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**SFK Construction Holdings Limited**

**新福港建設集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1447)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**HIGHLIGHTS**

- Our overall revenue for the year ended 31 December 2019 decreased to HK\$5,461.87 million as compared to that of HK\$6,197.16 million for the year ended 31 December 2018.
- Our overall gross profit decreased to HK\$75.15 million for the year ended 31 December 2019 as compared to that of HK\$273.18 million for the year ended 31 December 2018.
- Loss attributable to the equity shareholders of the Company for the year ended 31 December 2019 amounted to HK\$28.83 million as compared to profit attributable to the equity shareholders of the Company of HK\$129.69 million for the year ended 31 December 2018.
- In 2019, the Group was awarded 14 projects as a main contractor in Hong Kong (out of which 1 and 13 are from the public sector and private sector, respectively), with total original contract sum of approximately HK\$1,255 million (2018: approximately HK\$5,852 million).
- As at 31 December 2019, we had a total of 17 projects for general building works and 19 projects for civil engineering works on hand. The total original contract sum of these projects was approximately HK\$17 billion (2018: approximately HK\$20 billion). The outstanding value (defined as the difference between revenue recognised and the original contract sum) of our ongoing projects as at 31 December 2019 was approximately HK\$6.3 billion.
- The Directors propose to recommend, at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK4.0 cents per share, amounting to approximately HK\$16 million, for the year ended 31 December 2019 (2018: a final dividend of HK4.0 cents per share, amounting to approximately HK\$16 million).

## ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of SFK Construction Holdings Limited (the “Company”) hereby presents the consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2019 (the “Year” or “2019”), together with the comparative figures for the year ended 31 December 2018 (“2018”) as follow:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2019*

*(Expressed in Hong Kong dollars)*

		<b>2019</b>	2018
	<i>Note</i>	<i>\$'000</i>	<i>(Note)</i> <i>\$'000</i>
<b>Revenue</b>	<b>3</b>	<b>5,461,871</b>	6,197,164
Direct costs		<u>(5,386,722)</u>	<u>(5,923,988)</u>
<b>Gross profit</b>		<b>75,149</b>	273,176
Other revenue		<b>2,609</b>	4,763
Other net loss		<b>(530)</b>	(462)
Administrative expenses		<u>(84,068)</u>	<u>(92,534)</u>
<b>(Loss)/profit from operations</b>		<b>(6,840)</b>	184,943
Finance costs		<b>(19,409)</b>	(12,234)
Share of results of a joint venture		<u>(6,750)</u>	<u>(15,803)</u>
<b>(Loss)/profit before taxation</b>		<b>(32,999)</b>	156,906
Income tax	<b>4</b>	<u><b>3,597</b></u>	<u>(27,585)</u>
<b>(Loss)/profit for the year</b>		<u><b>(29,402)</b></u>	<u>129,321</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(28,827)</b>	129,689
Non-controlling interests		<u>(575)</u>	<u>(368)</u>
<b>(Loss)/profit for the year</b>		<u><b>(29,402)</b></u>	<u>129,321</u>
<b>(Loss)/earnings per share — Basic/Diluted</b>	<b>5</b>	<u><b>(7.2) cents</b></u>	<u>32.4 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	2019	2018
	\$'000	(Note) \$'000
<b>(Loss)/profit for the year</b>	<b>(29,402)</b>	129,321
<b>Other comprehensive income for the year (after tax)</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(209)	(336)
<b>Total comprehensive income for the year</b>	<b>(29,611)</b>	128,985
<b>Attributable to:</b>		
Equity shareholders of the Company	(29,035)	129,352
Non-controlling interests	(576)	(367)
<b>Total comprehensive income for the year</b>	<b>(29,611)</b>	128,985

*Note:* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2019*

*(Expressed in Hong Kong dollars)*

		<b>2019</b>	2018
	<i>Note</i>	<b>\$'000</b>	<i>(Note)</i> \$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>110,296</b>	43,538
Goodwill		<b>1,209</b>	1,209
Deferred tax assets		<b>39,049</b>	34,750
		<u><b>150,554</b></u>	<u>79,497</u>
<b>Current assets</b>			
Contract assets		<b>1,422,493</b>	1,262,372
Trade and other receivables	6	<b>514,244</b>	568,734
Amount due from a joint venture		<b>3,010</b>	2,323
Current tax recoverable		<b>2,685</b>	4,528
Pledged deposits		<b>25,125</b>	25,039
Cash and cash equivalents		<b>263,505</b>	216,897
		<u><b>2,231,062</b></u>	<u>2,079,893</u>
<b>Current liabilities</b>			
Interest in a joint venture		<b>19,464</b>	12,714
Contract liabilities		<b>118,191</b>	119,888
Trade and other payables	7	<b>1,307,142</b>	1,145,617
Bank loans	8	<b>408,464</b>	371,732
Lease liabilities		<b>17,908</b>	–
Current tax payable		<b>8,025</b>	10,942
		<u><b>1,879,194</b></u>	<u>1,660,893</u>
<b>Net current assets</b>		<u><b>351,868</b></u>	<u>419,000</u>
<b>Total assets less current liabilities</b>		<u><b>502,422</b></u>	<u>498,497</u>
<b>Non-current liabilities</b>			
Lease liabilities		<b>49,711</b>	–
Deferred tax liabilities		<b>4,542</b>	4,717
		<u><b>54,253</b></u>	<u>4,717</u>
<b>NET ASSETS</b>		<u><b>448,169</b></u>	<u>493,780</u>

		<b>2019</b>	2018
	<i>Note</i>	<b>\$'000</b>	<i>(Note)</i> <b>\$'000</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	<b>40,000</b>	40,000
Reserves		<b>408,308</b>	453,343
<b>Total equity attributable to equity shareholders of the Company</b>		<b>448,308</b>	493,343
<b>Non-controlling interests</b>		<b>(139)</b>	437
<b>TOTAL EQUITY</b>		<b>448,169</b>	493,780

*Note:* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

Notes:

## **1 GENERAL INFORMATION**

SFK Construction Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) are principally engaged in construction and maintenance projects in Hong Kong, construction projects in Macau, housing and property management services in Hong Kong and the People’s Republic of China (the “PRC”) and electrical and mechanical engineering services in Hong Kong. The Company was incorporated in Bermuda on 17 October 2007 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The Company’s shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 December 2015.

## **2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

### **(a) Statement of compliance**

The financial information set out in this announcement does not constitute the Group’s consolidated financial statements for the year ended 31 December 2019 but are extracted from those financial statements.

The Group’s consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Group’s consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the Group’s consolidated financial statements.

### **(b) Basis of preparation**

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries and the Group’s interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

**(c) Changes in accounting policies**

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

***HKFRS 16, Leases***

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

***a. New definition of a lease***

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

*b. Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.5%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	<b>1 January 2019 \$'000</b>
Operating lease commitments at 31 December 2018	45,079
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(5,745)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	40,427
	<hr/> 79,761
Less: total future interest expenses	<hr/> (5,542)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	<hr/> <hr/> 74,219



The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities.

*c. Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated cash flow statement.

### 3 REVENUE AND SEGMENT REPORTING

**(a) Revenue**

The principal activities of the Group are general building, civil engineering and the provision of other services.

*Disaggregation of revenue*

Disaggregation of revenue from contracts with customers within the scope of HKFRS 15 by major service lines is as follows:

	<b>2019</b> <b>\$'000</b>	2018 \$'000
Disaggregated by major service lines		
— General building	<b>4,288,187</b>	4,807,075
— Civil engineering	<b>988,803</b>	1,236,282
— Housing management services	<b>80,888</b>	71,653
— Others	<b>103,993</b>	82,154
	<b><u>5,461,871</u></b>	<u>6,197,164</u>

**(b) Segment reporting**

The Group manages its businesses by segments, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

- General building : this segment provides engineering services of substructure or superstructure of building structures and maintenance, repairs, alterations services and additions to building structures
- Civil engineering : this segment provides engineering services of infrastructure facilities and maintenance, repairs, alterations services to infrastructure facilities
- Others : this segment mainly provides housing management services, electrical and mechanical engineering services and consultancy services

*(i) Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of deferred tax assets, current tax recoverable and other corporate assets. Segment liabilities include trade creditors, accruals, lease liabilities and other current and non-current liabilities attributable to the business activities of the individual segments.

Segment result includes revenue and expenses that are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

In addition, management is provided with segment information concerning revenue, share of results of a joint venture, depreciation, additions to non-current segment assets used by the segments in their operations and share of net liabilities in a joint venture. Inter-segment sales are priced with reference to prices charged to external price for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the year ended 31 December 2019 and 2018 is set out below.

**For the year ended 31 December 2019**

	<b>General building \$'000</b>	<b>Civil engineering \$'000</b>	<b>Others \$'000</b>	<b>Total \$'000</b>
Reportable segment revenue (recognised over time)	<u>4,288,187</u>	<u>988,803</u>	<u>184,881</u>	<u>5,461,871</u>
Reportable segment profit/(loss)	<u>62,632</u>	<u>(71)</u>	<u>5,666</u>	<u>68,227</u>
Other revenue and other net income				309
Depreciation				(13,680)
Finance costs				(19,409)
Unallocated head office and corporate expenses				<u>(68,446)</u>
Consolidated loss before taxation				<u>(32,999)</u>
Share of results of a joint venture	<u>(6,750)</u>	<u>–</u>	<u>–</u>	<u>(6,750)</u>
Depreciation for the year	<u>15,308</u>	<u>2,545</u>	<u>2,536</u>	<u>20,389</u>
Reportable segment assets	<u>1,402,714</u>	<u>524,133</u>	<u>52,815</u>	<u>1,979,662</u>
Deferred tax assets				39,049
Current tax recoverable				2,685
Unallocated head office and corporate assets				<u>360,220</u>
Consolidated total assets				<u>2,381,616</u>
Additions to non-current segment assets during the year	<u>8,175</u>	<u>3,518</u>	<u>2,379</u>	<u>14,072</u>
Reportable segment liabilities (including interest in a joint venture)	<u>1,014,307</u>	<u>347,129</u>	<u>19,439</u>	<u>1,380,875</u>
Current tax payable				8,025
Deferred tax liabilities				4,542
Unallocated head office and corporate liabilities				<u>540,005</u>
Consolidated total liabilities				<u>1,933,447</u>
Share of net liabilities in a joint venture	<u>19,464</u>	<u>–</u>	<u>–</u>	<u>19,464</u>

For the year ended 31 December 2018

	General building (Note) \$'000	Civil engineering (Note) \$'000	Others (Note) \$'000	Total (Note) \$'000
Reportable segment revenue (recognised over time)	<u>4,807,075</u>	<u>1,236,282</u>	<u>153,807</u>	<u>6,197,164</u>
Reportable segment profit	<u>221,568</u>	<u>21,745</u>	<u>17,209</u>	260,522
Other revenue and other net income				480
Depreciation				(734)
Finance costs				(12,234)
Unallocated head office and corporate expenses				<u>(91,128)</u>
Consolidated profit before taxation				<u>156,906</u>
Share of results of a joint venture	<u>(15,803)</u>	<u>—</u>	<u>—</u>	<u>(15,803)</u>
Depreciation for the year	<u>9,967</u>	<u>2,719</u>	<u>741</u>	<u>13,427</u>
Reportable segment assets	<u>1,179,211</u>	<u>619,458</u>	<u>61,533</u>	1,860,202
Deferred tax assets				34,750
Current tax recoverable				4,528
Unallocated head office and corporate assets				<u>259,910</u>
Consolidated total assets				<u>2,159,390</u>
Additions to non-current segment assets during the year	<u>21,404</u>	<u>5,505</u>	<u>843</u>	<u>27,752</u>
Reportable segment liabilities (including interest in a joint venture)	<u>870,493</u>	<u>301,970</u>	<u>13,212</u>	1,185,675
Current tax payable				10,942
Deferred tax liabilities				4,717
Unallocated head office and corporate liabilities				<u>464,276</u>
Consolidated total liabilities				<u>1,665,610</u>
Share of net liabilities in a joint venture	<u>12,714</u>	<u>—</u>	<u>—</u>	<u>12,714</u>

*Note:* The Group has initially applied HKFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

(ii) *Geographic information*

No geographic information has been presented as most of the Group's operating activities are carried out in Hong Kong.

#### 4 INCOME TAX

Taxation in the consolidated income statement represents:

	2019 \$'000	2018 \$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	1,027	27,718
Over provision in respect of prior years	(150)	(206)
	<u>877</u>	<u>27,512</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(4,474)	73
	<u>(3,597)</u>	<u>27,585</u>

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rates regime.

For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

#### 5 (LOSS)/EARNINGS PER SHARE

(a) **Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of \$28,827,000 (2018: profit of \$129,689,000) and 400,000,000 shares (2018: 400,000,000 shares) in issue during the year.

(b) **Diluted (loss)/earnings per share**

There were no potential dilutive shares in existence during the years ended 31 December 2019 and 2018.

#### 6 TRADE AND OTHER RECEIVABLES

	2019 \$'000	2018 \$'000
Trade debtors	457,079	503,055
Deposits, prepayments and other receivables	35,062	24,922
Amounts due from a joint operation partner ( <i>note (i)</i> )	21,820	40,757
Derivative financial instrument	283	—
	<u>514,244</u>	<u>568,734</u>

Notes:

- (i) The amounts due from a joint operation partner are interest-free, unsecured and recoverable on demand.
- (ii) Except for the amounts of \$9,321,000 (2018: \$11,539,000) which are expected to be recovered after one year, all of the remaining balances of trade and other receivables are expected to be recovered within one year.

### Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) is as follows:

	<b>2019</b> \$'000	2018 \$'000
Within 1 month	<b>388,289</b>	475,789
Over 1 to 2 months	<b>61,662</b>	15,440
Over 2 to 3 months	<b>295</b>	4,807
Over 3 months but within 6 months	<b>6,833</b>	7,019
	<b>457,079</b>	503,055

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or region in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 14 to 45 days from the date of billing. Normally, the Group does not obtain collateral from customers.

## 7 TRADE AND OTHER PAYABLES

	<b>2019</b> \$'000	2018 \$'000
Trade creditors	<b>354,720</b>	466,011
Accruals and other payables	<b>565,393</b>	362,868
Amounts due to joint operation partners ( <i>note (i)</i> )	<b>1,062</b>	6,562
Provision for construction works ( <i>note (ii)</i> )	<b>24,288</b>	–
Retentions payable	<b>361,679</b>	310,176
	<b>1,307,142</b>	1,145,617

Notes:

- (i) The amounts due to joint operation partners are interest-free, unsecured and repayable on demand.

- (ii) During the year ended 31 December 2019, the Group recognises provision for construction works when the unavoidable costs of meeting the performance obligations under the construction contracts exceed the economic benefits expected to be received from the contracts. The amount of the provision is measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract. The amount of provision is reviewed on an ongoing basis.
- (iii) Except for the amounts of \$116,846,000 (2018: \$144,228,000), all of the remaining balances of trade and other payables are expected to be settled within one year.

### Ageing analysis

As at the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	2019 \$'000	2018 \$'000
Within 1 month	262,868	291,755
Over 1 to 2 months	55,886	133,932
Over 2 to 3 months	16,462	31,624
Over 3 months	19,504	8,700
	<u>354,720</u>	<u>466,011</u>

## 8 BANK LOANS

	2019 \$'000	2018 \$'000
Bank loans, repayable within 1 year		
— Secured	—	98,000
— Unsecured	408,464	273,732
	<u>408,464</u>	<u>371,732</u>

- (a) As at 31 December 2019, the bank loans bear interest ranging from 3.75% to 5.45% (2018: 3.42% to 4.44%) per annum.
- (b) As at 31 December 2019 and 2018, the banking facilities (including bank loans and performance bonds) granted to the Group, the Group's joint operations and the Group's joint venture jointly were secured by:
- (i) Assignment of project proceeds from certain construction contracts of the Group, the Group's joint operations and the Group's joint venture;
  - (ii) Pledged deposits of the Group of \$25,125,000 (2018: \$25,039,000);
  - (iii) Corporate guarantees provided by a subsidiary and the joint venture partner, personal properties and pledged deposits owned by the joint venture partner; and
  - (iv) Corporate guarantees provided by the Company and cross corporate guarantees provided by the Company and certain subsidiaries.

## 9 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year:

	<b>2019</b> <b>\$'000</b>	2018 \$'000
Interim dividend declared and paid of \$Nil (2018: 9.0 cents) per ordinary share	–	36,000
Final dividend proposed after the end of the reporting period of 4.0 cents (2018: 4.0 cents) per ordinary share	<u><b>16,000</b></u>	<u>16,000</u>
	<u><b>16,000</b></u>	<u>52,000</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## 10 SHARE CAPITAL

	<b>2019</b>		<b>2018</b>
	No. of shares	Amount \$	No. of shares      Amount \$
<b>Authorised:</b>			
Ordinary shares of \$0.1 each			
At 1 January and 31 December	<u><b>10,000,000,000</b></u>	<u><b>1,000,000,000</b></u>	<u>10,000,000,000      1,000,000,000</u>
<b>Issued and fully paid:</b>			
Ordinary shares of \$0.1 each			
At 1 January and 31 December	<u><b>400,000,000</b></u>	<u><b>40,000,000</b></u>	<u>400,000,000      40,000,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 11 COMPARATIVE FIGURES

The Group has initially applied HKFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's revenue for the Year decreased by 11.86% to HK\$5,461.87 million (2018: HK\$6,197.16 million). The Group recorded a net loss attributable to equity shareholders of the Company of HK\$28.83 million in the Year (2018: a net profit of HK\$129.69 million). The results for the Year were adversely affected by a number of factors. Certain projects with relatively high profit margin were completed or nearly completed during the Year resulting in a reduction of contributions to revenue and profit by such projects for the Year. In addition, the Group had replaced certain non-performing subcontractors during the Year leading to an increase in overall subcontracting costs. The unexpected prolonged period of inspection of work done and certification of payments caused deterioration in the project cash flow and an increase in financing costs. The intense competition across the construction market in general led to an increase in the overall construction costs and affected the profitability. Furthermore, the social unrest and economic uncertainty in Hong Kong in the second half of the Year had negatively impacted the Group's management of the construction sites, leading to an increase in overall operating costs during the Year.

#### Major projects awarded and undertaken in 2019

During the Year, we were awarded 14 projects as a main contractor in Hong Kong (out of which 1 and 13 are from the public sector and private sector, respectively), with total original contract sum of approximately HK\$1,255 million. The table below sets out the summary of our construction and maintenance projects for general building and civil engineering works that were awarded during the Year:

	<b>Number of projects</b>	<b>Total original contract sum</b> <i>(approximate HK\$'million)</i>
Original contract sum at or above HK\$500 million	1	627
Original contract sum below HK\$500 million		
but at or above HK\$200 million	1	441
Original contract sum below HK\$200 million		
but at or above HK\$50 million	1	137
Original contract sum less than HK\$50 million	11	50
	<hr/>	<hr/>
	14	1,255
	<hr/>	<hr/>

As at 31 December 2019, we had a total of 17 projects for general building works and 19 projects for civil engineering works on hand. The total original contract sum of these projects was approximately HK\$17 billion. The outstanding value (defined as the difference between revenue recognised and the original contract sum) of our ongoing projects as at 31 December 2019 was approximately HK\$6.3 billion. The following table sets forth the particulars of some of the sizeable construction and maintenance projects for general building works and civil engineering works awarded and undertaken by us as a main contractor and remained ongoing as at 31 December 2019:

Project type	Business segment	Scope of works	Original contract completion date	Original contract sum (approximate HK\$'million)	Revenue recognised during the financial year 2019 (approximate HK\$'million)
Main contract for the Park for West Kowloon Cultural District Authority	General building works	Construction of the Art Park in West Kowloon Cultural District	December 2018***	1,140.2	178.7
Proposed subsidised housing development of Hong Kong Housing Society	General building works	To build a 31-storey residential block, a single storey commercial block, an open car park and slope improvement	June 2019***	464.0	233.8
Kai Tak Development for Civil Engineering and Development Department	Civil engineering works	Infrastructure works for developments at the southern part of the former runway	September 2019***	1,947.0* <sup>1</sup>	226.4**
Construction of Public Rental Housing Development of the Housing Authority	General building works	Construction of Public Rental Housing Development	December 2019***	707.0	289.4
Construction of Subsidised Sale Flats Development of Housing Authority	General building works	Construction of Subsidised Sale Flats Development	February 2020	513.0	230.8
Main Contract for Global Graduate Tower of HKUST	General building works	Construction of Global Graduate Tower in HKUST	February 2020	316.4	187.4
Works Contract for the M+ Waterfront Promenade of West Kowloon Cultural District Authority	General building works	Construction of M+ Waterfront Promenade	February 2020	69.7	18.3

Project type	Business segment	Scope of works	Original contract completion date	Original contract sum (approximate HK\$'million)	Revenue recognised during the financial year 2019 (approximate HK\$'million)
Maintenance of hydraulic and pumping system and buildings managed by the Airport Authority	General building works — maintenance project	Maintenance, improvement and refurbishment for hydraulic and pumping system and various buildings managed by the Airport Authority	March 2020	221.8	22.1
Maintenance of properties managed by the Housing Authority	General building works — maintenance project	Maintenance, improvement and vacant flat refurbishment for properties managed by the Housing Authority in Tuen Mun and Yuen Long	March 2020	246.7	90.6
Infrastructure Works for Architectural Services Department	General building works	Construction of Station Square at Kai Tak (Phase 1)	November 2020	283.6*2	19.4**
Maintenance of properties managed by the Architectural Services Department	General building works — maintenance project	Alterations, additions, maintenance and repair of buildings and lands and properties in (i) Hong Kong Island Eastern and Outlying Islands (South); and (ii) Hong Kong Island Western, Southern and Lantau Island for which Architectural Services Department (Property Services Branch) is responsible	March 2021	1,471.8	436.7
Site Formation and Infrastructure Works for Civil Engineering and Development Department	Civil engineering works	Site formation and infrastructure works for development at Kam Tin South, Yuen Long — Advance works	July 2021	409.0	134.1
Maintenance of properties managed by the Housing Authority	General building works — maintenance project	Maintenance, improvement and vacant flat refurbishment for properties in (i) Wong Tai Sin, Tsing Yi and Tsuen Wan; and (ii) Hong Kong Island & Islands	September 2021	863.2	214.0
Piers maintenance for Civil Engineering and Development Department	Civil engineering works — maintenance project	To carry out maintenance works for piers	March 2022	150.1	58.7

Project type	Business segment	Scope of works	Original contract completion date	Original contract sum (approximate HK\$'million)	Revenue recognised during the financial year 2019 (approximate HK\$'million)
Design and Construction managed by the Architectural Services Department	General building works — maintenance project	Design and Construction of Minor Works to Government and Subvented Properties for Architectural Services Department — New Territories and Outlying Islands (North)	August 2022	531.1	74.2
Construction of Public Rental Housing Development and Subsidised Sale Flats Development of the Housing Authority	General building works	Construction of Public Rental Housing Development and Subsidised Sale Flats Development	October 2022	3,740.0	770.1
Management and maintenance of roads in Kowloon East for the Highways Department	Civil engineering works — maintenance project	Management and maintenance of public roads, including associated slopes, highway structures, tunnels, landscaping and minor improvement works, in Kowloon East but excluding Expressways and High Speed Roads	March 2024	482.6	148.3
Electrical and Mechanical Works for Sewage Treatment Facilities of the Drainage Services Department	Civil engineering works	Electrical and Mechanical works for sewage treatment facilities in Shek Wu Hui Effluent Polishing Plant (Main Works Stage 1)	May 2024	557.6	–
Three Runway System Project for the Hong Kong International Airport	General building works	Building and Civil Works for New Integrated Airport Centres	September 2024	440.7	16.5

\*<sup>1</sup> In a form of joint operation in which the Company participates in 40% of the contract.

\*<sup>2</sup> In a form of joint operation in which the Company participates in 51% of the contract.

\*\* The revenue recognised represented our shares of the contract.

\*\*\* The original contract completion date has been postponed and the contract was still ongoing as at 31 December 2019.

## Major projects completed in 2019

Completed projects refer to projects for which we have received the completion certificates from the respective customers or terms of year of the contracts expired. Details of the major projects completed by the Group as a main contractor during the Year are as follow:

Project type	Business segment	Scope of works	Original contract period	Original contract sum (approximate HK\$'million)	Revenue recognised during the financial year 2019 (approximate HK\$'million)
Home ownership scheme development of the Housing Authority	General building works	To build 3 blocks of around 30 storeys buildings, car park and car port, and ancillary structures	April 2016 to September 2018*	1,297.0	197.7
Home ownership scheme development of the Housing Authority	General building works	To build 3 blocks of around 27 storeys building and ancillary structures	February 2015 to October 2018*	1,299.0	170.5
Enhancement works at Carpark of Airport Authority Hong Kong	Civil engineering works	Enhancement works at Car Park 1	September 2017 to November 2018*	123.7	89.9
Contract with the Hospital Authority	General building works — maintenance project	To carry out minor works for New Territories East and New Territories West Clusters	July 2016 to June 2019	734.2	251.3
Public rental housing development of the Housing Authority	General building works	To build 5 domestic blocks with 4,846 flats and ancillary buildings	August 2016 to October 2019	3,047.0	762.7

\* The original contract completion date was postponed and the contract was completed during the year ended 31 December 2019.

A majority of our revenue is generated from our general building and civil engineering works. During the Year, the revenue attributable to our general building and civil engineering business amounted to HK\$4,288.19 million and HK\$988.80 million (2018: HK\$4,807.08 million and HK\$1,236.28 million), respectively, representing approximately 78.51% and 18.10% (2018: 77.57% and 19.95%), respectively, of the total revenue of the Group for the Year.

During the Year, other than general building and civil engineering works, we also provided other services which comprised mainly housing and property management services (such as the provision of cleaning services and security management services), electrical and mechanical engineering services and Building Information Modelling (“BIM”) services to real estates in Hong Kong and the PRC. Revenue attributable to these other services amounted to approximately 3.39% of the total revenue of the Group for the Year (2018: 2.48%).

## Award of Contract after the Reporting Period

The Group has been awarded and undertaken the following contract for general building works after the reporting period and the table below sets forth the particulars of the project:

Project type	Business segment	Scope of works	Contract period	Original contract sum (approximate HK\$'million)
Construction of Subsidised Sale Flats Development of the Housing Authority	General building works	Construction of Subsidised Sale Flats	February 2020 to October 2022	1,911.0

## FINANCIAL REVIEW

### Revenue

Our revenue decreased by approximately HK\$735.29 million, or approximately 11.86%, from HK\$6,197.16 million for 2018 to HK\$5,461.87 million for 2019. The decrease in our revenue was mainly due to the decrease in our revenue from general building business of HK\$518.89 million and the decrease in our revenue from civil engineering business of HK\$247.48 million.

Revenue from general building business decreased by approximately HK\$518.89 million, or approximately 10.79%, from HK\$4,807.08 million for 2018 to HK\$4,288.19 million for 2019. The decrease in revenue between years was primarily due to the completion of certain general building contracts, including the construction of a public rental housing development and two home ownership scheme developments for the Housing Authority. This was partly offset by the increase in revenue between years in accordance with the work progress of other general building contracts, including the construction of a public rental housing development and a subsidised sale flats development for the Housing Authority, and the construction of a global graduate tower for the Hong Kong University of Science and Technology.

Revenue from civil engineering business decreased by approximately HK\$247.48 million, or approximately 20.02%, from HK\$1,236.28 million for 2018 to HK\$988.80 million for 2019. The decrease in revenue between years was primarily due to the completion of certain civil engineering contracts and decrease in revenue recognised in certain civil engineering projects, including reconstruction and upgrading of Kai Tak Nullah.

Revenue from other services (which mainly comprised housing and property management services, electrical and mechanical engineering services and BIM services) for 2019 amounted to HK\$184.88 million (2018: HK\$153.81 million), representing 3.39% (2018: 2.48%) of the total revenue of the Group.

Our business remained to be primarily focusing in the Hong Kong market during the Year.

## **Gross profit and gross profit margin**

Our overall gross profit decreased by approximately HK\$198.03 million, or approximately 72.49%, from HK\$273.18 million for 2018 to HK\$75.15 million for 2019. The decrease in our gross profit between years was partly due to the completion of certain sizable general building contracts during the Year resulting in a decrease in contributions to profit by such projects. In addition, the replacement of non-performing subcontractors during the Year led to an increase in overall subcontracting costs, and a gross loss of approximately HK\$50 million was recorded for two general building maintenance contracts during the Year.

Gross profit margin for 2019 amounted to 1.38%, which was lower when compared to that of 4.41% for 2018. The replacement of non-performing subcontractors resulted in losses in certain maintenance contracts and negatively impacted the gross profit margin of the Group for 2019. In addition, the intense competition across the construction market in general led to an increase in the overall construction costs and affected the profitability. The social unrest and mass street protests in Hong Kong in the second half of the Year also had a negative impact on our management of the construction sites, leading to an increase in overall operating costs and a reduction in gross profit margin.

## **Other revenue**

Other revenue mainly consisted of interest income and sundry income. Our other revenue for 2019 amounted to HK\$2.61 million, which was lower compared to that of HK\$4.76 million for 2018. This was mainly due to the decrease in sundry income between years.

## **Other net loss**

Our other net loss for 2019 amounted to HK\$0.53 million, which was about in line compared to that of HK\$0.46 million for 2018.

## **Administrative expenses**

Administrative expenses mainly consisted of staff costs and rental charges. Our administrative expenses for 2019 amounted to HK\$84.07 million, compared to that of HK\$92.53 million for 2018. The decrease was mainly due to the decrease in staff costs between years.

## **Finance costs**

Our finance costs for 2019 amounted to HK\$19.41 million, compared to that of HK\$12.23 million for 2018. The increase was primarily associated with the increase in bank interest expenses arising from the increase in average bank loan balances and average interest rates.

## **Share of results of a joint venture**

Our share of results of a joint venture for 2019 was a net loss of HK\$6.75 million, compared to that of a net loss of HK\$15.80 million for 2018. The decrease in net loss between years was mainly attributable to the decrease in losses recorded for one of the Cotai Resort projects when compared to the previous year.

## **Income tax**

Our income tax for 2019 was a credit of HK\$3.60 million, compared to an expense of HK\$27.59 million for 2018. The net credit balance in 2019 was mainly explained by the recognition of deferred tax from tax losses in certain subsidiaries' books that are expected to be utilised in future years.

## **(Loss)/profit attributable to the equity shareholders of the Company**

Based on the above factors, there was a loss attributable to the equity shareholders of the Company amounting to HK\$28.83 million for 2019, compared to a profit attributable to the equity shareholders of the Company of HK\$129.69 million for 2018.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Capital Structure**

As at 31 December 2019, the capital structure of the Group consisted of equity of HK\$448.17 million (2018: HK\$493.78 million) and bank loans of HK\$408.46 million (2018: HK\$371.73 million) as more particularly described in the paragraph headed "Borrowings" below.

### **Cash position and fund available**

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and bank borrowings. As at 31 December 2019, our cash and cash equivalents were HK\$263.51 million (2018: HK\$216.90 million).

As at 31 December 2019, the current ratio of the Group was 1.19 (2018: 1.25).

Our principal uses of cash have been, and are expected to continue to be, operational costs.



## **Borrowings**

As at 31 December 2019, the Group had bank loans, which are repayable within one year, of approximately HK\$408.46 million (2018: HK\$371.73 million). As at 31 December 2019, the bank loans bear interest ranging from 3.75% to 5.45% (2018: 3.42% to 4.44%) per annum. The increase in bank loans between years was mainly used to finance the working capital of ongoing projects. The Group's net borrowings position (i.e. total borrowings minus total cash and cash equivalents) slightly improved between years from HK\$155 million as at 31 December 2018 to HK\$145 million as at 31 December 2019.

As at 31 December 2019, the Group had approximately HK\$2,205 million (2018: HK\$2,056 million) of unutilised banking facilities in Hong Kong and Macau (including loans, letter of credit and letter of guaranteed facilities). All of the Group's banking facilities are subject to the fulfilment of certain covenants as are commonly found in lending arrangements with financial institutions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group remains in compliance with its loan covenants during the Year.

## **GEARING RATIO**

As at 31 December 2019, the Group's gearing ratio was 91.14% (2018: 75.28%), calculated based on the interest-bearing borrowings divided by the total equity as at the respective year end.

## **NET CURRENT ASSETS**

As at 31 December 2019, the Group had net current assets of HK\$351.87 million (2018: HK\$419.00 million).

The Board regularly reviewed the maturity analysis of the Group's contractual liabilities and concluded that the Group had no liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

## **CAPITAL EXPENDITURES**

The Group's capital expenditures primarily comprise purchase of plant and equipment, such as motor vehicles and equipment, which were funded, and are expected to continue to be funded, by internal resources and cash flow generated from our operation. For the Year, the Group has incurred HK\$15.45 million (2018: HK\$28.62 million) on acquiring items of plant and equipment.

## **FOREIGN EXCHANGE EXPOSURE**

The functional currency to which the Group's operations and assets and liabilities are denominated is the Hong Kong dollars. The Group has cash balances that is denominated in the United States dollars, Renminbi and British Pound. Given that the Hong Kong dollars are pegged with the United States dollars, there is no currency risk exposure to the United States dollars. The Board considers that the Group was not exposed to significant foreign exchange risk. The Board will review the Group's foreign exchange risk and exposure from time to time.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year and no future plan for material investments or capital assets as at 31 December 2019.

## **SIGNIFICANT INVESTMENTS HELD**

Except for investments in the subsidiaries, joint venture and joint operations, the Group did not hold any significant investments during the Year.

## **FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES**

Save as disclosed below, the Group had no other financial guarantees and contingent liabilities as at 31 December 2019:

- (a) As at 31 December 2019, approximately HK\$387,310,000 (2018: HK\$402,995,000) of performance bonds were given by financial institutions to the Group in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and their customers. The Group has provided guarantees of the above performance bonds. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the financial institutions to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such financial institutions accordingly. The performance bonds will be released upon completion of the contract works.

At the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Group.

- (b) As at 31 December 2019, the Group has provided guarantees of HK\$166,447,000 (2018: HK\$214,991,000) representing a 50% proportionate guarantee in respect of certain banking facilities of HK\$332,893,000 (2018: HK\$429,981,000) granted to its joint venture in Macau. The 50% proportionate facilities were utilised to the extent of HK\$88,530,000 (2018: HK\$94,389,000), of which amounts of HK\$60,756,000 (2018: HK\$73,530,000) represent performance bonds given by financial institutions to the customers of the joint venture.

- (c) The Group has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and no transaction price was incurred.
- (d) The subsidiaries of the Group are defendants in a number of claims, lawsuits and potential claims relating to employee's compensation cases and personal injuries claims. The directors of the Company considered that the possibility of any economic outflow in settling the legal claims is remote as these claims are all well covered by insurance. Accordingly, no provision for the contingent liabilities in respect of these litigations is necessary, after due consideration of each case.

## **PLEDGE OF ASSETS**

At 31 December 2019, the Group had pledged deposits amounting to HK\$25.13 million (2018: HK\$25.04 million) and assignment of project proceeds from certain construction contracts of the Group, the Group's joint operations and the Group's joint venture to banks as security of banking facilities (including bank loans and performance bonds). Pledged deposits remained relatively stable between years.

## **CAPITAL COMMITMENTS**

As at 31 December 2019, our Group did not have any capital commitments (2018: HK\$5.50 million).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2019, the Group has 2,015 employees in Hong Kong, Macau and the PRC.

The Group entered into separate labour contracts with its employees in accordance with the applicable labour laws of Hong Kong, Macau and the PRC. The remuneration offered to employees generally includes salaries, medical benefits and bonus. Share options may also be granted to eligible employees. In general, the Group determines salaries of its employees based on each employee's qualification, position, seniority and experience.

## **FUTURE PROSPECTS**

Since early 2020, there is an outbreak of a coronavirus disease which has put tremendous pressure across the global economy. The Hong Kong Government has taken various measures to try to overcome the challenges arising from the outbreak, and is committed to leading the construction industry and increasing land supply for housing development. The Board is confident of the Group's future development and will continue to build on existing competitive strengths to achieve our long term business objectives.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Corporate Governance Practices**

The Board recognises that corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. The Company is committed to achieving and maintaining a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Board is of the opinion that the Company has complied with all the code provisions, except for the deviation from provision A.2.1 and C.2.5 of the CG Code during the Year.

According to provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a chief executive officer and such role has been assumed by the managing director of the Company. Mr. Chan Ki Chun is the chairman and the managing director of the Company. In the view that Mr. Chan has been assuming day-to-day responsibilities in operating and managing the Group since 1999, the Board believes that it is in the best interest of the Group to have Mr. Chan taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from provision A.2.1 of the CG Code is appropriate in such circumstances.

According to code provision C.2.5 of the CG Code, the Company should have an internal audit function. The Company does not establish a standalone internal audit department, however, the Board has put in place adequate measures to perform the internal audit function in relation to different aspects of the Group. In 2019, the Company appointed an external internal control adviser to perform periodic review of our internal control system to evaluate the effectiveness and formulate plans and recommendations for improvement of our internal control measures and policies. It is intended to review the effectiveness of the Group’s material internal controls so as to provide assurance that key internal control measures are carried out appropriately and are functioning as intended.

Notwithstanding the above, the Board is of the view that this management structure is effective for the Group’s operations and sufficient checks and balances are in place. The Board will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with regulatory requirements and to meet the growing expectations of the shareholders of the Company and investors.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all the Directors, each of the Directors confirmed that he has complied with the required standards set out in the Model Code during the Year.

Pursuant to Rule B.13 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealing by the Model Code as if he were a Director.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Year.

## **EVENTS AFTER THE REPORTING PERIOD**

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this announcement.

## **AUDIT COMMITTEE REVIEW**

The Company has established the audit committee (the “Audit Committee”) on 19 November 2015 with written terms of reference in compliance with the Listing Rules as amended from time to time. The Audit Committee consists of three independent non-executive Directors. The Audit Committee has, inter alia, reviewed the consolidated financial statements of the Group for the Year, including the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group.

## **SCOPE OF WORK OF KPMG**

The financial figures in respect of Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company will be held on Thursday, 21 May 2020 (the “2020 AGM”). A notice convening the 2020 AGM will be published and despatched to the Shareholders in accordance with the bye-laws of the Company, the Listing Rules and other applicable laws and regulations.

## **FINAL DIVIDENDS**

The directors recommended the payment of a final dividend of HK4.0 cents per share, amounting to approximately HK\$16 million. Such payment of dividends will be subject to the approval of the shareholders of the Company at the 2020 AGM and if approved, will be payable to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 29 May 2020. It is expected that the proposed final dividend will be paid on or about Friday, 12 June 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to establish entitlements to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 18 May 2020 to Thursday, 21 May 2020, during which period no transfer of the Shares will be registered. Shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 15 May 2020.

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Thursday, 28 May 2020 to Friday, 29 May 2020, during which period no transfer of the Shares of the Company will be registered. Shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 27 May 2020.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual consolidated results announcement is published on the Company’s website at <http://www.sfkchl.com.hk> and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2019 Annual Report will be despatched to the Shareholders and available on the above websites.

## APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as the shareholders of the Company, business associates and other professional parties for their continuous support to the Group throughout the Year.

By order of the Board  
**SFK Construction Holdings Limited**  
**Chan Ki Chun**  
*Chairman*

Hong Kong, 26 March 2020

*As at the date of this announcement, the Board comprises Mr. Chan Ki Chun, Mr. Chan Chor Tung, Mr. Yung Kim Man and Mr. Yeung Cho Yin, William as the executive Directors; and Mr. Lam Leung Tsun, Mr. Jim Fun Kwong, Frederick and Mr. Chan Kim Hung, Simon as the independent non-executive Directors.*