy rates of these two residential properties were around 94.9% and 95.1% respectively. For the year ended 31st December, 2019, Lion Trade shared profit of HK$18 million 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 decreased from HK$1,219 million to HK$1,186 million, which included bonds with carrying amounts of HK$130 million (2018: HK$129 million) carrying fixed coupon interest of 7% per annum and HK$110 million (2018: HK$91 million) carrying no interest (2018: fixed coupon interest of 5% per annum) respectively, with the maturity profile summarised as follows:

	31st December,	
	2019	2018
	HK$'million	*HK$'million*
Within one year	**576**	272
In the second year	**363**	486
In the third to fifth year inclusive	**247**	370
Over five years	**-**	91
	1,186	1,219
Classified under:		
Current liabilities *(note)*	**680**	327
Non-current liabilities	**506**	892
	1,186	1,219

Note: At 31st December, 2019, 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$104 million (2018: HK$55 million) have been classified as current liabilities.

During the year, the Group had no financial instruments for hedging purpose. At 31st December, 2019, apart from the bonds described above, the Group had no fixed-rate borrowings.

At 31st December, 2019, total amount of the Group's time deposits, bank balances and cash was HK$2,202 million (2018: HK$1,813 million), of which bank deposits of Build King amounting to HK$64 million (2018: HK$2 million) were pledged to banks to secure certain banking facilities granted to Build King. In addition, the Group has available unutilised banking facilities of HK$1,389 million (2018: HK$1,331 million).

For the year ended 31st December, 2019, the Group recorded finance costs of HK$75 million (2018: HK$76 million).

At 31st December, 2019, included in the financial assets at fair value through profit or loss, there were investments in unlisted convertible bonds of HK$26 million (2018: HK$38 million) and unlisted equity securities of HK$13 million (2018: HK$8 million), both of which were 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$49 million (2018: HK$47 million). For the year ended 31st December, 2019, the Group recorded a net loss (net amount of change in fair value, dividend income, interest income and withholding tax) of HK$16 million (2018: net gain of HK$5 million) from these investments, of which net loss of HK$9 million (2018: net gain of HK$5 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, 2019, the equity attributable to owners of the Company amounted to HK$8,512 million, representing HK$10.73 per share (2018: HK$7,787 million, representing HK$9.82 per share).

At 31st December, 2019, the gearing ratio, representing the ratio of total borrowings to equity attributable to owners of the Company, was 13.9% (2018: 15.7%) and the net gearing ratio, representing the ratio of net borrowings (total borrowings less time deposits, bank balances and cash) to equity attributable to owners of the Company, was -11.9% (2018: -7.6%) as a result of total amount of time deposits, bank balances and cash exceeding total borrowings amount.

Pledge of Assets

At 31st December, 2019, 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.

Capital Commitments and Contingent Liabilities

At 31st December, 2019, the Group committed capital expenditure contracted for but not provided in the Group's consolidated financial statements of HK$56 million (2018: HK$3 million) in respect of acquisition of property, plant and equipment. At 31st December, 2019, the Group had no contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2019, the Group had 2,364 employees (2018: 2,143 employees), of which 2,308 (2018: 2,080) were located in Hong Kong, 55 (2018: 62) were located in the PRC and 1 (2018: 1) was located in UAE. For the year ended 31st December, 2019, the Group's total staff costs were HK$1,271 million (2018: HK$1,202 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

The order book on hand of the Group's construction, sewage treatment and steam fuel division is about two and a half years' current turnover so that the division is able to maintain its cautious tendering approach in the short term. Nevertheless, as the economy in Hong Kong is in downturn and the construction industry is competitive, the division is still facing challenging environment in the long run. The division will seek investment opportunities in environmental infrastructure projects in the PRC that can produce steady income to smoothen the cyclical nature of construction industry.

The management has noted that the government containment measures as well as the response of the general public and private sector in response to the outbreak of the novel coronavirus has had an impact on the Group's operations, including delays or slow down on construction works and the need to put in place enhanced health monitoring and other measures at the production sites of construction materials division and quarry division. The Group has taken steps to reduce interruption to the operations of all the Group's business segments.

As the new crushing facility with double production capacity will come on line at the Lam Tei Quarry in the first half of 2020, management is securing increased aggregates sales at higher prices, taking advantage of the uptrend of market prices for aggregates, with the aim of improving the performance of the quarrying division.

For construction materials division, there is no sign of improvements in prices and market demand of concrete and asphalt. The operators of concrete and asphalt industries continue to face extremely challenging time in 2020. The Group would continue implementing cost control measures to strengthen our competitiveness.

The performance of the property funds in 2019 was in line with budget. It is expected that the Sunnyvale project will provide profit contribution and cash distribution to the Group in 2020. The Group continues to closely monitor the performance of the property funds.

We will keep seeking with cautious approach for investment opportunities that create synergy for the Group to enhance the sustainable growth of the Group.

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, 2019.

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, 2019.

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, 2019, 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 Friday, 22nd May, 2020 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 2019 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, 23rd March, 2020

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. Ho Gilbert 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.