瑞港建設控股有限公司

Prosper Construction Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6816

Annual Report 2019

Contents

Corporate Information

Executive Directors

Mr. Liu Luqiang *(Chairman)*
Mr. Cui Qi *(Chief Executive Officer)*
Mr. Ding Hongbin *(Chief Operating Officer)*
Mr. Yang Zhenshan
Mr. Jiang Shuang

Non-executive Director

Mr. Wang Xuejun

Independent Non-executive Directors

Mr. Cheung Chi Man Dennis
Mr. Wang Yaping
Mr. Cheng Xuezhan

Audit Committee

Mr. Cheung Chi Man Dennis *(Chairman)*
Mr. Wang Yaping
Mr. Cheng Xuezhan

Nomination Committee

Mr. Liu Luqiang *(Chairman)*
Mr. Yang Zhenshan
Mr. Cheung Chi Man Dennis
Mr. Wang Yaping
Mr. Cheng Xuezhan

Remuneration Committee

Mr. Wang Yaping *(Chairman)*
Mr. Cheung Chi Man Dennis
Mr. Cheng Xuezhan

Risk Management Committee

Mr. Cui Qi *(Chairman)*
Mr. Jiang Shuang
Mr. Cheung Chi Man Dennis
Mr. Wang Yaping
Mr. Cheng Xuezhan

Company Secretary

Mr. Lee Baldwin

Authorised Representatives

Mr. Cui Qi
Mr. Lee Baldwin

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Units Nos. 04–05 on the 5th Floor
K. Wah Centre, No. 191 Java Road
North Point, Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of Communications Co., Ltd. (Hong Kong Branch)

Stock code

6816

Company Website

www.prosperch.com

Chairman's Statement

The year ended 31 December 2019 (the "Year 2019") is the first full financial year since Prosper Construction Holdings Limited (the "Company" and together with its subsidiaries, the "Group") becomes a member of the Qingdao West Coast Development (Group) Limited* (青島西海岸發展(集團)有限公司) (the "QD West Coast Group"). During the earlier part of the Year 2019, the board (the "Board") of directors (the "Directors") of the Company focused on conducting assessment of the Group's business strategies and operation model with a view to identify potential synergies among the Company and the QD West Coast Group. Meanwhile, the Group identified an opportunity to acquire a controlling stake in Qingdao Dongjie Construction Engineering Co., Ltd.* (青島東捷建設工程有限公司) ("Dongjie Construction"), which is principally engaged in general construction contracting business in the People's Republic of China (the "PRC"). The Board determined that the acquisition of Dongjie Construction will enable the Group to capture business opportunities in the construction market in the PRC, particularly in the Qingdao area, in an efficient and effective manner. In fact, since the completion of the acquisition of Dongjie Construction, the Group has already secured contracts with total value of over RMB1 billion as a main contractor, which reaffirmed the merit of its development strategy in the PRC market.

Furthermore, it is envisaged that the acquisition of Dongjie Construction will also produce synergy and facilitate the Group's expansion into the general construction industry in the capacity as an Engineering, Procurement and Construction main contractor in regions outside of the PRC where the Group previously participated in marine construction related projects. The Group will stay vigilant and heighten its effort to explore business opportunities that involve general and/or marine construction works by leveraging on its expertise and qualification in multiple fields of construction operation, as well as the experience and resources of the QD West Coast Group in infrastructure and modern service industry projects, for optimal development of the Group in the long term.

Liu Luqiang
Chairman and executive director

27 March 2020

* for information purposes only

Management Discussion and Analysis

Business Review

Major projects

During the year ended 31 December 2019 ("Year 2019"), the Group derived the majority of its revenue from its projects in Macao, followed by Pakistan, Vietnam and Hong Kong. A breakdown of the Group's revenue by geographic location and major projects for the Year 2019 is set out in the table below.

	Revenue recognised in Year 2019 HK$'million	Contribution to total revenue	Current status
Macao			
Two land reclamation projects	226.0	43.9%	Ongoing and expecting completion in Q3/2021.
Engineering, procurement and construction ("EPC") contract for electricity generation facility	60.1	11.7%	Ongoing and expecting completion in Q2/2022.
Pakistan			
Provision of auxiliary marine related services projects	83.6	16.2%	Completed.
Vietnam			
Provision of auxiliary marine related services projects	94.6	18.4%	Ongoing and expecting completion by end of 2020.
Hong Kong			
Construction works	21.9	4.3%	
Provision of auxiliary marine related services projects	23.7	4.5%	
Other locations	5.2	1.0%	
Total	515.1	100.0%	

During the Year 2019, the Group's land reclamation projects in Macao achieved notable progress and became the top revenue contributor to the Group, as shown in the above table. In respect of the provision of auxiliary marine related services, all projects located in Pakistan carried over from the previous year ended 31 December 2018 (the "Year 2018") were completed during the Year 2019, while a new contract relating to a project located in Vietnam was entered into during the Year 2019 and is expected to continue throughout year 2020. No new major contracts were entered into in Hong Kong during the Year 2019, as the launch of new marine construction related projects were affected by the disturbance at the legislative council proceedings in Hong Kong.

In addition to exploring business opportunities in the Southeast Asia region to counteract the impact of uncertainties in the Hong Kong marine construction market, the Group has in January 2020 completed the acquisition of 80% equity interests in Qingdao Dongjie Construction Engineering Co., Ltd.* (青島東捷建設工程有限公司) ("Dongjie Construction"), which is principally engaged in general contracting of building construction in the PRC, as part of the Group's strategy to diversify its business portfolio and broaden its source of income. Since then, the Group has secured two contracts for the construction of two residential complexes in Qingdao, PRC with an estimated total contract value of over RMB1 billion and successfully established a business presence as a general main contractor in the PRC construction market.

Outlook and prospects

The status of the Group's key projects on hand is set out below.

	Location	Estimated remaining contract sum HK$'million	Expected time of completion
Project(s) that have already commenced as at 31 December 2019			
Land reclamation projects	Macao	510.3	Q3/2021
EPC contract for an electricity generation facility	Macao	516.2	Q2/2022
Provision of auxiliary marine related services	Vietnam	175.1	Q4/2020
Project(s) that will be commencing or are newly awarded in 2020			
Construction of two residential complexes	Qingdao, PRC	1,127.6	Q2/2022 to Q1/2023
Dredging for a pier construction project	Pakistan	143.4	Q2/2022
Dredging for port channel	Bangladesh	557.0	Q4/2021

In addition to the above key projects on hand, the Group is negotiating and/or in the process of bidding for a number of sizeable potential projects, including three general construction projects for the construction of office building premises and a nursing home complex in Qingdao, PRC, marine construction projects in Thailand, the Philippines and Indonesia, dredging projects in Macao and Pakistan and a few auxiliary marine related services projects.

The Group has the advantage of synergy of being both a general building contractor and a marine construction service provider and will remain vigilant for business opportunities in the construction industry, in particular, by tendering for and participating in projects that involve both general and marine construction works in the capacity as an EPC main contractor, which are often of larger scale in terms of contract value and will benefit the Group by strengthening its presence in those regions and its position among its competitors.

Review on Results

Revenue

The Group recorded revenue of HK$515.1 million for the Year 2019, representing an increase of approximately 33.9% from the Year 2018, which is mainly due to the growth in marine construction activities in the Macao market. A breakdown of the Group's revenue from major projects and by geographic location is set out in the section headed "Business Review" above and in note 5 to the consolidated financial statements.

The Group's revenue from marine construction works for the Year 2019 increased by approximately 129.3% to HK$308.4 million from HK$134.5 million for the Year 2018, which was mainly attributable to the revenue of approximately HK$226.0 million derived from two new land reclamation projects and approximately HK$60.1 million from the EPC project in Macao, which together contributed approximately 55.5% of the Group's total revenue for the Year 2019. Other than in Macao, the remaining marine construction revenue of approximately HK$22.3 million was derived from a number of relatively smaller projects in Hong Kong and other countries.

On the other hand, the Group's revenue from the provision of auxiliary marine related services decreased by approximately 17.4% to HK$206.7 million for the Year 2019, as all the projects that continued during the Year 2018 had gradually scaled down and were completed during the Year 2019. As a result, revenue from the provision of auxiliary marine related services in Pakistan reduced to approximately HK$83.6 million for the Year 2019, while revenue of approximately HK$94.6 million was recorded from a project in Vietnam that commenced during the Year 2019, and approximately HK$28.5 million was derived from projects at various other locations.

Cost of sales and gross profit

The Group's cost of sales increased by HK$151.9 million or approximately 48.5% in the Year 2019 as compared to that of the Year 2018, which is higher than the percentage increase in the Group's revenue. Gross profit for the Year 2019 was HK$49.8 million as compared to HK$71.3 million for the Year 2018, and the gross profit margin decreased to 9.7% from 18.5% for the Year 2018. The decrease in gross profit margin was mainly due to (i) a higher proportion of the Group's revenue was generated from marine construction works, which generally yields a lower profit margin as more direct costs are required as compared to the provision of auxiliary marine related services, in the Year 2019; (ii) additional re-positioning costs incurred following the completion of various projects in Pakistan during the Year 2019; and (iii) additional costs incurred for and the decrease in profit margin of marine construction projects, which was primarily due to the delay in progress in the Group's projects in Macao owing to factors out of the control and the scope of responsibilities of the Group.

Impairment losses on financial assets

The impairment losses on financial assets amounted to approximately HK$2.0 million, which represents a provision for expected credit loss for the Year 2019 based on the management's latest assessment of risk of default in general on the Group's financial assets, as compared to approximately HK$8.0 million for the Year 2018.

Other administrative expenses

Administrative expenses decreased slightly by approximately HK$1.0 million to HK$27.4 million for the Year 2019, which was mainly due to the reduction in professional fees.

Income tax expense

The Group incurred relative low level of income tax expense for both Year 2019 and Year 2018, which was attributable to income sourced from overseas location where the applicable tax jurisdiction provided for favourable tax treatment or the Group's customer having agreed to take up the tax liability. Furthermore, the Group concluded a tax treatment review during the Year 2019 with the relevant tax authority and successfully recovered HK$5.5 million of income tax charged in respect of the previous financial years.

Profit for the year

The Group's profit for the Year 2019 decreased by 60.2% to HK$12.1 million as compared to HK$30.4 million for the Year 2018 as a result of the combined effect of (i) the change in revenue mix, (ii) the decline in gross profit margin and gross profit, and (iii) the rise in foreign exchange loss, which were partially offset by the decrease in impairment losses on financial assets and other administrative expenses and the net income tax credit recorded for the Year 2019.

Plant and equipment

As at 31 December 2019, the Group owned a total of 41 units of marine vessels and 70 units of machinery and equipment. The Group did not carry out material acquisition or disposal of plant and equipment during the Year 2019.

Trade and retention receivables

The Group's trade and retention receivables decreased to HK$245.4 million as at 31 December 2019, which mainly comprised of receivables for works on projects already completed and pending finalising of project accounts with customers. Ageing profile of the Group's trade and retention receivables is set out in note 16 to the consolidated financial statements. While there is currently no indication of possible default on any of the Group's receivable balances, the management acknowledges there is certain default risks associated with receivables balances in general and has adopted a systematic approach in assessing the overall risk of default and appropriate provision for expected credit loss has been made against the Group's receivable balances as at 31 December 2019.

Contract assets/liabilities

Contract assets represent amounts due from customers for contract works performed which had not been billed as at end of the financial year, majority of which was related to three previously completed projects in Hong Kong pending the finalisation of project accounts. According to the respective project work contract, where consensus cannot be reached between the employer and the subcontractor on interim certification of works performed, such discrepancy would be subject to assessment during finalisation of project accounts, which is due to commence only when the main contract for the project as a whole (of which the Group's marine work contracts form part) is completed. Based on preliminary assessment by the Group's project legal consultant, the Group is expected to be able to recover not less than the carrying value of the contract assets as at 31 December 2019 for the aforesaid three completed projects and would instigate dispute resolution procedures if and when determined fit.

Contract liabilities as at 31 December 2019 represent amounts due to contract customers for payment received in excess of revenue recognisable by the Group according to the progress achieved, mainly in relation to the Group's electricity generation facility project in Macao.

Liquidity, Capital Structure and Gearing

The Group maintained a healthy liquidity position with net current asset balance and net cash position of approximately HK$301.6 million (31 December 2018: HK$286.2 million) and HK$132.2 million (31 December 2018: net debt position of HK$3.5 million) respectively as at 31 December 2019. The Group's gearing ratio (calculated by dividing total debts by total equity) as at 31 December 2019 was 45.5% (31 December 2018: 28.0%). The increase in gearing during the Year 2019 was due to the draw down of new loans to finance for the growth in marine construction works in Macao and the anticipated acquisition of Dongjie Construction. The Group did not have unutilised banking facilities as at 31 December 2019 (31 December 2018: Nil). The maturity and interest rate profile of the Group's borrowings are set out in note 23 to the consolidated financial statements.

Foreign Exchange

Operations of the Group was mainly conducted in Hong Kong dollars ("HK$"), Macao Patacas ("MOP"), Chinese Renminbi ("RMB"), United States dollars ("US$") (together, the "Major Currencies"), Malaysian Ringgit ("MYR") and Indonesian Rupiahs ("IDR"). The Group did not adopt any hedging policy and the Directors consider that the exposure to foreign exchange risks can be mitigated by using the Major Currencies (i) as principal currencies in the Group's contracts with customers; and (ii) to settle payments with its suppliers and operating expenses where possible. In the event that settlement from the Group's customer is received in MYR, IDR or a currency other than the Major Currencies, such currency will be retained for payment of operating expenditures only as required and the remaining foreign currency will be converted to HK$ or US$ promptly.

Capital Expenditures and Commitments

The Group generally finances its capital expenditures by cash flows generated from its operation and long-term bank borrowings. During the Year 2019, the Group invested approximately HK$9.6 million in the acquisition of vessels and approximately HK$0.9 million in machinery and equipment, among others.

The Group's fleet of vessels for marine construction works reduced by 3 units during the Year 2019 to a total of 41 units as at 31 December 2019, with order placed for 3 further vessels which are yet to be delivered.

The Group's committed orders for capital equipment as at 31 December 2019 amounted to approximately HK$10.7 million and it is intended that such purchases will be financed by bank borrowings.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year 2019, but has entered into an agreement for the acquisition of 80% equity interest in Dongjie Construction at a consideration of approximately RMB71.4 million (subject to adjustment), the details of which have been disclosed in the announcement dated 23 September 2019 and the circular dated 29 November 2019 published by the Company. The acquisition of Dongjie Construction was subsequently completed on 17 January 2020, upon which Dongjie Construction had become a subsidiary of the Company.

Significant Investments Held

The Group had not held any significant investments during the Year 2019.

Charges on Assets

As at 31 December 2019, plant and equipment with carrying value of (i) approximately HK$6.7 million (2018: HK$17.5 million) were pledged to secure for the Group's bank borrowings; and (ii) approximately HK$18.5 million (2018: HK$21.9 million) were pledged as security for provision of a performance bond and a prepayment surety bond for the Group's project in Macao.

Contingent Liabilities

As at 31 December 2019, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group were HK$21.1 million (2018: HK$21.1 million). The performance bonds as at 31 December 2019 are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on these performance bonds, the Group has no material contingent liabilities.

Relationships with Employees, Customers and Suppliers

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners and improving the quality of services to the customers.

Employees and remuneration policies

Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and its workers are provided with regular training courses on operation of different types of machinery, as well as work safety. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The number of staff of the Group by functions as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
Management and administration	**16**	10
Accounting and finance	**3**	3
Human resources	**1**	1
Project management	**8**	8
Project execution	**64**	71
	92	93

The total staff costs of the Group (including Directors' emoluments, salaries to staff, direct wages and other staff benefits included provident fund contributions and other staff benefits) for the Year 2019 was approximately HK$64.3 million (Year 2018: HK$54.2 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.

The remuneration paid/payable to each member of the Group's senior management, other than Directors, fell within the following bands:

	Year ended 31 December	
	2019	2018
Nil to HK$1,000,000	**–**	2
HK$1,000,001 – HK$1,500,000	**1**	–

Customers and suppliers

The executive Directors and the Group's management team maintain frequent contact with both public and private sector participants in the construction industry in Hong Kong, Macao and overseas to keep abreast of market developments and potential business opportunities. Having been in operation in Hong Kong since 2001, and with the prior experience of the Group's senior management members in managing similar projects overseas, the Group has developed a good reputation in the construction industry. With the Group's experience in working with PRC state-owned construction enterprises and their branch offices in Hong Kong and overseas, the Group has up-to-date information regarding new business opportunities in infrastructure projects to be undertaken or tendered by such construction enterprises in Hong Kong, Macao and Southeast Asia. The Directors believe that the Group has maintained and will be able to continue to maintain good relationships with customers, potential customers, suppliers, subcontractors and other parties involved in the business. The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

Dividend

The board of Directors do not recommend the payment of a dividend for the Year 2019.

Environmental Policies

The Group is committed to environment conservation when undertaking its operation and has implemented various systems and measures to minimise the possibility of pollution and to preserve the marine ecological environment, which include but are not limited to the following:

(i) identifying environmental protection requirements in project tender documents and assessing whether the Group has the capability to meet such requirements;

(ii) taking into consideration the environmental impacts in project planning and the design of work method statements;

(iii) equipping all of the Group's vessels with fuel leakage defence equipment for suppressing the spread of floating fuel spills in case of leakage;

(iv) installing facilities as required to prevent contamination, such as silt curtains to prevent sediment pollution when carrying out land reclamation works and underwater bubble curtains to act as a noise barriers to reduce noise level from marine piling works; and

(v) sorting excavated materials from dredging and excavation works for recycling use or disposal, and in case of contaminated sediment, disposing of the excavated materials at designated dumping areas according to the relevant regulations.

The Group is accredited with ISO14001 and follows the procedures and requirements of the environmental management system in its operation. There had been no sanctions or penalties imposed on the Group for the violation of any environmental laws or regulations during the Year 2019.

Principal Risk and Uncertainty

The Group's operation is subject to general economic and market risks which may affect the competition and profitability of marine construction projects. Furthermore, the Group's ability to successfully bid for or execute projects is dependent on its ability to devise effective and efficient work methods and the availability of vessels and equipment. The Group's operation at overseas locations is susceptible to potential political unrests, changes in business, foreign investment, taxation and currency control regulations at such jurisdictions.

Significant Events After the Financial Year

The Group has on 23 September 2019 entered into an agreement for the acquisition of 80% equity interest in Dongjie Construction at a consideration of approximately RMB71.4 million (subject to adjustment), the details of which have been disclosed in the announcement dated 23 September 2019 and the circular dated 29 November 2019 published by the Company. The acquisition of Dongjie Construction was subsequently completed on 17 January 2020, upon which Dongjie Construction had become a subsidiary of the Company.

The Group observed there has been a slow down in the negotiation and tender invitation for construction projects since the Coronavirus Disease 2019 outbreak ("COVID-19 outbreak") in January 2020 and it is expected the economy in Hong Kong, Macao, the PRC and other countries in which the Group operates will be negatively impacted by the COVID-19 outbreak. However, it is common for governments to adopt expansionary policy and launch infrastructure projects to counteract economic downturn, which may in turn enhance business opportunities in the construction market in the medium to long term. The Group will pay close attention to the development of the epidemic and evaluate its impact on its financial position and operating results.

Other than the above, no significant event has occurred after 31 December 2019 and up to the date of this announcement which would have a material effect on the Group.

Corporate Governance Report

Corporate Governance Practices

The Company is committed to maintain a high standard of corporate governance and considers that conducting business in an ethical and responsible manner will generate the highest level of benefits to its shareholders and the Group in the long term. The Board will continuously review and improve the Group's corporate governance practices in order to uphold a transparent and effective corporate governance function for the Group.

The Company has adopted the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and has complied with the code provisions throughout the Year 2019.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") and all the Directors confirmed, upon specific enquiry made, that they complied with the Model Code throughout the Year 2019.

The Company has also established guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company and there is no incident of non-compliance with such guidelines by the relevant employees throughout the Year 2019.

Board of Directors

The Board is responsible for leading and directing the Group's business through formulation of overall strategies and policies, evaluation of performance and overseeing the management function. In discharging its duties, the Board acts in good faith with due diligence and care, and makes decisions objectively in the best interests of the Company and its shareholders. The execution of strategies and implementation of policies in the Group's daily operations are delegated to the management team.

The composition of the Board during the year and the attendance record of each Director at board meetings and general meetings held during the Year 2019 are set out below.

	Attendance/ Board meetings	Attendance/ General meetings
Executive Directors		
Mr. Liu Luqiang *(Chairman)*	5/6	1/2
Mr. Cui Qi *(Chief Executive Officer)*	5/6	2/2
Mr. Ding Hongbin *(Chief Operating Officer) (Appointed on 11 July 2019)*	3/3	1/2
Mr. Yang Zhenshan *(Appointed on 7 May 2019)*	4/4	1/1
Mr. Jiang Shuang *(Appointed on 7 May 2019)*	4/4	0/1
Mr. Zhu Jiangfeng *(Resigned on 7 May 2019)*	2/2	1/1
Mr. Xue Qingfu *(Resigned on 7 May 2019)*	2/2	1/1
Non-executive Director		
Mr. Wang Xuejun	5/6	1/2
Independent Non-executive Directors		
Mr. Cheung Chi Man Dennis	6/6	2/2
Mr. Wang Yaping	5/6	1/2
Mr. Cheng Xuezhan	6/6	1/2

Biographic details of and the relationship amongst the Directors are presented in the "Directors and Senior Management" section of this annual report. Each of the executive Directors and the non-executive Director has entered into a service contract with the Company for an initial term of three years, while each of the independent non-executive Directors has been appointed for an initial term of one year except Mr. Cheung Chi Man Dennis, who has been appointed for an initial term of two years. Notwithstanding the specific term of appointment, provisions of the Company's articles of associations require that every Director is subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company.

Each of the Directors has participated in continuous professional development seminar organised by the Company to develop their knowledge and skills during the Year 2019.

The Company has received from each of the independent non-executive Director an annual confirmation of independence and considers that each of them to be independent by reference to the Rule 3.13 of the Listing Rules.

The composition of the Board provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal and the independent non-executive Directors provide independent judgment in the Board's overall decision making process.

Board Committee

As an integral part of good corporate governance, the Board has established four committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee. The summary of their work during the Year 2019 is as follows:

- developed and reviewed the Company's policies and practices on corporate governance and make recommendations;
- reviewed and monitored the training and continuous professional development of Directors and senior management of the Group;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct and compliance manual applicable to employees of the Group and the Directors; and
- reviewed the Company's compliance with CG Code and disclosure in the corporate governance report.

The composition of each committee and attendance of members at committee meeting held during the Year 2019 are as follow.

Composition of Board committees	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
	Attendance/Number of meetings held (C=Chairman; M=Member of the committee)			
Independent Non-executive Directors				
Mr. Cheung Chi Man Dennis	2/2 (C)	2/2 (M)	1/1 (M)	1/1 (M)
Mr. Wang Yaping	2/2 (M)	2/2 (M)	1/1 (C)	1/1 (M)
Mr. Cheng Xuezhan	2/2 (M)	2/2 (M)	1/1 (M)	1/1 (M)
Executive Directors				
Mr. Liu Luqiang	N/A	2/2 (C)	N/A	N/A
Mr. Cui Qi	N/A	N/A	N/A	1/1 (C)
Mr. Yang Zhenshan *(appointed to the committee on 7 May 2019)*	N/A	0/0	N/A	N/A
Mr. Jiang Shuang *(appointed to the committee on 7 May 2019)*	N/A	N/A	N/A	0/0
Mr. Zhu Jiangfeng *(resigned on 7 May 2019)*	N/A	1/1 (M)	N/A	N/A
Mr. Xue Qingfu *(resigned on 7 May 2019)*	N/A	N/A	N/A	1/1 (M)

Audit committee

The audit committee is primarily responsible for the engagement of the auditor, review of financial information, overseeing the financial reporting system, risk management and internal control systems. The audit committee has met with the Company's management to review its interim and final consolidated financial statements for the Year 2019 and met the Company's auditor to discuss auditor's independence, audit approach, key audit matters, results of audit and review on continuing connected transactions for the Year 2019. The audit committee has met with the chairman of the Board and the auditor, separately and without the presence of management, for discussion of matters which may be of sensitive nature. The audit committee has also met with and reviewed the report of the Company's internal control adviser for their review on selected areas of the Group's internal control system for the Year 2019. Further information on the Group's risk management and internal control is set out in the section headed "Risk Management and Internal Control" of this report.

Nomination committee

The nomination committee is responsible for reviewing the structure, size and composition of the Board, identifying suitably qualified individuals to become Board members, assessing the independence of independent non-executive Directors, making recommendations to the board on the appointment or reappointment of Directors and assessing the diversity of Directors. The Company has a policy on diversity of Directors to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. In determining the Board's composition and selection of candidates to the Board, the nomination committee will consider factors including but not limited to gender, age, cultural and education background, or professional experience. It will also ensure that the Board shall comprise members with the following attributes in order to achieve a sufficient balance of knowledge and perspectives in discharging the Board's duties:

— management skills and experience;

— industry specific knowledge and experience relevant to the Group;

— financial management skills and experience; and

— legal and compliance expertise.

The Company does not discriminate on the basis of gender, age and other personal backgrounds in assessing the suitability of candidates for appointment to the Board. Nonetheless, the Board acknowledges stakeholders' expectation and international best practices calling for gender and ethnicity parity, etc. The nomination committee shall take the opportunity to enhance gender balance of the Board over time in the selection of candidates amongst those who are equally competent and possess the desired attributes.

The procedures to nominate candidates for election as Directors are set out in the section headed "Shareholders' Rights and Investor Relations" below.

The nomination committee has reviewed the independence of independent non-executive Directors, considered the retirement and proposal for appointment of Directors at the Company's annual general meeting and considered the appointment of new executive Directors Mr. Yang Zhenshan and Mr. Jiang Shuang and executive Director cum chief operating officer Mr. Ding Hongbin during the Year 2019. The nomination committee is of the view that the Board comprises members with suitable qualifications and diversity for leading and governing the Group.

Remuneration committee

The responsibilities of the remuneration committee are to make recommendations to the Board on policy and structure for Directors' and senior management's remuneration, to make recommendations to the Board on the remuneration of executive and non-executive Directors, and to ensure that no Director is involved in deciding his own remuneration. During the Year 2019, the remuneration committee has assessed the performance of the Directors, reviewed the remuneration of the Directors, considered the remuneration of the newly appointed Directors, chief operating officer and deputy general manager and made recommendations to the Board thereon.

Risk management committee

The primary duties of the risk management committee are to oversee the Group's risk management and internal control systems, to review risk reports and any material breaches of risk limits, and to review the effectiveness of the Group's risk management system. Further information on the Group's risk management and internal control is set out in the section headed "Risk Management and Internal Control" of this report.

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks to take in achieving the Company's strategic objectives.

The risk management committee supports the Board in ensuring the effectiveness of the risk management and internal control of the Group and reports to the Board on any material issues identified. The risk management committee has conducted an updated risk assessment according to the Group's latest operation; key risks identified are recorded in a risk register and assigned to a risk owner who shall ensure such risks are continuously monitored and properly controlled according to the prescribed procedures.

The Group adopted a manual of policies and procedures to provide guidance on compliance with internal control and risk management in various operational and management functions, including but not limited to project tendering, procurement, financial reporting, treasury and risk management etc.

The Company has not established a separate internal audit department; however, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control. The Company has engaged an external independent consultant to conduct a review on the internal control system of the Group during the Year 2019 and to report their findings to the risk management committee and the Board. The review scope for the Year 2019 covered the overall management and internal control, risk assessment and management, sales cycle and human resource management.

Based on the review conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Auditor's Remuneration

The remuneration paid to the Company's auditor for the Year 2019 is set out below.

	HK$'000
Audit services provided to the Group	1,680
Non-audit services	1,606
	3,286

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibility for the preparation of consolidated financial statements which give a true and fair view of the financial position of the Group. The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 35 to 41 of this annual report. The Directors are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Company Secretary

The Company's company secretary is Mr. Lee Baldwin, who is an external service provider. Mr. Jiang Shuang, executive Director, is the Company's primary contact person with Mr. Lee.

The company secretary is responsible for coordinating the supply of information about the Group to the Directors. All Directors have access to the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

Shareholders' Rights and Investor Relations

One or more shareholders holding not less than 10% of the paid up capital of the Company may convene an extraordinary general meeting by making a requisition in writing, specifying any business for transaction at such meeting, to the Directors or the company secretary.

To propose a candidate for election as a Director at a general meeting, a shareholder should deposit a written proposal, together with a written notice by the candidate indicating his willingness to be elected, to the Company either at its principal place of business in Hong Kong (at Units 504–5, 5/F, K. Wah Centre, 191 Java Road, North Point, Hong Kong) or its branch share registrar and transfer office in Hong Kong (Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) at least seven clear days before the date of the general meeting.

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. The Company maintains a corporate website at www.prosperch.com to disseminate latest information about the Group. The Company's constitution document and terms of reference of board committees are also available for download at Company's website. There has been no change to the Company's constitution document during the Year. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, general meetings to answer questions from shareholders.

Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the Company at our principal place of business in Hong Kong at Units 504–5, 5th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.

Directors' Report

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Principal Activities

The principal activity of the Company is investment holdings. The principal activities of the Group are the provision of marine construction services and the provision of auxiliary marine related services. The principal activities of the subsidiaries of the Company are set out in note 13 to the consolidated financial statements. The segment information of the operations of the Group for the year ended 31 December 2019 is set out in note 5 to the consolidated financial statements.

Business Review

A review on the Group's business for the year ended 31 December 2019 is set out under the section headed "Management Discussion and Analysis" of this annual report.

Results

The Group's results for the year ended 31 December 2019 are set out in the consolidated statement of comprehensive income on page 42 of this annual report.

Dividend Policy and Dividends

The Directors acknowledge the importance of stakeholders' engagement and would contemplate at least two times a year (prior to the announcement of annual and interim results) on the distribution of a dividend. While the Directors endeavour to share the Group's results with shareholders by way of a dividend, the portion and actual amount of distribution out of profits will be determined by the Directors having regard to a variety of factors, including but not limited to the Group's actual and expected operating results and conditions, gearing level, general financial condition, availability of cash, future plans and funding needs for expansion.

The Directors do not recommended the payment of a dividend for the year ended 31 December 2019.

As at the date of this annual report, the Board was not aware of any shareholders who had waived or agreed to waive any dividends.

Summary Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 106 of this annual report. Such summary does not form part of the audited consolidated financial statements.

Share Capital

Details of movement in the Company's share capital during the year ended 31 December 2019 are set out in note 20(a) to the consolidated financial statements.

Reserves

Details of movement in the Group's and the Company's reserves during the year ended 31 December 2019 are set out in note 20(b) and note 30(a) to the consolidated financial statements, respectively.

The Company's distributable reserves amounted to approximately HK$214.2 million as at 31 December 2019.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 22 June 2016 and no options have been granted, exercised or cancelled since then and up to the date of this annual report.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. It is expected that grantees of an option will make an effort to contribute to the Group's development so as to bring about an increased market price of the Company's shares in order to capitalise on the benefits of the options granted. The Board may, at its absolute discretion, grant options pursuant to the Share Option Scheme to any directors or employees of the Company or its subsidiaries and any other persons (including customer, supplier, adviser or consultant of the Group) on the basis of the Board's opinion as to the grantee's contribution to the development and growth of the Group.

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 80,000,000 shares (being 10% of the shares in issue on 20 July 2016 when the shares of the Company first commenced dealing on the Stock Exchange) (the "General Scheme Limit"). The Company may seek approval of the shareholders in a general meeting to refresh the General Scheme Limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit.

The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option and may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but such period shall end in any event not later than 10 years from the date of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The subscription price for shares under the Share Option Scheme will be a price determined by the Board, but shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The Share Option Scheme will remain in force for a period of 10 years from the date of adoption.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Tax Relief and Exemption

The Company is not aware any holders of securities of the Company is entitled to any tax relief or exemption by reason of their holdings of such securities.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

Directors

The Directors of the Company during the year ended 31 December 2019 and up to the date of this report are as follows:

Executive Directors

Mr. Liu Luqiang *(Chairman)*	
Mr. Cui Qi *(Chief Executive Officer)*	
Mr. Ding Hongbin *(Chief Operating Officer)*	*(Appointed on 11 July 2019)*
Mr. Yang Zhenshan	*(Appointed on 7 May 2019)*
Mr. Jiang Shuang	*(Appointed on 7 May 2019)*
Mr. Zhu Jiangfeng	*(Resigned on7 May 2019)*
Mr. Xue Qingfu	*(Resigned on 7 May 2019)*

Non-executive Director

Mr. Wang Xuejun

Independent Non-executive Directors

Mr. Cheung Chi Man Dennis
Mr. Wang Yaping
Mr. Cheng Xuezhan

In accordance with the provisions of the Company's articles of association, Mr. Ding Hongbin, Mr. Cui Qi, Mr. Yang Zhenshan and Mr. Jiang Shuang will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

Directors Interests in Transactions, Arrangements or Contracts

Except as disclosed elsewhere in this annual report, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contracts or arrangements in which any of the Directors was materially interested and which was significant in relation to the Group's business as a whole.

Disclosure of Interests

As at 31 December 2019, the interests and short positions of Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, are as follows:

Directors' interests in the Company

Director	Number of shares/ Position	Percentage of shareholding	Capacity
Mr. Cui Qi	102,000,000 Long position	12.75%	Interest of a controlled corporation(Note)

Directors' interests in associated corporations of the Company

Director	Associated corporations	Percentage of shareholding/ Position	Capacity
Mr. Cui Qi	Solid Jewel Investments Limited ("Solid Jewel")	60.00% Long position	Beneficial owner
Mr. Cui Qi	Sky Hero Global Limited ("Sky Hero")	100.00% Long position	Interest of a controlled corporation(Note)

Note: These Shares were held by Sky Hero, which was wholly owned by Solid Jewel, which was in turn owned as to 60% by Mr. Cui Qi.

So far as the directors are aware, as at 31 December 2019, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Substantial shareholders' interests in the Company

Shareholder	Number of shares/ Position	Percentage of shareholding	Capacity
Qingdao West Coast Holdings (Internation) Limited(Note 4)	600,000,000 Long position	75.00%	Beneficial owner
West Coast Investment (Hong Kong) Limited(Note 1)	600,000,000 Long position	75.00%	Interest of a controlled corporation
West Coast Holdings (Hong Kong) Limited(Note 1)	600,000,000 Long position	75.00%	Interest of a controlled corporation
Qingdao West Coast Holding Development Limited* 青島西海岸控股發展有限公司(Note 1)	600,000,000 Long position	75.00%	Interest of a controlled corporation
Qingdao West Coast Development (Group) Limited* 青島西海岸發展(集團)有限公司(Note 1)	600,000,000 Long position	75.00%	Interest of a controlled corporation
Qingdao State-owned Assets Supervision and Administration Commission of the State Council	600,000,000 Long position	75.00%	Interest of a controlled corporation
Sky Hero	102,000,000 Long position	12.75%	Beneficial owner
Solid Jewel(Note 2)	102,000,000 Long position	12.75%	Interest of a controlled corporation
Ms. Mu Zhen(Note 3)	102,000,000 Long position	12.75%	Interest of spouse

Notes:

1. Each of these entities was wholly owned and controlled by the Qingdao State-owned Assets Supervision and Administration Commission of the State Council and was deemed under the SFO to be interested in all the Share which are directly and beneficially owned by Qingdao West Coast Holdings (Internation) Limited.

2. Solid Jewel is deemed or taken to be interested in all the Shares which are beneficially owned by Sky Hero under the SFO. Sky Hero is wholly-owned by Solid Jewel.

3. Ms. Mu Zhen is the spouse of Mr. Cui Qi and she is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Cui Qi under the SFO.

4. The interest in Shares held by Qingdao West Coast Holdings (Internation) Limited included the 102,000,000 Shares held by Sky Hero which were charged in favour of Qingdao West Coast Holdings (Internation) Limited.

* For identification purpose only

Major Customers and Suppliers

During the year ended 31 December 2019, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 87.3% (2018: 87.1%) and 43.9% (2018: 45.9%) of the Group's total turnover, respectively.

During the year ended 31 December 2019, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 32.5% (2018: 30.2%) and 12.5% (2018: 10.0%) of the Group's cost of sales, respectively.

To the best of the knowledge of the Directors, none of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major customers or suppliers.

Related Party Transactions

Related party transactions entered into by the Group during the year ended 31 December 2019 are disclosed in note 27 to the consolidated financial statements, which included certain transactions in the section headed "Continuing Connected Transactions" below that constituted continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

Continuing Connected Transactions

During the year ended 31 December 2019, the Group had carried out the following non-exempt continuing connected transactions.

Vessel chartering framework agreements

The Group entered into a vessel chartering framework agreement ("2017 Framework Agreement") with Shenzhen Changsheng Marine Engineering Limited* (深圳長盛海事工程有限公司) ("Shenzhen Changsheng"), a connected party, on 18 July 2017 for chartering of vessels. Particulars of the 2017 Framework Agreement are set out below.

Date:
18 July 2017

Charter period:
18 July 2017 to 31 December 2019

Parties:
(i) Prosper Construction Group Limited ("Prosper BVI") (as charterer for and on behalf of the Group)

(ii) Shenzhen Changsheng (as owner)

Connected relationship:
Prosper BVI is a wholly owned subsidiary of the Company.

Shenzhen Changsheng is owned as to 10% by executive Director Mr. Cui Qi ("Mr. Cui") and the remaining 90% by a company which is owned as to 90% by Mr. Cui and 10% by the spouse of Mr. Cui.

Transaction:
The Group chartered vessels from Shenzhen Changsheng during the charter period. Prosper BVI had an option to renew the framework agreement for a further period of three years, and for each exercise of a renewal option by Prosper BVI, Shenzhen Changsheng would be deemed to have granted a new option to Prosper BVI for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and subject to the requirements under the Listing Rules.

During the term of the 2017 Framework Agreement, members of the Group may enter into individual agreements with Shenzhen Changsheng in respect of the chartering of vessels subject to terms and conditions in compliance with the 2017 Framework Agreement.

Reasons for the transaction:
The number of vessels then owned by the Group that were available for imminent deployment outside of Hong Kong is inadequate to support the Group's demand for vessels under its upcoming projects, including but not limited to a new project in Macao secured by the Group during the year 2017. The 2017 Framework Agreement allowed the Group to deploy vessels to its marine construction projects in an efficient and cost-effective manner, without needing to resort to chartering vessels from other third party owners.

The Directors considered that the chartering of vessels from Shenzhen Changsheng pursuant to the 2017 Framework Agreement was beneficial to the Group's expansion strategy and allowed the Group to undertake new marine construction projects in future.

Annual cap:
Year ending 31 December 2017: HK$15,660,000
Year ending 31 December 2018: HK$22,300,000
Year ending 31 December 2019: HK$22,300,000

Actual transaction amount:
Year ended 31 December 2017: HK$8,120,000
Year ended 31 December 2018: HK$8,965,000
Year ended 31 December 2019: HK$12,938,000

As the 2017 Framework Agreement has expired on 31 December 2019, Prosper BVI has on 18 February 2020 entered into a vessel chartering framework agreement ("2020 Framework Agreement") with Shenzhen Changsheng to renew the 2017 Framework Agreement. The term of the 2020 Framework Agreement is from 1 January 2020 to 31 December 2022 (both dates inclusive) and the annual caps for transactions under the 2020 Framework Agreement is HK$26,000,000, HK$27,000,000, and HK$27,000,000 for each of the three years ended 31 December 2022. Further details of the 2020 Framework Agreement have been disclosed in the announcement dated 18 February 2020 and the circular dated 13 March 2020 published by the Company.

Contractual arrangements ("Contractual Arrangements")

Background and reasons for the Contractual Arrangements:

Pursuant to Indonesia law, the maximum foreign ownership in a company engaging in the construction of harbour/port is limited to 67%. The Group has 67% shareholding interest in a subsidiary in Indonesia, namely PT. Indonesia Engineering ("PTIR"). The remaining 33% of the shareholding interest in PTIR is held by Johannes Wargo, who is an Indonesian citizen and independent third party of the Group except for his involvement in the Contractual Arrangements.

To consolidate control over and derive the economic benefits from the remaining 33% of the shareholding interest in PTIR, the Group has, through its subsidiary Hong Kong River Engineering Company Limited ("HKR"), entered into the Contractual Arrangements with Johannes Wargo.

Risks associated with the Contractual Arrangements:

In the event of change in relevant laws and regulations in Indonesia in the future, there is no assurance that the Contractual Arrangements will be considered to be in compliance with the then prevailing laws and regulations; in which case, the Contractual Arrangements may become unenforceable and the Group may be subject to potential losses.

To mitigate such risks, Johannes Wargo has irrevocably appointed HKR to act as his attorney to exercise his rights in connection with the matters concerning his rights as a shareholder of PTIR, including the rights to vote in a shareholders' meeting, sign minutes and to sell his shares. The Group also closely monitors the amount of assets being retained in Indonesia to limit the exposure to potential losses. The amount of revenue derived by the Group through the Contractual Arrangements for the year ended 31 December 2019 amounted to approximately HK$0.2 million.

The Contractual Arrangements comprised the following documents.

1. PTIR Loan Agreements

   HKR, as lender, and Johannes Wargo, as borrower, entered into a loan agreement on 5 October 2015 and an amendment and restatement of loan agreement on 5 May 2016 (collectively, the "PTIR Loan Agreements"), pursuant to which HKR agreed to provide a loan ("PTIR Loan") in the sum of IDR1,211,496,000 to Johannes Wargo to acquire 1,320 shares in PTIR ("Johannes Shares"). The PTIR Loan was secured by the Johannes Shares pursuant to the PTIR Pledge of Shares Agreements (as defined below). The PTIR Loan has a term of 10 years and will be automatically renewed upon expiration and shall be due and payable only on demand made at any time by HKR at its sole discretion. No prepayment of the PTIR Loan in whole or in part is permitted at any time during the term of the PTIR Loan Agreements.

2. PTIR Pledge of Shares Agreements

   HKR, as pledgee, and Johannes Wargo, as pledgor, entered into a pledge of shares agreement on 5 October 2015 and an amendment and restatement of pledge of shares agreement on 5 May 2016 (collectively, the "PTIR Pledge of Shares Agreements"), pursuant to which Johannes Wargo pledged the Johannes Shares in favour of HKR in order to secure the due and proper repayment of the PTIR Loan and the full performance by Johannes Wargo. Johannes Wargo also undertook not to do any act or sign any documents which may limit the rights of HKR under the PTIR Pledge of Shares Agreements or diminish the value of the Johannes Shares.

3. PTIR Power of Attorney ("PoA") for Selling Shares
   Johannes Wargo appointed HKR as his attorney on 5 October 2015 to (i) sell, assign, transfer or otherwise deal with the Johannes Shares; (ii) receive the proceeds of the sale of Johannes Shares; and (iii) represent Johannes Wargo in all matters pertaining to the sale or transfer of the Johannes Shares.

4. PTIR PoA to Vote
   Johannes Wargo appointed HKR as his attorney on 5 May 2016 to (i) attend all general meetings PTIR; (ii) exercise all voting rights with respect to the Johannes Shares; (iii) sign any shareholders resolutions; and (iv) generally exercise all rights and privileges and perform all duties which may be necessary in relation to the Johannes Shares.

5. PTIR Assignment of Dividends Agreements
   Johannes Wargo, as assignor, and HKR, as assignee, entered into an assignment of rights to dividends agreement on 5 October 2015 and an amendment and restatement of assignment of rights to dividends agreement on 5 May 2016 (collectively, the "PTIR Assignment of Dividends Agreements"), pursuant to which Johannes Wargo assigned and transferred all his rights and interests in all dividends or other income paid or payable by PTIR with respect to the Johannes Shares to HKR during the term of the PTIR Loan.

During the year ended 31 December 2019, no new contract had been entered into, renewed or reproduced in relation to the Contractual Arrangements under cloned arrangement as set out in the Company's prospectus ("Prospectus") dated 30 June 2016.

The Contractual Arrangements in relation to PTIR have remained unchanged and consistent with the disclosure as set out in the Prospectus.

Review of Continuing Connected Transactions

The independent non-executive Directors have reviewed the continuing connected transactions disclosed above and confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Furthermore, in relation to the Contractual Arrangements, the independent non-executive Directors have reviewed and confirmed that:

(i) the transactions have been entered into in accordance with the relevant terms and conditions of the Contractual Arrangements;

(ii) no dividends or other distributions have been made by PTIR to the holders of its remaining shareholding which are not otherwise subsequently assigned or transferred to the Group; and

(iii) no new contracts were entered into, renewed or reproduced under any cloned arrangement as defined in the Prospectus during the year ended 31 December 2019.

The Company has engaged its auditor to report on the continuing connected transactions in accordance with Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided an unqualified letter to the Board containing their conclusion in relation to the continuing connected transactions for the year ended 31 December 2019 in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Permitted Indemnity Provision

Pursuant to the articles of association of the Company, the Directors are indemnified and secured harmless out of the assets of the Company against all losses and liabilities which may incur or sustain in execution of their duty, except such which they shall incur or sustain through their own fraud or dishonesty.

The Company has taken out directors' liability insurance throughout the year ended 31 December 2019 that provides appropriate insurance cover for the Directors.

Compliance with Laws and Regulations

The operations of the Group are primarily carried out by the Company's subsidiaries in Hong Kong, Macao, Indonesia and Malaysia. The Group's establishment and operations shall comply with relevant laws and regulations in each of the above jurisdictions. During the year ended 31 December 2019 and up to the date of this report, the Group's operations have complied with all the relevant laws and regulations in each of the above jurisdictions in all material respects.

Sufficiency of Public Float

The Company's controlling shareholder, Qingdao West Coast Holdings (Internation) Limited (the "Offeror"), made a mandatory unconditional cash offer (the "Offer") for all the issued shares of the Company ("Share(s)") not already owned or agreed to be acquired by the Offeror, the details of which were set out in the composite document issued jointly by the Offeror and the Company dated 12 September 2018. Following the close of the Offer on 3 October 2018, 29,065,000 Shares were held by the public (within the meanings of the Listing Rules), representing approximately 3.63% of the total number of issued share capital of the Company. Accordingly, less than 25% of the total number of issued shares (being the minimum prescribed percentage applicable to the Company) were held by the public and the Company did not satisfy the minimum public float requirement as set out under Rule 8.08(1)(a) of the Listing Rules. Trading in Shares on the Stock Exchange had been suspended since 4 October 2018 as the percentage of public float of the Company fell below 15% pursuant to Rule 8.08(1)(b) of the Listing Rules. The Company had been informed by the Offeror that 94,200,000 Shares and 76,735,000 Shares were placed by the Offeror to a number of placees on 19 December 2018 and 28 May 2019 respectively (together as the "Placing Down"). Immediately after completion of the Placing Down, 200,000,000 Shares (representing 25% of the total issued share capital of the Company) are held by the public (within the meaning under the Listing Rules). Accordingly, the minimum public float of 25% of the total issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules has been restored and the trading in the Shares has resumed with effect from 4 June 2019.

Details of public float of the Company were set out in the joint announcement issued by the Offeror and the Company dated 3 October 2018, and announcements issued by the Company dated 12 October 2018, 31 December 2018, 30 January 2019, 8 February 2019, 26 April 2019, 2 May 2019 and 3 June 2019.

Auditor

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, who will retire, and being eligible, offer themselves for re-appointment. A resolution to re-appoint PricewaterhouseCoopers will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board of
Prosper Construction Holdings Limited

Liu Luqiang
Chairman and Executive Director

Hong Kong, 27 March 2020

Directors and Senior Management

Executive Directors

Mr. Liu Luqiang, aged 51, joined the Group in October 2018 and is an executive Director and the chairman of the Board. Mr. Liu has accumulated over 20 years of experience in municipal planning, design and management, government administration, and corporate operation and management. Mr. Liu holds a postgraduate degree in technology economics and business administration from Tianjin University and the professional title of senior engineer. He has been serving as (i) the chairman and the secretary of the party committee of Qingdao West Coast Development (Group) Limited* 青島西海岸發展(集團)有限公司, an indirect controlling shareholder of the Company, since August 2018 and July 2018, respectively; (ii) the general manager and director of Qingdao West Coast Development (Group) Limited* 青島西海岸發展(集團)有限公司 since March 2015; and (iii) the chairman of Qingdao West Coast Holding Development Limited* 青島西海岸控股發展有限公司, an indirect controlling shareholder of the Company, since November 2017.

Mr. Liu is also a director of three of the Group's subsidiaries and the chairman of the nomination committee of the Board. As chairman of the Board, Mr. Liu leads and coordinates the operation of the Board in formulating Company's goals and governance practices.

Mr. Cui Qi, aged 57, is an executive Director and chief executive officer of the Group. Mr. Cui together with Mr. Yu Ming acquired Hong Kong River Engineering Company Limited and founded the Group in March 2001. He has over 30 years of experience in the marine construction industry. Mr. Cui holds a bachelor's degree in naval port engineering from Hohai University and a master's degree in construction economics and management from Tongji University and is a member of both the Hong Kong Institute of Construction Managers and The Chartered Institute of Building and a fellow member of both the Chartered Institute of Civil Engineering Surveyors and the Institution of Civil Engineers.

Mr. Cui is also a director of all key operating subsidiaries of the Group in Hong Kong and Macao, the commissioner of PT. Indonesia River Engineering and the chairman of the risk management committee of the Board. He is primarily responsible for the business strategies and operation of the Group in Hong Kong, Macao and overseas locations. Mr. Cui held 60% of Solid Jewel Investments Limited which wholly owned Sky Hero Global Limited, which was beneficially interested in 102,000,000 Shares, representing 12.75% of the Company's issued shares.

Mr. Ding Hongbin, aged 53, joined the Group in July 2019 and is an executive Director and chief operating officer of the Group. He is mainly responsible for formulating the Group's corporate strategy and leading its business development and operation in the PRC. Mr. Ding holds a doctoral degree in Management Theory and Industrial Engineering from Tongji University (同濟大學), and a master degree in Business Administration from Beijing Institute of Technology (北京理工大學) and is qualified as a senior engineer in the People's Republic of China. He is also the honorary chairman of Shandong Branch of Masters of Business Administration of Beijing Institute of Technology. Mr. Ding had served Qingjian Group Co., Ltd.* (青建集團股份公司) for more than 20 years up until year 2018, during which period he took up various positions including but not limited to the assistant to the general manager, deputy general manager, executive deputy general manager and president with his last position being chairman of the board of Qingjian Group Co., Ltd. In addition, during the period from April 2014 to December 2016, he was a non-executive director of CNQC International Holdings Limited (stock code: 1240), a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Yang Zhenshan, aged 43, joined the Group in May 2019 and is an executive Director. Mr. Yang holds a bachelor degree in architectural engineering management from Qingdao University of Technology. He has approximately 20 years of experience in construction and engineering management. Mr. Yang has served various positions in the Qingdao West Coast Group since 2012 and is currently the executive deputy general manager of Qingdao West Coast Construction & Development (Group) Co., Ltd.* (青島西發建設開發(集團)有限公司) since July 2018. He has approximately 20 years of experience in construction and engineering management. He was appointed as the general manager of Qingdao West Coast Construction & Development Co., Ltd.* (青島西海岸新區開發建設有限公司) since December 2015.

Mr. Yang is also a director of all key operating subsidiaries of the Group in Hong Kong and Macao and is a member of the nomination committee of the Board. He is primarily responsible for the management of the construction business of the Group in Hong Kong, Macao and overseas locations.

Mr. Jiang Shuang, aged 38, joined the Group in May 2019 and is an executive Director. Mr. Jiang holds a master's degree in Accounting from Chinese Academy of Fiscal Sciences and is an accredited senior accountant. He has over 10 years of experience in accounting and financial management. Mr. Jiang has served various positions in the Qingdao West Coast Group since 2016 and is currently the legal representative of Qingdao Rongfuhuijin Asset Management Co., Ltd.* (青島融富匯金資產管理有限公司), authorised risk control officer of Qingdao Jufuhuiyin Asset Management Co., Ltd.* (青島聚富匯銀資產管理有限公司) and a director of Qingdao West Coast Property Development Co., Ltd.* (青島西發物業發展有限公司).

Mr. Jiang is also a director of all key operating subsidiaries of the Group in Hong Kong and Macao and is a member of the risk management committee of the Board. He is primarily responsible for the overall financial management and overseeing the compliance and internal control function of the Group.

Non-executive Director

Mr. Wang Xuejun ("XJ Wang"), aged 57, is an non-executive Director and joined the Group in October 2018. Mr. XJ Wang has more than 20 years of experience in government administration, transportation supervision, and enterprise management and holds a bachelor degree in Chinese from Shandong College of Education* (山東省教育學院). He has been serving as the general manager of Qingdao West Coast Holding Development Limited* (青島西海岸控股發展有限公司) since November 2015, and the deputy general manager of Qingdao West Coast Development (Group) Limited* (青島西海岸發展(集團)有限公司) since September 2012.

Independent Non-executive Director

Mr. Cheung Chi Man Dennis, aged 52, is an independent non-executive Director and joined the Group in August 2017.

Mr. Cheung holds a master's degree in commerce from the University of New South Wales, Australia and a bachelor's degree in mechanical engineering from Imperial College, London, United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a certified tax adviser of The Taxation Institute of Hong Kong. Mr. Cheung has over 20 years experience in financial management, treasury and company secretarial matters and is an independent non-executive director of New Western Group Limited (stock code: 8242) (formerly known as Megalogic Technology Holdings Limited) and Sanbase Corporation Limited (stock code: 8501), both of which are listed on GEM of the Stock Exchange, since 30 April 2015 and 21 January 2020 respectively.

Mr. Cheung is the chairman of the audit committee and a member of the remuneration committee, nomination committee and risk management committee of the Board.

Mr. Wang Yaping ("YP Wang"), aged 56 , is an independent non-executive Director and joined the Group in October 2018. Mr. YP Wang has over 30 years of experience in law and graduated from East China College of Political Science and Law* 華東政法學院 (now known as East China University of Political Science and Law* 華東政法大學) with a bachelor's degree in law. He was admitted as a PRC lawyer in February 1989 and was accredited as a second-grade lawyer by the Department of Justice of Shandong Province* 山東省司法廳 in June 1998. Mr. YP Wang currently serves as an executive director and a senior partner of Shandong Qindao Law Office* 山東琴島律師事務所, a vice president of Shandong Lawyers Association, the chief supervisor of Qingdao Lawyers Association* 青島市律師協會, a supervisor of Qingdao Port International Co., Ltd. 青島港國際股份有限公司 (a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Shanghai Stock Exchange with stock code 6198 and 601298 respectively), a supervisor of Tsingtao Brewery Company Limited* 青島啤酒股份有限公司 (a company listed on the Stock Exchange and the Shanghai Stock Exchange, with stock code 00168 and 600600 respectively), and an independent director of Qingdao Tianneng Heavy Industries Co., Ltd.* 青島天能重工股份有限公司 (a company listed on the Shenzhen Stock Exchange, with stock code 300569), an independent director of Qingdao Conson Financial Holdings Co., Ltd.* 青島國信金融控股有限公司, and an independent director of Qingdao BAHEAL Pharmaceutical Co., Ltd* 青島百洋醫藥股份有限公司.

Mr. YP Wang is the chairman of the remuneration committee and a member of the audit committee, nomination committee and risk management committee of the Board.

Mr. Cheng Xuezhan, aged 51, is an independent non-executive Director and joined the Group in December 2018. Mr. Cheng has accumulated over 20 years of experience in financial and business management. Mr. Cheng holds a diploma majoring in English language and literature from Shandong Normal University (山東師範大學) in Jinan, a master's degree in English language and literature from Shandong University (山東大學) in Jinan and a master's degree in business administration from Wright State University in Dayton, Ohio, U.S. Mr. Cheng is currently an independent non-executive director of Qilu Expressway Company Limited, a company listed on the Stock Exchange (stock code: 1576) and he also serves as an assistant general manager of Hualu Holdings Co., Ltd. (華魯控股集團有限公司) and vice chairman of the board of directors and general manager of China Shandong Group Limited (華魯集團有限公司), a director of Hualu International Financial Leasing Co., Ltd. (華魯國際融資租賃有限公司) and a director of Hualu Investment Development Co., Ltd. (華魯投資發展有限公司). During the past three years, Mr. Cheng also served as a director of Shandong Hualu-Hensheng Chemical Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600426) from March 2015 to April 2018. Mr. Cheng is a member of each of the audit committee, remuneration committee, nomination committee and risk management committee of the Board.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the date of this report; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders as at the date of this report; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this report.

Senior Management

Mr. Yu Ming, aged 57, is the chief engineer of the Company and was an executive director of the Company from June 2015 until October 2018. Mr. Yu together with Mr. Cui Qi acquired Hong Kong River Engineering Company Limited and founded the Group in March 2001. Mr. Yu has over 30 years of experience in the marine construction industry and is in charge of business operation of the Group. Mr. Yu holds a bachelor's degree in harbour and waterway engineering from Chongqing Jiaotong University and master's degree in harbour and waterway engineering from Hohai University, and is a member of both the Hong Kong Institution of Engineers and The Chartered Institute of Building and a Registered Professional Engineer (Civil) with the Engineers Registration Board in Hong Kong.

Save as disclosed above, each of the senior management (i) did not hold other positions in the Company or other members of the Group; and (ii) had no other relationship with any Directors, senior management members or substantial or controlling shareholders.

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF PROSPER CONSTRUCTION HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Prosper Construction Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 105, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Accounting for construction contracts — estimated costs and profit recognition
- Impairment assessment of trade and retention receivables and contract assets

Key Audit Matters	How our audit addressed the Key Audit Matters
Accounting for construction contracts — estimated costs and profit recognition	
Refer to Note 2.20 in the summary of significant accounting policies, Note 4(a), Note 5 and Note 17 to the consolidated financial statements. For the year ended 31 December 2019, segment results from marine construction works amounted to HK$43,237,000. The Group applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. Recognition of profit on construction contracts is based on the recognised revenue and estimates of budgeted gross profit as well as the expected recovery of costs arising from additional work performed throughout the contracts, for which significant management judgement and estimates are involved.	Our procedures in relation to management's accounting for the progress towards complete satisfaction of the performance obligation, estimated costs and profit recognition of construction contracts included: — Obtaining an understanding and tested the key controls over the budgetary process; — Comparing the historical actual gross profit margin to those budgeted to assess the quality of management budgetary process; — Inspecting material marine construction contracts of the Group for agreed contract amount and variations, if any; — Checking the Group's efforts to the satisfaction on the Group's performance obligation by reference to the proportion of contract costs incurred for work performed to date to the estimated total construction costs of the selected contracts. We tested, on a sample basis, the revenue recognition based on the Group's efforts and the calculations of gross profits;

Key Audit Matters	How our audit addressed the Key Audit Matters
Profit and cost recognition from construction contracts, as stated above, requires significant time and resources to audit due to the magnitude as well as the significant judgement and estimates involved.	— Selecting, on a sample basis, contracts to examine management's budget of the cost components, such as costs of materials, subcontracting fees and labour costs. We compared the budgeted component cost to supporting documents including but not limited to invoices, price quotation and rate of labour costs. For each selected contract, we also compared cost component of the actual cost incurred up to year end to the budgeted cost and obtained explanation from management for any material variation; and — Discussing the status of projects with the Group's quantity surveyors and project managers, to identify any variations of contracts and claims, and to obtain explanations for fluctuations in margins and changes in budget as well as the expected recovery of variations. Where necessary, we obtained written opinion from the Group's external legal adviser and discussed with the adviser the basis in concluding the minimum amount which would be recovered from the project. We checked relevant evidence including agreements, correspondence with customers, for corroboration of their explanations. Based on the above audit procedures performed, we found that the judgement and estimates adopted by management in determining the estimated contract costs and profit recognition of construction contracts were supported by the evidence we obtained.

Independent Auditor's Report (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters

Impairment assessment of trade and retention receivables and contract assets

Refer to Note 2.11 in the summary of significant accounting policies, Note 4(c), Notes 16 and 17 to the consolidated financial statements.

As at 31 December 2019, the Group had gross trade and retention receivables and contract assets approximately HK$254,240,000 and HK$75,356,000 respectively and provision for impairment of approximately HK$8,875,000 and HK$4,250,000 respectively.

Management performed periodic assessment on the recoverability of the trade and retention receivables and contract assets and the sufficiency of provision for impairment based on information including credit profile of customers, ageing of the trade and retention receivables and contract assets, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going business relationships with the relevant customers.

Expected credit losses are also estimated by grouping the trade and retention receivables and contract assets based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables.

Management also considered forward- looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the fact that the impairment assessment of trade and retention receivables and contract assets under the expected credit losses model involved the use of significant management judgement and estimates.

Our audit procedures in relation to management's impairment assessment of the trade and retention receivables and contract assets as at 31 December 2019 included:

— Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;

— Testing, on a sample basis, the accuracy of ageing profile on trade and retention receivables by checking to the underlying invoices;

— Inquiring of management for the status of each of the material trade and retention receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public searches of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlements records and other correspondence with the customers;

— Assessing the appropriateness of the expected credit loss provision methodology, examining the key inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses; and

— For projects with potential dispute with customers, we obtained written opinion from the Group's external legal adviser. We enquired their work performed and discussed with them the basis in concluding the minimum amount the Group is able to realise from the projects. We tested and checked relevant evidence including agreements and correspondence with customers.

Based on the above audit procedures performed, we found that the management judgement and estimates used to access the recoverability of the trade and retention receivables and contract assets and determine the impairment provision were supported by the evidence we obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Hiu Tung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	**515,077**	384,576
Cost of sales	7	**(465,231)**	(313,276)
Gross profit		**49,846**	71,300
Other (losses)/gains, net	6	**(5,131)**	3,071
Impairment losses on financial assets	16, 17	**(2,043)**	(8,031)
Other administrative expenses	7	**(27,441)**	(28,381)
Operating profit		**15,231**	37,959
Finance income	8	**418**	2,189
Finance costs	8	**(6,781)**	(6,739)
Finance costs, net	8	**(6,363)**	(4,550)
Profit before income tax		**8,868**	33,409
Income tax credit/(expenses)	9	**3,220**	(2,994)
Profit for the year		**12,088**	30,415
Other comprehensive income/(loss)			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**5,234**	(8,858)
Profit and total comprehensive income attributable to equity holders of the Company		**17,322**	21,557
Basic and diluted earnings per share (HK cents)	11	**1.51**	3.80

The notes on pages 47 to 105 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	14	204,657	217,620
Right-of-use assets	15	4,113	—
Deposits	16	15,953	8,279
		224,723	225,899
Current assets			
Trade and retention receivables	16	245,365	349,061
Deposits, prepayments and other receivables	16	15,708	26,280
Contract assets	17	71,106	78,143
Amounts due from the other partner of a joint operation	18	—	129
Income tax recoverable		3,810	3,631
Time deposits with maturity over 3 months	19	8,351	16,353
Pledged bank deposits	19	23,200	13,200
Cash and cash equivalents	19	336,164	106,657
		703,704	593,454
Total assets		928,427	819,353
EQUITY			
Capital and reserves			
Share capital	20(a)	8,000	8,000
Reserves	20(b)	509,002	491,680
Total equity		517,002	499,680

Consolidated Balance Sheet (continued)

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	–	788
Lease liabilities	15	147	—
Deferred income tax liabilities	21	9,156	11,655
		9,303	12,443
Current liabilities			
Trade and retention payables	22	53,982	42,055
Accruals and other payables	22	7,551	16,295
Contract liabilities	17	91,387	100,900
Loan from an intermediate holding company	27(d)	100,000	—
Amount due to a related company	27(d)	4,882	6,507
Borrowings	23	135,483	138,958
Lease liabilities	15	3,006	—
Income tax payable		5,831	2,515
		402,122	307,230
Total liabilities		411,425	319,673
Total equity and liabilities		928,427	819,353

The consolidated financial statements on pages 42 to 105 were approved by the Board of Directors on 27 March 2020 and were signed on its behalf.

Mr. Cui Qi
Director

Mr. Jiang Shuang
Director

The notes on pages 47 to 105 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

As at 31 December 2019

	Share capital HK$'000 (note 20(a))	Share premium HK$'000 (note 20(b))	Other reserves HK$'000 (note 20(b))	Exchange reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2018	8,000	214,840	23,104	(177)	248,356	494,123
Comprehensive income						
Profit for the year	—	—	—	—	30,415	30,415
Exchange differences	—	—	—	(8,858)	—	(8,858)
Contribution by and distribution to owner						
Dividends paid	—	—	—	—	(16,000)	(16,000)
At 31 December 2018	8,000	214,840	23,104	(9,035)	262,771	499,680
At 1 January 2019	**8,000**	**214,840**	**23,104**	**(9,035)**	**262,771**	**499,680**
Comprehensive income						
Profit for the year	**—**	**—**	**—**	**—**	**12,088**	**12,088**
Exchange differences	**—**	**—**	**—**	**5,234**	**—**	**5,234**
At 31 December 2019	**8,000**	**214,840**	**23,104**	**(3,801)**	**274,859**	**517,002**

The notes on pages 47 to 105 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	26(a)	**146,606**	(31,640)
Interest received		**418**	2,189
Interest paid		**(6,781)**	(6,739)
Income tax refund/(paid)		**5,123**	(13)
Net cash generated from/(used in) operating activities		**145,366**	(36,203)
Cash flows from investing activities			
Payments of plant and equipment		**(10,505)**	(13,666)
(Increase)/decrease in deposits for purchase of plant and equipment		**(7,674)**	108
Proceeds from disposal of plant and equipment	26(b)	**10,860**	1,937
Decrease/(increase) in time deposits with maturity over 3 months		**8,002**	(1,250)
(Increase)/decrease in pledged bank deposits		**(10,000)**	11,051
Net cash used in investing activities		**(9,317)**	(1,820)
Cash flows from financing activities			
Proceeds from borrowings		**50,000**	56,000
Repayments of borrowings		**(54,263)**	(89,020)
Advance from an intermediate holding company		**100,000**	—
Principal elements of lease payments		**(3,628)**	—
Dividend paid		**—**	(16,000)
Net cash generated from/(used in) financing activities		**92,109**	(49,020)
Net increase/(decrease) in cash and cash equivalents		**228,158**	(87,043)
Cash and cash equivalents at beginning of the year		**106,657**	193,348
Effect of foreign exchange rate changes		**1,349**	352
Cash and cash equivalents at end of the year	19	**336,164**	106,657

The notes on pages 47 to 105 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

The Company was incorporated in the Cayman Islands on 6 October 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries provide marine construction services and provision of auxiliary marine related services. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) Adoption of new standards, interpretation and amendments to standards

The Group has adopted the following new standard, improvements, interpretation and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2019:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int23	Uncertainty over income tax treatments
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16 "Leases". The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.1(c). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) Adoption of new standards, interpretation and amendments to standards (Continued)

Except for the impact for HKFRS 16 which have been disclosed in note 2.1(c), the adoption of the above new standard, improvements, interpretation and amendments to standards did not have any significant financial impact on these consolidated financial statements.

(b) New standard, revised framework and amendments to standards which are not yet effective

The following are new standard, revised framework and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2020 or later periods, but have not been early adopted by the Group.

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 3 (Amendments)	Definition of a Business[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]

(1) Effective for the accounting period beginning on 1 January 2020

(2) Effective for the accounting period beginning on 1 January 2021

(3) Effective date to be determined

The Group will apply the above new standard, revised framework and amendments to standards when they become effective. No new standard, revised framework and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

(c) Changes in accounting policies

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening of the consolidated balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 (date of initial application of HKFRS 16). The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.4%.

In applying HKFRS 16 for the first time, the Group has used a single discount rate to a portfolio of leases with reasonable similar characteristics, which is a practical expedient permitted by the standard.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(c) Changes in accounting policies (Continued)

The reconciliation between the operating lease commitments as disclosed by applying HKAS 17 as at 31 December 2018 and lease liabilities recognised in the opening of the consolidated balance sheet as at 1 January 2019 (date of initial application of HKFRS 16) is a follows:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	5,620
Discounted using the lessee's incremental borrowing rate at the date of initial application	5,405
Lease liabilities recognised as at 1 January 2019	5,405
Of which are:	
— Current lease liabilities	3,037
— Non-current lease liabilities	2,368
	5,405

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the right-of-use assets increased by HK$6,348,000, deposits decreased by HK$943,000 and lease liabilities increased by HK$5,405,000 respectively in the consolidated balance sheet at 1 January 2019.

The recognised right-of-use assets of HK$6,348,000 are related to office premises and staff quarters.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

The acquisition method of accounting is used to account for business combinations by the Group (note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(b) Joint arrangement

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 18.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (c) below), after initially being recognised at cost in the consolidated balance sheet.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses of the investee in the consolidated statement of comprehensive income, and the Group’s share of movements in other comprehensive income of the investee in the other comprehensive income. Dividend received or receivable from associated companies are recognised as a reduction in the carrying amount of the investment.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Equity accounting (Continued)

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.8.

(d) Change in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income where appropriate.

2 Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of comprehensive income as a bargain purchase.

Contingent consideration payable is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (Continued)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$ which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other (losses)/gains, net'.

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

— income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

— all resulting exchange differences are recognised as in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.7 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation of both owned and leased plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Vessels	20 years
Machinery and equipment	3-10 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (Continued)

2.8 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies (Continued)

2.9 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the following category:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and retention receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see notes 16 and 17 for further details.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Trade and other receivables

Trade receivables are amounts due from customers in the ordinary course of business. If collection of trade and other receivable is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less provision for impairment.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (Continued)

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash at bank and deposits held at call with banks with original maturity of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period.

2.16 Borrowing costs

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

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2 Summary of significant accounting policies (Continued)

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the lax laws enacted or substantively enacted at the end of the reporting period in the places where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

2 Summary of significant accounting policies (Continued)

2.18 Employee benefits (Continued)

(b) Retirement benefits

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

(i) Construction services

Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group has applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. The Group considers the input method better depicts the Group's performance in transferring control of goods or services to their customers.

(ii) Provision of auxiliary marine related services

The Group provides auxiliary marine related services. Revenue is recognised over time when the relevant services are rendered and the Group's performance provide all of the benefits received and consumed simultaneously by the customers.

2 Summary of significant accounting policies (Continued)

2.20 Revenue recognition (Continued)

(iii) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceed the measure of the remaining unsatisfied performance obligations. In the consolidated balance sheet, the contract assets mainly consist of unbilled revenue arising from the construction contracts. Contract liabilities mainly consist of the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

2.21 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.22 Leases

As explained in note 2.1 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.1.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 24). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2 Summary of significant accounting policies (Continued)

2.22 Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2 Summary of significant accounting policies (Continued)

2.22 Leases (Continued)

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Company. The Directors provide principles for an overall risk management, as well as policies covering specific areas.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency.

The Group's transactions are mainly denominated in HK$, United States dollars ("US$"), Indonesia Rupiah ("IDR"), Renminbi ("RMB") and Macao Patacas ("MOP"). The majority of assets and liabilities are denominated in HK$, US$, IDR, RMB and MOP, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HK$ or MOP, which are the functional currencies of the major operating companies within the Group. The Group currently does not hedge its foreign currency exposure.

As HK$ is pegged to US$ and transactions in US$ are mainly from certain group companies which functional currency are in HK$, management believes that the exchange rate risk for translations between HK$ and US$ do not have material impact to the Group. Management considered that the foreign exchange risk for IDR and MOP is minimal since transactions, assets and liabilities in IDR and MOP are mainly from companies with the same functional currency, respectively.

At 31 December 2019, if RMB had weakened/strengthened by 5% against the HK$ with all other variables held constant, post-tax profit for the year would have been approximately HK$2,821,000 (2018: HK$5,608,000) lower/higher, mainly as a result of the foreign exchange difference on translation of RMB denominated cash and cash equivalents, trade and retention receivables and trade and retention payables.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow interest rate risk

The Group is exposed to interest rate risk as borrowings are carried at variable rates. It is the Group's policy to maintain its borrowings subject to floating rates, and accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2019, if the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would be HK$1,347,000 (2018: HK$1,367,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade and retention receivables, deposits and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

(i) Risk management

For the year ended 31 December 2019, 87.3% (2018: 87.2%) of the Group's revenue was derived from its top five customers. As at 31 December 2019, the Group had concentration of credit risk as 87.0% (2018: 87.1%) of the total trade receivables due from the Group's five (2018: five) customers.

Top five customers mainly include subsidiaries of state-owned enterprises, government authority and other construction companies. To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade and retention receivable to ensure that adequate impairment provision is made for the irrecoverable amounts.

The credit risk on deposits with bank is limited because deposits are in banks with sound credit ratings and good payment history. Management does not expect any loss from non-performance by related companies.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

Trade and retention receivables and contract assets are subjected to expected credit loss model. While cash and cash equivalents, short-term bank deposits and other financial assets are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Trade and retention receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime loss allowance for all trade and retention receivables and contract assets.

To measure the expected credit losses, trade and retention receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets related to unbilled work in progress and have substantially the same risk characteristics as the trade and retention receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the historical payment profiles of revenue from the contracts and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the default rate of countries in which the customers are based to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31 December 2019, the expected credit losses of these collectively assessed trade and retention receivables and contract assets was HK$8,875,000 (2018: HK$7,802,000) and HK$4,250,000 (2018: HK$3,280,000) respectively based on expected loss rates ranging from 5.29%–5.49% (2018: 3.99%–4.28%) applied on different age groupings.

The closing loss allowance for trade and retention receivables and contract assets as at 31 December 2019 reconcile to the opening loss allowance as follows:

	Contract assets		Trade and retention receivables	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Opening loss allowance at 1 January	**3,280**	623	**7,802**	2,428
Increase in loss allowance recognised in profit or loss during the year	**970**	2,657	**1,073**	5,374
Closing at 31 December	**4,250**	3,280	**8,875**	7,802

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade and retention receivables and contract assets (Continued)

Trade and retention receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade and retention receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents and other financial assets at amortised cost

There is no loss allowance for cash and cash equivalents, short-term bank deposits and other financial assets at amortised cost as at 31 December 2019 (2018: same).

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year end dates during the year). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand and less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 31 December 2019				
Trade and retention payables	**28,531**	**2,034**	**23,417**	**53,982**
Accruals and other payables	**2,970**	**—**	**—**	**2,970**
Lease liabilities	**3,221**	**148**	**—**	**3,369**
Long-term bank loans and interest payments	**107,008**	**—**	**—**	**107,008**
Short-term bank loans and interest payments	**30,369**	**—**	**—**	**30,369**
Loan from an intermediate holding company	**103,575**	**—**	**—**	**103,575**
Amount due to a related company	**4,882**	**—**	**—**	**4,882**

	On demand and less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 31 December 2018				
Trade and retention payables	8,563	33,040	452	42,055
Accruals and other payables	12,167	—	—	12,167
Long-term bank loans and interest payments	110,133	795	—	110,928
Short-term bank loans and interest payments	30,619	—	—	30,619
Amount due to a related company	6,507	—	—	6,507

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of debt to equity ratio. The debt to equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings and loan from an intermediate holding company less cash and cash equivalents, time deposits and pledged bank deposits. The debt to equity ratios as at 31 December 2019 and 2018 are as follows:

	2019	2018
	HK$'000	HK$'000
Borrowings (note 23)	**135,483**	139,746
Loan from an intermediate holding company (note 27(d))	**100,000**	—
Less: cash and cash equivalents, time deposits with maturity over 3 months and pledged bank deposits (note 19)	**(367,715)**	(136,210)
Net (assets)/debt	**(132,232)**	3,536
Total equity	**509,002**	499,680
Total capital	**376,770**	503,216
Debt to equity ratio	**N/A**	0.71%

3.3 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, pledged bank deposits, time deposits, trade and retention receivables, deposits and other receivables and trade and retention payables, other payables, amount due to a related company, loan from an intermediate holding company and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

3 Financial risk management (Continued)

3.4 Financial instruments by category

Assets as per consolidated balance sheet

	Financial assets at amortised cost	
	2019	2018
	HK$'000	HK$'000
Trade and retention receivables, deposits and other receivables	255,709	367,329
Amounts due from the other partner of a joint operation	—	129
Time deposits with maturity over 3 months	8,351	16,353
Pledged bank deposits	23,200	13,200
Cash and cash equivalents	336,164	106,657
Total	623,424	503,668

Liabilities as per consolidated balance sheet

	Financial liabilities at amortised cost	
	2019	2018
	HK$'000	HK$'000
Trade and retention payables, accruals and other payables	56,952	54,222
Loan from an intermediate holding company	100,000	—
Amount due to a related company	4,882	6,507
Lease liabilities	3,153	—
Borrowings	135,483	139,746
Total	300,470	200,475

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

In addition, significant judgement is required to assess the recoverability of contract costs incurred as a result of difference between the amount applied to and the amount certified by the main contractor.

The progress towards complete satisfaction of the performance obligation is measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total construction costs. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revised the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract.

(b) Income taxes

The Group is subject to income taxes in Hong Kong, Macau and certain overseas tax. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expense in the periods in which such estimate is changed.

4 Critical accounting estimates and judgements (Continued)

(c) Impairment of trade and retention receivables and contract assets

The loss allowances for trade and retention receivables and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past default history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1(b).

5 Revenue and segment information

(a) Revenue

	2019 HK$'000	2018 HK$'000
Rendering of services		
— Marine construction works	**308,368**	134,510
— Provision of auxiliary marine related services	**206,709**	250,066
	515,077	384,576

(b) Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as comprising two operating segments, marine construction works and provision of auxiliary marine related services. They review financial information accordingly.

Segment revenue is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated balance sheet except for cash and bank balances, income tax recoverable and other corporate assets.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the consolidated balance sheet except for income tax payable, deferred tax liabilities, borrowings, amounts due to related parties and certain corporate liabilities.

5 Revenue and segment information (Continued)

(b) Segment information (Continued)

Profit or loss

	Marine construction works HK$'000	Provision of auxiliary marine related services HK$'000	Total HK$'000
For the year ended 31 December 2019			
Segment revenue from external customers	308,368	206,709	515,077
Segment results	43,237	2,739	45,976
Unallocated expenses			(23,747)
Impairment losses on financial assets			(2,043)
Depreciation of plant and equipment			(1,262)
Depreciation of right-of-use assets			(3,693)
Finance costs, net			(6,363)
Profit before income tax			8,868
Income tax credit			3,220
Profit for the year			12,088
Included in segment results are:			
Depreciation	(10,010)	(6,555)	(16,565)

5 Revenue and segment information (Continued)

(b) Segment information (Continued)

Profit or loss (Continued)

	Marine construction works HK$'000	Provision of auxiliary marine related services HK$'000	Total HK$'000
For the year ended 31 December 2018			
Segment revenue from external customers	134,510	250,066	384,576
Segment results	52	67,880	67,932
Unallocated expenses			(19,130)
Impairment losses on financial assets			(8,031)
Depreciation of plant and equipment			(2,812)
Finance costs, net			(4,550)
Profit before income tax			33,409
Income tax expenses			(2,994)
Profit for the year			30,415
Included in segment results are:			
Depreciation	(8,515)	(6,566)	(15,081)

5 Revenue and segment information (Continued)

(b) Segment information (Continued)

Assets

	Marine construction works HK$'000	Provision of auxiliary marine related services HK$'000	Total HK$'000
At 31 December 2019			
Segment assets	**297,619**	**223,509**	**521,128**
Unallocated assets			**407,299**
Total assets			**928,427**
Additions to non-current assets	**10,384**	**—**	**10,384**

	Marine construction works HK$'000	Provision of auxiliary marine related services HK$'000	Total HK$'000
At 31 December 2018			
Segment assets	365,840	248,726	614,566
Unallocated assets			204,787
Total assets			819,353
Additions to non-current assets	13,586	—	13,586

The information provided to chief operating decision maker with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

5 Revenue and segment information (Continued)

(b) Segment information (Continued)

Liabilities

	Marine construction works HK$'000	Provision of auxiliary marine related services HK$'000	Total HK$'000
At 31 December 2019			
Segment liabilities	**144,511**	**858**	**145,369**
Borrowings			**135,483**
Loan from an intermediate holding company			**100,000**
Income tax payable			**5,831**
Deferred tax liabilities			**9,156**
Unallocated liabilities			**15,586**
Total liabilities			**411,425**
At 31 December 2018			
Segment liabilities	158,412	—	158,412
Borrowings			139,746
Income tax payable			2,515
Deferred tax liabilities			11,655
Unallocated liabilities			7,345
Total liabilities			319,673

5 Revenue and segment information (Continued)

(b) Segment information (Continued)

The Group's revenue from external customers attributable to the countries from which the Group derives revenue based on marine construction works and provision of auxiliary marine related services.

Revenue from external customers

	Year ended 31 December	
	2019 HK$'000	2018 HK$'000
Hong Kong	45,560	92,731
Indonesia	479	7,167
Macao	286,034	54,564
Pakistan	83,622	225,811
Philippines	4,783	4,303
Vietnam	94,599	—
	515,077	384,576

The Group's information about its non-current assets located in the country of domicile are detailed below:

Non-current assets

(i) Based on countries of domicile of companies holding the assets:

	As at 31 December	
	2019 HK$'000	2018 HK$'000
Hong Kong	190,812	203,138
Indonesia	10,718	11,144
Macao	3,117	3,323
Malaysia	10	15
	204,657	217,620

5 Revenue and segment information (Continued)

(b) Segment information (Continued)

Non-current assets (Continued)

(ii) Based on physical location of the assets:

	As at 31 December	
	2019 HK$'000	2018 HK$'000
Cambodia	—	6,905
Hong Kong	121,927	121,158
Indonesia	10,718	11,144
Macao	9,128	18,414
Mainland China	13,653	14,839
Malaysia	10	15
Pakistan	27,802	29,387
Philippines	14,877	15,758
Vietnam	6,542	—
	204,657	217,620

(c) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2019 HK$'000	2018 HK$'000
Customer A	225,974	N/A[(a)]
Customer B	94,599	176,545
Customer C	60,060	47,777
Customer D	N/A[(a)]	49,265

(a) The corresponding customers did not contribute over 10% of the total revenue of the Group for the specific year.

6 Other (losses)/gains, net

	2019 HK$'000	2018 HK$'000
Gains on disposal of plant and equipment	1,827	702
Foreign exchange (losses)/gains, net	(7,480)	1,389
Sales of scrap materials	522	980
	(5,131)	3,071

7 Expenses by nature

	2019 HK$'000	2018 HK$'000
Cost of providing services		
Consultancy and design fee	**12,971**	8,715
Depreciation	**17,582**	17,592
Insurance	**7,011**	2,560
Materials	**173,465**	54,956
Subcontracting charges	**76,214**	93,739
Staff costs (note (a))	**54,577**	44,026
Rental expenses for machineries and equipment	**—**	37,567
Lease expenses relating to short-term lease of machineries and equipment (note (b))	**49,582**	—
Repair and maintenances	**15,296**	15,542
Transportation	**19,210**	11,674
Site expenses	**5,094**	4,286
Customs duties	**7,769**	8
Others	**26,460**	22,611
	465,231	313,276
Other administrative expenses		
Staff costs, including directors' emoluments (note (a))	**9,733**	10,164
Auditors' remuneration		
— Audit services	**1,680**	1,550
— Non-audit services	**1,606**	—
Depreciation of plant and equipment (note 14)	**245**	301
Depreciation of right-of-use assets (note 15)	**3,693**	—
Operating lease rental in respect of office and staff quarters	**—**	3,076
Leases expenses relating to short-term leases and leases of low-value assets (note (b))	**183**	—
Professional fee — others	**5,164**	8,866
Entertainment fee	**700**	551
Travelling expense	**1,066**	1,098
Bank charges	**227**	550
Others	**3,144**	2,225
	27,441	28,381
Total cost of sales and administrative expenses	**492,672**	341,657

7 Expenses by nature (Continued)

Note (a):

	2019 HK$'000	2018 HK$'000
Wages and salaries	61,923	51,652
Pension costs — defined contribution plans (note (i))	2,300	2,470
Other employment benefits	87	68
	64,310	54,190
Less: amounts charged to cost of sales	(54,577)	(44,026)
Less: amounts charged to administrative expenses	(9,733)	(10,164)

(i) The Group participates in a Mandatory Provident Fund scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings with a ceiling of HK$1,500 per month.

The Group also participates in an employee social security plan (the "Social Security Plan") and contributes a fixed amount for each employee as required by the regulations in Macao.

The Group participates in an employee social security programme (the "Social Security Programme") in Indonesia, providing compensation in the event of working accidents, death, old age, and in case of sickness and hospitalisation. Under the Social Security Programme, the employer is required to contribute a fixed percentage of the employee's salaries every month.

The only obligation of the Group with respect to the MPF Scheme and the Social Security Plan is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

Note (b): Payments for short-term leases in respect of machineries and equipment and leases expenses relating to short-term leases and leases of low-value assets for the year ended 31 December 2019 were approximately HK$49,582,000 and HK$183,000 respectively.

8 Finance costs, net

	2019 HK$'000	2018 HK$'000
Finance income		
— Interest income on bank balances	418	2,189
Finance costs		
— Interest expenses on bank loans	(6,565)	(6,739)
— Interest expenses on lease liabilities	(216)	—
Finance costs, net	(6,363)	(4,550)

9 Income tax (credit)/expenses

The amount of income tax (credited)/charged to the consolidated statement of comprehensive income represents:

	2019 HK$'000	2018 HK$'000
Hong Kong profits tax		
Current income tax	—	—
Over-provision in prior year	(5,502)	(176)
Deferred income tax (note 21)	(2,499)	3,182
Indonesia income tax		
Withholding income tax	15	14
Macao complementary income tax		
Current income tax	4,402	—
Over-provision in prior year	—	(26)
Malaysia corporate income tax		
Under-provision in prior year	364	—
	(3,220)	2,994

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year.

(b) Indonesia income tax is charged through a system of withholding taxes. Companies are required to withhold final income tax for construction works performance and interest income from bank deposits. For the year ended 31 December 2019, income tax has been provided at the rate of 20% (2018: 20%) of the interest income from bank deposits.

(c) In performing the works of a certain project in Indonesia, Hong Kong River Engineering Company Limited ("HKR"), a wholly owned subsidiary of the Company, was exposed to branch profits tax ("BPT") in Indonesia on the basis that HKR was a non-resident carrying out business through a permanent establishment in Indonesia. According to Article 5 of the double taxation agreement between Indonesia and Hong Kong ("DTA"), HKR was regarded as having a permanent establishment in Indonesia since the project involved provision of construction services in Indonesia by HKR exceeding 183 days. During the course of that project between 2011 and 2015, HKR failed to pay branch profit tax in accordance with the Income Tax Law in Indonesia and the DTA, and the aggregate amount of branch profits tax was approximately HK$1,200,000.

The directors has sought for legal advice and the Indonesia legal advisor of the Group was of the opinion that the Indonesia regulation does not provide for and HKR is not in a position to rectify the violation to the Construction Licences Requirement by applying for the required registration retrospectively. Consequently, in the absence of business registration, a non-resident in Indonesia cannot proceed with the application of tax registration and will not have a tax identity to perform tax reporting. As such, HKR has not performed BPT reporting and is not in a position to perform BPT reporting retrospectively.

9 Income tax expense (Continued)

(c) (Continued)

Notwithstanding that HKR cannot voluntarily perform business registration and tax registration retrospectively, the Directorate General of Taxes of Indonesia ("DGT") can send HK River an official assessment if the DGT has sufficient information to determine that the Indonesia BPT liability exists. The statutory time bar for DGT to issue a tax assessment is five years from the last date of the relevant tax year and the maximum tax penalties on late reporting is 48%. The maximum amount of the Indonesia BPT including penalty payable by HK River will be approximately HK$118,000 as at 31 December 2019 (2018: HK$578,000).

No provision has been made in the consolidated financial statements. The directors are of the view that the risk that the DGT has sufficient information to issue an official assessment notice and levy maximum penalty thereon is minimal.

(d) Macao complementary income tax has been provided at the rate of 12% (2018: 12%) on the estimated assessable profit for the year.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2019 HK$'000	2018 HK$'000
Profit before income tax	**8,868**	33,409
Calculated at tax rate of 16.5% (2018: 16.5%)	**1,463**	5,512
Tax effects of:		
Withholding tax	**15**	14
Effect of different tax rates in other countries	**(1,698)**	(116)
Income not subject to tax*	**(5,220)**	(13,774)
Expenses not deductible for tax purposes	**7,358**	9,423
Tax losses for which no deferred income tax asset was recognised	**—**	2,137
Over-provision in prior year (note)	**(5,138)**	(202)
Income tax (credit)/expenses	**(3,220)**	2,994

* Include income subject to withholding tax calculated based on revenue from projects instead of assessable profits.

Note: The Group received a tax refund amounting to HK$5,502,000 during the year represents the successful claim of tax credits in relation to prior years.

10 Dividends

There is no final dividend proposed to shareholders of the Company for the year ended 31 December 2019 (2018: Nil).

11 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	12,088	30,415
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (HK$'000)	800,000	800,000
Basic earnings per share (HK cents)	1.51	3.80

(b) Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares during the year.

12 Emoluments for directors and five highest paid individuals

(a) Directors' emoluments

The emoluments of individual directors of the Company during the year which were included in the staff costs as disclosed in note 7 are set out below:

For the year ended 31 December 2019

	Salaries HK$'000	Employer's contribution to pension scheme HK$'000	Fees HK$'000
Executive directors			
Mr. Cui Qi (note i)	1,422	18	1,440
Mr. Ding Hongbin (note ix)	516	–	516
Mr. Jiang Shuang (note viii)	–	–	–
Mr. Liu Luqiang (note i and vi)	–	–	–
Mr. Xue Qingfu (note x)	–	–	–
Mr. Yang Zhenshan (note viii)	–	–	–
Mr. Zhu Jiangfeng (note iv and x)	–	–	–
	1,938	18	1,956
Non-executive director			
Mr. Wang Xuejun (note vii)	–	–	–
Independent non-executive directors			
Mr. Cheng Xue Zhan (note v)	216	–	216
Mr. Cheung Chi Man Dennis	216	–	216
Ms. Wang Yaping (note iv)	216	–	216
	648	–	648

12 Emoluments for directors and five highest paid individuals (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2018

	Salaries HK$'000	Employer's contribution to pension scheme HK$'000	Fees HK$'000
Executive directors			
Mr. Cui Qi (note i)	1,542	18	1,560
Mr. Yu Ming (note ii)	895	14	909
Ms. Kui Ching Wah (note ii)	895	14	909
Mr. Tao Yang (note ii)	202	—	202
Mr. Liu Luqiang (note i and vi)	—	—	—
Mr. Zhu Jiangfeng (note vi)	—	—	—
Mr. Xue Qingfu (note vi)	—	—	—
	3,534	46	3,580
Non-executive director			
Mr. Wang Xuejun (note vii)	—	—	—
Independent non-executive directors			
Mr. Cheung Chi Man Dennis	224	—	224
Ms. Leung Sau Fan Sylvia (note iii)	182	—	182
Mr. Leung Yee Tak (note iii)	182	—	182
Ms. Wang Yaping (note iv)	52	—	52
Mr. Cheng Xue Zhan (note v)	10	—	10
	650	—	650

Note:

(i) Mr. Cui Qi has ceased to be the Chairman of the Board while Mr. Liu Luqiang has been appointed to be the Chairman of the Board on 3 October 2018.

(ii) Mr. Yu Ming, Tao Yang and Ms. Kui Ching Wah resigned as the Company's director on 3 October 2018.

(iii) Ms. Leung Sau Fan, Sylvia and Mr. Leung Yee Tak resigned as the Company's independent non-executive director on 3 October 2018.

(iv) Ms. Wang Yaping was appointed as the independent non-executive director on 4 October 2018.

(v) Mr. Cheng Xue Zhan was appointed as the independent non-executive director on 14 December 2018.

(vi) Mr. Liu Luqiang, Mr. Zhu Jiangfeng and Mr. Xue Qingfu were appointed as the Company's executive director on 4 October 2018.

(vii) Mr. Wang Xuejun was appointed as the Company's non-executive director on 4 October 2018.

(viii) Mr. Yang Zhenshan and Mr. Jiang Shuang were appointed as the Company's director on 7 May 2019.

(ix) Mr. Ding Hongbin was appointed as the Company's director on 11 July 2019.

(x) Mr. Xue Qingfu and Mr. Zhu Jiangfeng resigned as the Company's director on 7 May 2019.

12 Emoluments for directors and five highest paid individuals (Continued)

(a) Directors' emoluments (Continued)

During the year ended 31 December 2019, none of the directors of the Company (i) received or were paid any remuneration in respect of accepting office; and (ii) waived or has agreed to waive any emolument (2018: nil).

During the year ended 31 December 2019, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services (2018: nil).

During the year ended 31 December 2019, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, other than those disclosed in note 27 of the consolidated financial statements.

(b) Five highest paid individuals

For the year ended 31 December 2019, the five individuals whose emoluments were the highest in the Group include 1 (2018: 3) directors, whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 4 (2018: 2) individuals are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, bonus and other allowances	**3,207**	1,214
Pension costs — defined contribution plans	**144**	72
	3,351	1,286

The emoluments of the remaining individuals fell within the following band:

	2019	2018
Nil — HK$1,000,000	**3**	2
HK$1,000,001 — HK$1,500,000	**1**	—

During the year ended 31 December 2019, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office (2018: nil).

13 Subsidiaries

The following is a list of subsidiaries at 31 December 2019:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share and fully paid share capital	Effective interest held as at 2019	2018
Directly held by the Company:					
Prosper Construction Group Ltd.	British Virgin Islands, limited liability company	Investment holding company	HK$2	100%	100%
West Coast Development (International) Limited	British Virgin Islands, limited liability company	Investment holding company	US$1,000,000	100%	100%
Indirectly held by the Company:					
Hong Kong River Engineering Company Limited	Hong Kong, limited liability company	Provision of engineering and construction works in Hong Kong	HK60,000,000	100%	100%
Creator Pacific Limited	Hong Kong, limited liability company	Letting of vessels for rental income, trading of vessels and provision of repairing services to the vessels	HK$38,000,000	100%	100%
PT. Indonesia River Engineering	Indonesia, limited liability company	Provision of engineering and construction works in Indonesia	US$400,000	100%	100%
Hong Kong River (Macao) Engineering Company Limited (香港瑞沃(澳門)工程有限公司)	Macao, limited liability company	Provision of engineering and construction works in Macao	MOP100,000	100%	100%
Creator Pacific (M) SDN. BHD	Malaysia, limited liability company	Provision of engineering and construction works in Malaysia	RM1	100%	100%
West Coast Development (Hong Kong) Limited (note a)	Hong Kong, limited liability company	Investment holding company	US$1,000,000	100%	NA
Qingdao Xifa Ruihai Industrial Development Company Limited (note b)	Mainland China, limited liability company	Investment holding	US$1,000,000	100%	NA

Note:

(a) The Company is incorporated on 2 January 2019.

(b) The Company is incorporated on 26 February 2019 and registered as a wholly foreign owned enterprise under PRC law.

14 Plant and equipment

	Furniture and fixtures HK$'000	Office equipment HK$'000	Machinery and equipment HK$'000	Vessels HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2018						
Cost	158	655	62,986	228,146	2,148	294,093
Accumulated depreciation	(158)	(422)	(13,044)	(48,962)	(1,322)	(63,908)
Net book amount	—	233	49,942	179,184	826	230,185
Year ended 31 December 2018						
Opening net book amount	—	233	49,942	179,184	826	230,185
Additions	64	16	1,710	11,876	—	13,666
Disposal	—	(46)	(46)	(7,503)	(4)	(7,599)
Depreciation	(4)	(97)	(6,566)	(10,834)	(392)	(17,893)
Exchange difference	—	—	(30)	(705)	(4)	(739)
Closing net book amount	60	106	45,010	172,018	426	217,620
At 31 December 2018						
Cost	222	368	64,535	229,915	2,104	297,144
Accumulated depreciation	(162)	(262)	(19,525)	(57,897)	(1,678)	(79,524)
Net book amount	60	106	45,010	172,018	426	217,620

14 Plant and equipment (Continued)

	Furniture and fixtures HK$'000	Office equipment HK$'000	Machinery and equipment HK$'000	Vessels HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2019						
Opening net book amount	60	106	45,010	172,018	426	217,620
Additions	6	115	816	9,568	—	10,505
Disposal	—	—	—	(6,017)	(9)	(6,026)
Depreciation	(14)	(83)	(6,555)	(10,845)	(330)	(17,827)
Exchange difference	—	—	5	379	1	385
Closing net book amount	52	138	39,276	165,103	88	204,657
At 31 December 2019						
Cost	228	483	65,392	231,645	2,092	299,840
Accumulated depreciation	(176)	(345)	(26,116)	(66,542)	(2,004)	(95,183)
Net book amount	52	138	39,276	165,103	88	204,657

(a) As at 31 December 2019, vessels and machinery and equipment with carrying amounts of HK$6,652,000 (2018: HK$17,545,000) were pledged for the Group's bank borrowings (note 23(f)(ii)).

(b) As at 31 December 2019, vessels with a carrying amount of HK$18,456,000 (2018: HK$21,906,000) were pledged for a performance bond in relation to a construction contract.

15 Right-of-use assets and lease liabilities

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to the leases in respect of office premises and staff quarters:

	At 31 December 2019 HK$'000	At 1 January 2019 HK$'000
Right-of-use assets		
Non-current	**4,113**	6,348
Lease liabilities		
Non-current	**147**	2,368
Current	**3,006**	3,037
	3,153	5,405

Additions to the right-of-use assets during the year ended 31 December 2019 is HK$1,467,000.

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to the leases in respect of office premises and staff quarters:

	For the year ended 31 December 2019 HK$'000
Depreciation charge of right-of-use assets (Note 7)	**3,693**
Interest expenses on lease liabilities (Note 8)	**216**
Leases expenses relating to short-term leases of machineries and equipment (Note 7)	**49,582**
Leases expenses relating to short-term leases and leases of low-value assets (Note 7)	**183**

The total cash outflow for leases during the year ended 31 December 2019 was HK$3,844,000 excluding short-term leases and leases of low-value assets.

16 Trade and retention receivables, and deposits, prepayments and other receivables

	2019 HK$'000	2018 HK$'000
Trade receivables	192,540	299,421
Less: Loss allowance	(5,581)	(7,802)
Trade receivables — net	186,959	291,619
Retention receivables	61,700	57,442
Less: Loss allowance	(3,294)	—
Retention receivables — net	58,406	57,442
Trade and retention receivables, net	245,365	349,061
Deposits, prepayments and other receivables (note)	31,661	34,559
Less: non-current deposits	(15,953)	(8,279)
	15,708	26,280

Note: The balance mainly represents deposits for plant and equipment and other miscellaneous receivables.

The ageing analysis of the trade receivables based on invoice date was as follows:

	2019 HK$'000	2018 HK$'000
Current	63,396	39,848
Up to 1 year	37,274	110,285
1 to 2 years	3,518	53,237
Over 2 years	82,771	88,249
	186,959	291,619

16 Trade and retention receivables, and deposits, prepayments and other receivables (Continued)

In the consolidated balance sheet, retention receivables were classified as current assets. The ageing of the retention receivables based on invoice date was as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	331	2,358
Between 1 and 5 years	35,305	31,042
Over 5 years	22,770	24,042
	58,406	57,442

(a) Impairment and risk exposure

Trade receivables and retention receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and retention receivables.

The loss allowance increased by a further HK$1,073,000 to HK$8,875,000 for trade and retention receivables during the current reporting period.

Information about the impairment of trade and retention receivables and the Group's exposure to credit risk and foreign currency risk can be found in note 3.1.

The credit period granted to trade customers other than for retention receivables was within 30 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The carrying amounts of trade and retention receivables approximated their fair values and were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	54,013	59,585
RMB	37,274	130,160
US$	91,679	102,048
MOP	26,061	21,106
IDR	36,327	35,951
MYR	11	211
	245,365	349,061

17 Contract assets and contract liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019 HK$'000	2018 HK$'000
Contract assets		
Provision of construction services	75,356	81,423
Less: Loss allowance	(4,250)	(3,280)
	71,106	78,143
Contract liabilities		
Provision of construction and auxiliary marine related services	(91,387)	(100,900)

(a) Significant changes in contract assets and liabilities

Contract assets represents the amount by which the Group construction services performed by the Group is ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. Details of the impairment assessment of contract assets are set out in note 3.1(b) to the consolidated financial statements.

(b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised during the year ended 31 December 2019 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in previous periods.

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	60,060	47,777

(c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction and auxiliary marine related services contracts.

	2019 HK$'000	2018 HK$'000
Aggregate amount of the transaction price of long-term construction contracts that are partially or fully unsatisfied as at 31 December	1,201,654	1,097,274

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2019 will be recognised as revenue by referencing to the progress towards completion of the contract activity.

18 Joint arrangement

Joint operations

The following sets out the joint operations indirectly undertaken by the Company as at 31 December 2019 and 2018:

Name	Place of establishment/ Incorporation and kind of legal entity	Principal activities	Percentage of ownership interest
Concentric-Hong Kong River Joint Venture ("CHKRJV")	Hong Kong, unincorporated joint venture	Provision of construction services	49%
中國土木工程(澳門)有限公司-香港瑞沃工程有限公司合作經營("MCRJV")	Macao, unincorporated joint venture	Provision of construction services	30%
香港瑞沃(澳門)工程有限公司 – 中基基礎工程有限公司合作經營("MCJO")	Macao, unincorporated joint venture	Provision of construction services	95%

19 Cash and cash equivalents

	2019 HK$'000	2018 HK$'000
Cash at bank	**367,715**	136,210
Less: Pledged bank deposits	**(23,200)**	(13,200)
Less: Time deposits with maturity over 3 months	**(8,351)**	(16,353)
Cash and cash equivalents	**336,164**	106,657
Maximum exposure to credit risk	**367,715**	136,210

As at 31 December 2019, the Group's bank deposits of HK$23,200,000 (2018: HK$13,200,000) were pledged to secure bank borrowings of the Group (note 23(f)(iii)).

The carrying amounts of cash and cash equivalents, time deposits and pledged bank deposits were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**71,509**	37,440
RMB	**148,723**	1,966
US$	**68,340**	55,172
MOP	**32,497**	41,020
IDR	**38,828**	471
PKR	**7,807**	—
MYR	**11**	141
	367,715	136,210

20 Share capital, share premium and reserves

(a) Share capital

	Number of shares	Share capital HK$'000
Ordinary shares, authorised:		
At 31 December 2017, 2018 and 2019	4,000,000,000	40,000
Ordinary shares, issued and fully paid:		
At 31 December 2017, 2018 and 2019	800,000,000	8,000

(b) Share premium and reserves

	Share premium HK$'000	Other reserves HK$'000 (note)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2018	214,840	23,104	(177)	248,356	486,123
Comprehensive income					
Profit for the year	—	—	—	30,415	30,415
Exchange differences	—	—	(8,858)	—	(8,858)
Contribution by and distribution to owner					
Dividends paid (note 10)	—	—	—	(16,000)	(16,000)
At 31 December 2018	214,840	23,104	(9,035)	262,771	491,680
At 1 January 2019	**214,840**	**23,104**	**(9,035)**	**262,771**	**491,680**
Comprehensive income					
Profit for the year	**—**	**—**	**—**	**12,088**	**12,088**
Exchange differences	**—**	**—**	**5,234**	**—**	**5,234**
At 31 December 2019	**214,840**	**23,104**	**(3,801)**	**274,859**	**509,002**

Note: Other reserves of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

21 Deferred income tax liabilities

Deferred tax liabilities are expected to be payable in the following periods:

	2019 HK$'000	2018 HK$'000
Deferred income tax liabilities:		
Payable or to be settled in more than 12 months	9,156	11,655

The movements in deferred income tax liabilities during the year are as follows:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Provision HK$'000	Total HK$'000
As at 1 January 2018	25,952	(17,479)	—	8,473
Recognised in the consolidated statement of comprehensive income (note 9)	(646)	3,316	512	3,182
As at 31 December 2018	25,306	(14,163)	512	11,655
Recognised in the consolidated statement of comprehensive income (note 9)	(1,209)	302	(1,592)	(2,499)
As at 31 December 2019	24,097	(13,861)	(1,080)	9,156

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2019, as estimated by the management on information available at the end of the period, the Group had unrecognised tax losses of approximately HK$590,000 (2018: HK$14,874,000) that can be carried forward to offset against future taxable income. These tax losses have no expiry date.

22 Trade and retention payables, accruals and other payables

	2019 HK$'000	2018 HK$'000
Trade payables	50,893	37,816
Retention payables	3,089	4,239
Accruals and other payables	7,551	16,295
	61,533	58,350

The credit period granted for trade payables and other payables was within 30 to 90 days.

The ageing analysis of the trade payables based on invoice date was as follows:

	2019 HK$'000	2018 HK$'000
Current	2,429	460
1 to 30 days	20,139	1,670
31 to 60 days	—	1,180
61 to 90 days	—	1,799
91 to 180 days	—	639
181 to 365 days	5,385	—
More than 365 days	22,940	32,068
	50,893	37,816

In the consolidated balance sheet, retention payables were classified as current liabilities. The ageing of the retention payables based on invoice date was as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	578	2,815
Between 1 year and 2 years	1,947	972
Between 2 years and 5 years	564	452
	3,089	4,239

22 Trade and retention payables, accruals and other payables (Continued)

The carrying amounts of trade and retention payables approximated their fair value and were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**1,220**	5,550
US$	**9,669**	14,438
RMB	**33,437**	19,958
MOP	**8,858**	2,109
MYR	**87**	—
IDR	**711**	—
	53,982	42,055

23 Borrowings

	2019 HK$'000	2018 HK$'000
Non-current:		
Long-term bank loans	**–**	788
Current:		
Long-term bank loans due for repayment within one year	**788**	15,543
Long-term bank loans due for repayment within one year which contain a repayment on demand clause	**51,170**	62,988
Long-term bank loans due for repayment after one year which contain a repayment on demand clause	**3,525**	30,427
Short-term bank borrowings	**80,000**	30,000
	135,483	138,958
Total borrowings	**135,483**	139,746

23 Borrowings (Continued)

(a) Borrowings due for repayment after one year which contain repayment on demand clause were classified as current liabilities.

Based on the scheduled repayment terms set out in the loan agreements and ignoring the effect of any repayment on demand clause, the maturity of borrowings would be as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	131,958	108,531
Between 1 and 2 years	3,525	27,687
Between 2 and 5 years	–	3,528
	135,483	139,746

(b) The weighted average interest rate during the year were as follows:

	2019	2018
Short-term bank loans	3.2%	3.7%
Long-term bank loans	4.8%	4.6%

(c) The carrying amounts of the Group's borrowings were denominated in Hong Kong dollar.

(d) The carrying amounts of the Group's borrowings approximated their fair value as the impact of discounting is not significant.

(e) The Group has fully utilised the borrowing facility as at 31 December 2019.

(f) The Group's loan facilities are subject to annual review and secured or guaranteed by:

(i) unlimited guarantees provided by the Company as at 31 December 2019 and 2018;

(ii) vessels and machinery and equipment with carrying amounts of HK$6,652,000 (2018: HK$17,545,000) as at 31 December 2019;

(iii) deposits of not less than HK$23,200,000 (2018: HK$13,200,000) as at 31 December 2019; and

(iv) guarantees of HK$133,495,000 (2018: HK$133,495,000) from a subsidiary for a bank facility which covers a loan of HK$24,272,000 (2018: HK$24,272,000) and performance bond facility of HK$ 97,087,000 (2018: HK$97,087,000) as at 31 December 2019.

24 Commitments

(a) Capital commitment

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities as follows:

	2019 **HK$'000**	2018 HK$'000
Plant and equipment	**10,720**	12,086

(b) Non-cancellable operating leases

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 7 and note 15 for further information.

As at 31 December 2018, the future aggregate minimum lease rental expenses in respect of office and storage premises, and quarters for workers and directors under non-cancellable operating leases are as follows:

	2018 HK$'000
No later than 1 year	3,194
Later than 1 year and no later than 5 years	2,426
	5,620

25 Contingent liabilities

As at 31 December 2019, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group totaled HK$21,126,000 (2018: HK$21,126,000). The performance bonds as at 31 December 2019 are expected to be released in accordance with the terms of the respective construction contracts.

Notes to the Consolidated Financial Statements (continued)

26 Notes to the consolidated statement of cash flows

(a) Reconciliations of profit before income tax to net cash used in operations:

	2019 HK$'000	2018 HK$'000
Profit before income tax	8,868	33,409
Impairment losses on financial assets	2,043	8,031
Depreciation of plant and equipment	17,827	17,893
Depreciation of right-of-use assets	3,693	—
Gains on disposal of plant and equipment	(1,827)	(702)
Finance income	(418)	(2,189)
Finance costs	6,781	6,739
Operating profit before working capital change	36,967	63,181
Changes in working capital:		
Decrease/(increase) in trade and retention receivables	106,803	(56,895)
Decrease/(increase) in deposits, prepayments and other receivables	6,533	(11,086)
Decrease/(increase) in contract assets	6,469	(6,038)
Changes in balance with a related company	(1,625)	6,507
Increase/(decrease) in trade and retention payables	10,897	(16,978)
Decrease in accruals and other payables	(10,054)	(4,475)
Decrease in contract liabilities	(9,513)	(5,777)
Increase/(decrease) in amounts due to the other partners of joint operations	129	(79)
Net cash generated from/(used in) operations	146,606	(31,640)

(b) In the consolidated statement of cash flows, proceeds from disposal of plant and equipment comprise:

	2019 HK$'000	2018 HK$'000 (Note)
Net book amount	6,026	7,599
Gain on disposal of plant and equipment (note 6)	1,827	702
Proceeds from disposal of plant and equipment (note)	7,853	8,301

Note: During the year ended 31 December 2018, the proceeds from disposal of plant and equipment of HK$6,364,000 has yet to be received and has been included in other receivables. During the year ended 31 December 2019, an amount of HK$3,007,000 has been received.

26 Notes to the consolidated statement of cash flows (Continued)

(c) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for the year.

	Loan from an intermediate holding company HK$'000	Lease liabilities HK$'000	Borrowings HK$'000	Total HK$'000
At 1 January 2018	—	—	172,766	172,766
Cash inflows	—	—	56,000	56,000
Cash outflows	—	—	(89,020)	(89,020)
At 31 December 2018	—	—	139,746	139,746
Recognised on adoption of HKFRS 16	—	5,405	—	5,405
At 1 January 2019	**—**	**5,405**	**139,746**	**145,151**
Addition — leases	**—**	**1,376**	**—**	**1,376**
Cash outflow from operating activities	**—**	**(216)**	**—**	**(216)**
Cash inflows	**100,000**	**—**	**50,000**	**150,000**
Cash outflows	**—**	**(3,628)**	**(54,263)**	**(57,891)**
Non-cash changes on interest expenses on lease liabilities	**—**	**216**	**—**	**216**
At 31 December 2019	**100,000**	**3,153**	**135,483**	**238,636**

27 Related party transactions

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

27 Related party transactions (Continued)

(a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 December 2019 and 2018:

Name of the related party	Relationship with the Group
Star Harvest Enterprise Limited	A related company wholly owned by Mr. Cui Qi
CHKRJV	A joint operation
MCRJV	A joint operation
MCJO	A joint operation
Shenzhen Changsheng Marine Engineering Limited (“Shenzhen Changsheng”)	A related company controlled by Mr. Cui Qi
West Coast Investment (Hong Kong) Limited	An intermediate holding company of the Company

(b) Transactions

Save as disclosed elsewhere in the consolidated financial statements, the following transaction was carried out with related parties at terms mutually agreed by both parties:

	2019 HK$'000	2018 HK$'000
Continuing transaction		
Paid to a related party:		
Rental expenses to Shenzhen Changsheng (note)	12,938	8,965

Note: Rental expenses in relation to leasing of vessels are charged at terms pursuant to the agreement as entered into between the Group and the respective related party.

(c) Transactions with key management personnel

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	2019 HK$'000	2018 HK$'000
Salaries, bonus, other allowances and benefits in kind	2,586	4,184
Pension costs — defined contribution plans	18	46
	2,604	4,230

27 Related party transactions (Continued)

(d) Balances

	2019 HK$'000	2018 HK$'000	Nature
Amount due to a related party — Shenzhen Changsheng (note i)	**(4,882)**	(6,507)	Trade
Loan from an intermediate holding company — West Coast Investment (Hong Kong) Limited (note ii)	**(100,000)**	—	Non-trade

Notes:

(i) The amount due to a related party was unsecured, interest free and repayable on demand.

(ii) The loan from an intermediate holding company to one of the subsidiaries of the Company was guaranteed by the Company with a fixed interest at 3.9% per annum and repayable within one year.

28 Ultimate holding company

Management consider that Qingdao West Coast Development (Group) Limited as the ultimate holding company of the Group, which is a company incorporated in the PRC and controlled by the State-owned Asset Supervision and Administration Commission of Qingdao.

29 Events after the reporting period

(a) On 17 January 2020, Qingdao Xifa Ruihai Industrial Development Company Limited, a wholly-owned subsidiary of the Company, acquired 80% of equity interests in Qingdao Dongjie Construction Engineering Co., Ltd ("Qingdao Dongjie"), a company engaged in provision of construction services in the PRC, for consideration of RMB71,352,000. The acquisition is expected to diversify the Group's existing business portfolio and broaden its source of income.

The financial effects of this transaction have not been recognised at 31 December 2019. The operating results and assets and liabilities of Qingdao Dongjie will be consolidated from 17 January 2020.

(b) Impact of Coronavirus Disease 2019 outbreak ("COVID-19 outbreak")

The Group expects the economy in Hong Kong, Macao and the PRC to be negatively impacted and this may potentially affect the Group's business and financial performance in 2020. The Group will pay close attention to the development of the epidemic and evaluate its impact on the financial position and operating results.

30 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current asset			
Investments in subsidiaries		**105,800**	105,800
Current assets			
Prepayments		**64**	66
Amounts due from subsidiaries		**124,538**	126,332
Cash and cash equivalents		**1,306**	849
		125,908	127,247
Total assets		**231,708**	233,047
EQUITY			
Capital and reserves			
Share capital		**8,000**	8,000
Reserves	(a)	**214,224**	223,357
Total equity		**222,224**	231,357
LIABILITY			
Current liability			
Accruals and other payables		**1,684**	1,690
Amount due to subsidiaries		**7,800**	—
		9,484	1,690
Total equity and liabilities		**231,708**	233,047

The balance sheet of the Company was approved by the Board of Directors on 27 March 2020 and was signed on its behalf.

Mr. CUI Qi
Director

Mr. JIANG Shuang
Director

30 Balance sheet and reserve movement of the Company (Continued)

Note (a)

Reserve movement of the Company

	Share premium HK$'000	Other reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2018	214,840	20,000	17,509	252,349
Loss for the year	—	—	(12,992)	(12,992)
Dividends paid (note 10)	—	—	(16,000)	(16,000)
At 31 December 2018	214,840	20,000	(11,483)	223,357
At 1 January 2019	**214,840**	**20,000**	**(11,483)**	**223,357**
Loss for the year	**—**	**—**	**(9,133)**	**(9,133)**
At 31 December 2019	**214,840**	**20,000**	**(20,616)**	**214,224**

Other reserve of the Company represented the difference between the net asset value of Prosper Construction Group Ltd. acquired over the nominal value of the share capital of the Company issued in exchange thereof.

Five Year Financial Summary

A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from this annual report and the accountant's report as contained in the Prospectus, is set out below.

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**515,077**	384,576	633,347	658,860	572,928
Gross profit	**49,846**	71,300	94,307	124,626	114,941
Profit before income tax	**8,868**	33,409	67,177	82,085	110,828
Income tax credit/(expense)	**3,220**	(2,994)	(2,707)	(12,636)	(14,830)
Profit for the year	**12,088**	30,415	64,470	69,449	95,998

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**224,723**	225,899	238,572	174,497	97,875
Current assets	**703,704**	593,454	627,297	524,454	277,437
Total assets	**928,427**	819,353	865,869	698,951	375,312
Non-current liabilities	**9,303**	12,443	20,973	26,354	12,935
Current liabilities	**402,122**	307,230	340,480	208,474	190,543
Total liabilities	**411,425**	319,673	361,453	234,828	203,478
Total equity	**517,002**	499,680	504,416	464,123	171,834