Build King Holdings Limited

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

Annual Report 2014

Contents

Financial Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	15%
Equity	HK$346 million
Equity per share	HK28 cents
Group revenue	HK$3,237 million
Profit attributable to owners of the Company	HK$55 million
Final dividend per share	HK1 cent

** equity refers to equity attributable to owners of the Company

FINAL DIVIDEND

The board of directors (the "Board") of the Company recommends the payment of a final dividend of HK1 cent per ordinary share for the year ended 31 December 2014 (2013: HK0.5 cent).

Chairman's Letter

The Group's gain in equity during 2014 was HK$53 million whilst the equity per share increased by 18% to HK28 cents.

Our turnover this year was HK$3.2 billion; for once it is a bit better than what I predicted here last time. The net profit attributable to shareholders was HK$55 million, which still falls short of our target of 3% margin on turnover. This shortfall is mainly due to a loss provision as a result of one project in joint venture where significant claims have yet to be agreed with the client. Every effort is being made to resolve the issue and we hope that we will be able to write this provision back next year. Loss making projects have been too frequent over the last few years and we will continue to strengthen our control to minimize such occurrence in future. But construction inherently carries a lot of uncertainties and it's impossible to eliminate all badly performing projects. However we will continue to do our best to contain the risk.

Our order book at the time of writing this letter is HK$8.1 billion. This year has unexpectedly seen a distinct lack of new public sector projects being awarded, due in part to funding approvals being significantly delayed in Legco. Two major contracts, which we expected to be awarded to us this year, have been delayed in this way. But for this, we would have achieved our target order book of HK$11 billion.

However notwithstanding this uncertainty, I believe that with the contracts on hand and together with those for which we expect imminent award, including those mentioned above, we may be able to achieve a turnover closer to HK$4 billion next year together with an improved bottom line.

Since listed, our cumulative gain in equity (excluding the dividends) is 199% or 11.6% on average. This is below my original target of 15% p.a. and I am hopeful that we can again exceed it in 2015.

BUSINESS ANALYSIS

Construction

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

Our Civil Division turnover was HK$2.6 billion, an increase of 42% over last year. We have 27 numbers of active civil projects of which 13 are in joint venture with others. In 2 or 3 years' time, I am confident that with the experience and track record gained in our mega projects currently in progress, Build King will be able to prequalify and win major civil engineering projects on its own.

The turnover of our Building Division was HK$624 million, an increase of 99% over last year. Again, with our contracts on hand and the likely award of recently submitted tenders, I expect our turnover in building to again increase significantly. I told you last year that my aim is to increase the contribution from our Building Division to approximately $^1/_3$ of the Group turnover. This year it is 19.5% of Group's turnover, rises from last year's 14%. I hope that in 2015 we can achieve around 25%. I mentioned last year that as part of our strategy to increase our building activity, we need to get on the Housing Authority NW2 list which will allow us to tender for HA projects of unlimited value. We are still working on this and I hope to be able to report some real progress on this matter next time.

In the past few years, we have ventured into a number of small initiatives related to construction; namely piling, excavation, E&M works and A&A works. I am happy to report to you that Titan Foundation Limited, our piling and excavation subsidiary, reached a turnover of HK$128 million in 2014 and with profit over HK$4 million. In future I will report on new ventures once they reach the HK$100 million benchmark.

Chairman's Letter

Our monthly paid staff has risen from 448 in 2010 to 1,167 in this year. This is a true reflection on how fast Build King has grown during the past four years. With the hard work and commitment of our staff, we have been able to complete most projects on time, within budget, to a good quality and most importantly with minimum accidents.

You will be pleased to know that Build King had no fatalities in 2014 and our overall incidence rate was well below the industry average and beat even the stringent targets set by the MTRC. This is something we are all proud of and we will do all we can to keep up this high standard in the coming years.

A word of caution for shareholders; last year the Government only awarded HK$3.6 billion of new public works projects compared with HK$90 billion in 2013. This was, in part, due to the filibuster by certain Legco members whose action serves no useful purpose and only undermines the livelihood of Hong Kong citizens, in particular construction workers. We hope this saga will soon be over to avoid lasting damage to the Group performance.

Outlook

Last November, our Directors held a workshop to discuss future direction and plan our way forward. We concluded by setting ourselves an aggressive target. In 5 years, by 2019, we should achieve a Group turnover of HK$6 billion with a net 3+% profit. This is truly a very challenging task; however we believe it's not impossible; whilst we don't see much growth potential in our civil engineering, there is room to increase our building activity as well as to grow our subsidiaries. The Building Division has set a target to achieve HK$2 billion by 2019, and Titan with our E&M ventures to reach the HK$1 billion mark. With the gradual growth in our balance sheet together with our talented diversified senior management and our dedicated staff, we are confident that we will be able to reach this target.

We all realise that no one can predict the future; in this world the changes always come faster than any plans. So we need to focus and get prepared for market changes and opportunities that come to our way, keeping an open mind, being flexible and acting fast when the right opportunities come along. Our style is to try a lot of things and see what works. It is inevitable that mistakes will be made along the way, so we always adopt the approach of investing on a small scale in any new venture, but once proven successful, we will put more resources to speed up the process.

The problem that I talked about last year concerning the shortage of labour, is still with us. There has been some minor improvement in the procedure for importing certain classes of skilled labour but the process is far too slow and tedious and the number approved is far too small.

If there is one message to take away, it is that I am confident that 2015 will again be better than 2014.

Environmental Infrastructure Project

Our Wuxi sewerage treatment plant is operating well, and we are treating on average 37,000 ton/day, a slight increase of 6% over the year before. The contribution to Group profit this year was around HK$9 million, a decrease of HK$1 million.

We again received the merit award for being the best performing sewage treatment plant in Wuxi.

Similar investment projects are hard to come by, but we see a trend by the Authorities of tightening the quality of the treated water on all sewerage treatment works. As such, some of the existing plants may be under pressure to sell which may bring us some new opportunities.

At the same time, we are continuing to explore other environmental projects to enhance our chances of new investments in this promising area.

Investment

Our loss in investment this year is HK$2 million. Again, we did not make any new investment in 2014. And, as our construction activities are so busy and growing and we need all the working capital to deal with the increased workload, I do not expect to make any significant new investment again in 2015.

CORPORATE GOVERNANCE

Communication with Shareholders

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

DIVIDEND POLICY

This year I am pleased to advise we are able to distribute a dividend of HK1 cent per share, which is roughly 22% of our profit. In future we will probably keep the payout ratio to around 20% which, to me, is appropriate as we have to retain majority of the Group's earnings for development as well as investing in new businesses. Hope I can have even better news for you in the years to come.

APPRECIATION

I would like to take this opportunity to express my hearty gratitude to our shareholders, business partners, directors and our loyal and dedicated staff.

Zen Wei Peu, Derek
Chairman

12 March 2015

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECT

Overall Results

For the year 2014, the Group's turnover increased by 48%, from HK$2,193 million in 2013 to HK$3,237 million; the profit for the year also increased by 160%, from HK$20 million in 2013 to HK$53 million.

The significant improvement of the results was within budget largely as a result of major projects awarded in past two years reaching a mature stage thereby contributing to both turnover and profits. The gross profit margin for the year increased from 6% in 2013 to 6.8%, reflecting the healthier margins for work on hand. With the heavy tendering activity in the year, the overhead cost increased by 36% from HK$120 million in 2013 to HK$163 million in 2014. Overall, we achieved a profit to turnover ratio of 1.6%, a significant improvement from the 0.9% in 2013.

The Group secured four new projects during the year with a total contract sum of HK$2.6 billion. As at the date of this report, the outstanding value of contracts on hand was HK$8.1 billion.

Overall, the results of major civil projects in progress were satisfactory except for one tunnel project where geotechnical difficulties continued to be encountered. On our Express Rail Link tunnel project for MTRC, despite the delays due to very bad geotechnical conditions continuing, we achieved the breakthrough on both tunnels recently and are moving forward to completion in 2016. Negotiations with the client for recovery of cost are ongoing. The projects for MTRC Shatin to Central Link – namely Diamond Hill Station, Kai Tak Station and Hung Hom North Approach Tunnels are all progressing satisfactorily and are generally on time. Although the Group only has a minority role, the exceptionally difficult contract to enlarge Admiralty Station to accommodate the future Shatin to Central Link as well as the South Island Line is progressing satisfactorily. On Central Wanchai Bypass Package C1 at Hong Kong Convention and Exhibition Centre, the excavation is nearing completion and the tunnel structure is well advanced within programme. On Central Wanchai Bypass Package C3 at Wan Chai West, the land reclamation and seawalls are nearing completion whilst the construction of diaphragm walls for the tunnel are proceeding as planned. In July 2014, the building of Northern Connection Toll Plaza for the Tuen Mun-Chek Lap Kok Link was awarded. This project will take four years to complete in 2018. The works at this early stage are on programme and within budget.

The building division continues its expansion. The turnover for 2014 increased significantly from HK$314 million for 2013 to HK$624 million. Early in the year, MTRC awarded us the contract for reprovisioning of the Harbour Road Sports Centre and Wanchai Swimming Pool with the contract sum over HK$870 million. This project is targeted for completion in 2017. Following completion of the new Centre, the old sports centre will be demolished to allow construction of the Shatin to Central Link. Now, the superstructure of the new sport centre is well in programme. The development work at the Hang Seng Management College has entered the final stage and will be complete in 2015. The other three ongoing projects including two projects for Architectural Services Department and one building of hostel for HKUST are running smoothly.

At Wuxi City, the revenue and profit of the sewage treatment plant for 2014 was HK$22 million and HK$9 million respectively. During the year, the volume of sewage maintained a steady increase from an average of 35,000 tonnes per day ("tpd") in 2013 to 37,000 tpd in 2014. Given the designed capacity of 50,000 tpd, there are significant rooms for future growth. Further, we are actively seeking new opportunities in similar environmental projects in China.

Employees and Remuneration Policies

As at 31 December 2014, the Group had a total of 1,483 employees and total remuneration for the year ended 31 December 2014 was approximately HK$558 million. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as performance of the individual.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2014, the Group had liquid assets of HK$437 million (as at 31 December 2013: HK$344 million) comprising held-for-trading investments of HK$26 million (as at 31 December 2013: HK$45 million) and bank balances and cash of HK$411 million (as at 31 December 2013: HK$299 million).

As at 31 December 2014, the Group had a total of interest bearing borrowings of HK$96 million (as at 31 December 2013: HK$94 million) with following maturity profile:

	At 31 December 2014 HK$ million	At 31 December 2013 HK$ million
Borrowings due within one year	**87**	94
Borrowings due in the second year	**4**	–
Borrowings due in the third to fifth year inclusive	**5**	–
	96	94

The Group's borrowings, bank balances and cash and held-for-trading investments were principally denominated in Hong Kong dollars. Hence, there is no exposure to foreign exchange rate fluctuations. During the year, the Group had no significant borrowings at fixed interest rate and had no financial instrument for hedging purpose.

Capital Structure and Gearing

As at 31 December 2014, total equity was HK$347 million (as at 31 December 2013: HK$303 million) comprising ordinary share capital of HK$124 million (as at 31 December 2013: HK$124 million), reserves of HK$222 million (as at 31 December 2013: HK$176 million) and non-controlling interests of HK$1 million (as at 31 December 2013: HK$3 million).

As at 31 December 2014, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 28% (as at 31 December 2013: 31%).

Pledge of Assets

As at 31 December 2014, bank deposit of the Group amounting to HK$60,000 (31 December 2013: HK$30,000) was pledged to bank for securing the banking facility granted to the Group.

As at 31 December 2014, certain equity securities with market value of HK$20 million (31 December 2013: HK$22 million) were pledged to a bank to secure general banking facilities granted to the Group.

Contingent Liabilities

	As at 31 December 2014 HK$ million	As at 31 December 2013 HK$ million
Outstanding tender/performance/retention bonds in respect of construction contracts	**234**	248

Directors and Senior Management

EXECUTIVE DIRECTORS

ZEN Wei Peu, Derek, age 62, has been the Chairman of the Company since 23 April 2004 and has been appointed as a member of the Remuneration Committee of the Company since 1 April 2005 and a member of the Nomination Committee of the Company since 27 February 2012. He is also the Vice Chairman of Wai Kee Holdings Limited ("Wai Kee") and an Executive Director of Road King Infrastructure Limited ("Road King"), the shares of both are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was once the Chairman of Chai-Na-Ta Corp., up to his resignation in September 2012. Mr. Zen holds a Bachelor of Science degree in Engineering from The University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. He is a member of the Institution of Civil Engineers and The Hong Kong Institution of Engineers and a fellow member of the Institution of Quarrying, the United Kingdom ("UK"). He was the Honorary Treasurer of Hong Kong Construction Association. He has over 35 years of experience in civil engineering.

CHANG Kam Chuen, Desmond, age 49, has been appointed as an Executive Director of the Company since 1 June 2008. He has been appointed as the Company Secretary of the Company since 31 May 2005. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and an associate member of Chartered Institute of Management Accountants, UK. He has over 25 years of experience in accounting profession and financial management. Mr. Chang is responsible for the financial, human resources, administration and secretarial departments of the Group.

NON-EXECUTIVE DIRECTORS

David Howard GEM, age 74, has been appointed as a Non-executive Director of the Company since 9 August 2004. He had been a member of the Audit Committee of the Company since 29 July 2005 and resigned on 12 January 2011. He is a Chartered Engineer and is a member of both the Institution of Civil Engineers, London and The Hong Kong Institution of Engineers. He is also a member of The Chartered Institute of Arbitrators and a fellow of The Hong Kong Institute of Highways and Transportation. He has over 45 years of experience with contractors in the management, design and construction of a wide variety of civil engineering and building projects in UK, Asia and Hong Kong. He was a past Vice President of The Hong Kong Construction Association and Chairman of The Civil Engineering Committee. He was also a past Chairman of the Civil Engineering Division of The Hong Kong Institution of Engineers and a past member of the Construction Advisory Board to the Hong Kong Government.

CHENG Chi Pang, Leslie, age 57, has been appointed as a Non-executive Director of the Company since 9 August 2004 and has been appointed as a Non-executive Director of Wai Kee since September 2000. Dr. Cheng holds a Bachelor Degree in Business, a Master Degree in Business Administration, a Master Degree of Laws (Chinese and Comparative Law) and a Doctorate Degree of Philosophy in Business Management. Dr. Cheng is an associate member of The Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, the Australian Society of Certified Practicing Accountants, the Taxation Institute of Hong Kong and a fellow member of Hong Kong Institute of Directors. He is a Certified Public Accountant practicing in Hong Kong and has over 30 years of experience in auditing, business advisory and financial management. Dr. Cheng joined the New World Group in 1992 and was Group Financial Controller and Chief Executive of NWS Holdings Limited. He is now the Senior Partner of Leslie Cheng & Co., the Chief Executive Officer of L & E Consultants Limited and an Independent Non-executive Director of China Ting Group Holdings Limited, Fortune Sun (China) Holdings Limited, Nine Dragons Paper (Holdings) Limited and Tianjin Port Development Holdings Limited, the shares of these four companies are listed on the Main Board of the Stock Exchange. Prior to joining the New World Group, he was a senior manager of an international accounting firm.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

CHAN Chi Hung, Anthony, age 41, has been appointed as a Non-executive Director of the Company since 4 December 2008. He holds a Bachelor of Science Degree with major in Economics with University of Minnesota, and is an alumni of Stanford Graduate School of Business with a certificate of Stanford Executive Program. He is currently an Executive Director of EPI (Holdings) Limited and an Independent Non-executive Director of South East Group Limited, and was an Executive Director and the Managing Director of China Financial Leasing Group Limited, the shares of those companies are listed on the Main Board of the Stock Exchange. Mr. Chan was previously the Investment Manager of Springfield Financial Adv. Ltd. in charge of its private equity, fund-of-funds and fixed income investment portfolios. Prior to that, he was with J.P. Morgan Chase.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHOW Ming Kuen, Joseph, OBE, JP, age 73, has been appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company, both since 23 April 2004. He has also been appointed as the Chairman of the Remuneration Committee of the Company since 16 February 2005 and a member of the Nomination Committee of the Company since 27 February 2012. He is a professional civil and structural engineer. He is also a fellow of The Hong Kong Institution of Engineers, the Institution of Civil Engineers and the Institution of Structural Engineers. He is the Chairman of Joseph Chow and Partners Limited, a professional consulting engineers firm. Dr. Chow served as President of The Hong Kong Institution of Engineers from 2001 to 2002 and Chairman of the Hong Kong Engineers' Registration Board from 1996 to 1998. Dr. Chow is an Hon Senior Superintendent of the Auxiliary Police Force. He served in many public services including Chairman of the Hong Kong Examinations Authority, Chairman of the Construction Workers Registration Authority, a member of Hospital Authority, Hong Kong Housing Authority and Hong Kong University Court. He is also an Independent Non-executive Director of Chevalier International Holdings Limited, Harbour Centre Development Limited, Hsin Chong Construction Group Ltd. and Road King, the shares of these four companies are listed on the Main Board of the Stock Exchange.

NG Chi Ming, James, age 71, has been appointed as an Independent Non-executive Director and the Chairman of the Audit Committee of the Company, both since 23 April 2004. He has been appointed as a member of the Remuneration Committee of the Company since 16 February 2005 and a member of the Nomination Committee of the Company since 27 February 2012. He has over 30 years of experience in the banking industry in Hong Kong and the United States. He was the Chief Executive Officer of First Pacific Bank in Hong Kong and the Chief Executive Officer of United Savings Bank in California. He was also the former Chairman of the Employers' Federation of Hong Kong. He was once an Independent Non-executive Director of iOne Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange.

HO Tai Wai, David, age 66, has been appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company since 8 September 2004. He has been appointed as a member of the Remuneration Committee of the Company since 16 February 2005 and the Chairman of the Nomination Committee of the Company since 27 February 2012. Mr. Ho has over 40 years of experience in finance and accounting. He is a fellow member of the Association of Chartered Certified Accountants of UK, The Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Ho holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is also an Independent Non-executive Director of Cinderella Media Group Limited, the shares of which are listed on the Main Board of the Stock Exchange.

LING LEE Ching Man, Eleanor, SBS, OBE, JP, age 67, has been appointed as an Independent Non-executive Director of the Company since 30 September 2014. She is an independent non-executive director of Cinderella Media Group Limited, the shares of which are listed on the Main Board of the Stock Exchange. Mrs. Ling had over 30 years of management experience with one of the largest multinational group in Asia and is a Fellow of the Institute of Chartered Management. Mrs. Ling has retired but remains involved in public services such as the Law Reform Commission and the Medical Council. She is also active in charitable organizations, such as the Maggie's Cancer Caring Centre. She is a Vice Patron of the Community Chest.

Directors and Senior Management

SENIOR MANAGEMENT

CHEUNG Siu Lun, age 64, is responsible for the Group's business development. He is a Director of Kaden Construction Limited ("Kaden"), Leader Civil Engineering Corporation Limited ("Leader Civil") and Wai Kee (Zens) Construction & Transportation Company Limited ("WKC&T"). He holds a Bachelor of Science Degree in Civil Engineering from The University of Hong Kong. He is a member of the Institution of Civil Engineers and a fellow of The Hong Kong Institution of Engineers. He is also a Chartered Engineer of UK. He is a member of the Contractors Registration Committee Panel, the Contractors Registration Committee, and the Faculty Advisory Committee of the Faculty of Science and Technology of the Technological and Higher Education Institute of Hong Kong. He has over 40 years of experience in both civil engineering and building construction.

KWOK Chi Ko, Enmale, age 58, is responsible for the Group's contract administration and commercial management for all building and construction related businesses. He is a Director of Kaden, Leader Civil and WKC&T. He holds an Engineering Doctorate Degree, a Master Degree in Arbitration & Dispute Resolution and a Master Degree in Laws. He is a Chartered Quantity Surveyor, a Registered Professional Surveyor (QS) and an Accredited Mediator and has been a Fellow Member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. He has had over 30 years of experience in building and construction industry.

LIU Sing Pang, Simon, age 53, is responsible for the Group's civil engineering operation in Hong Kong. He is a Director and the General Manager of Kaden, as well as a Director of Leader Civil and WKC&T. He is a member of the Institution of Structural Engineers and a fellow member of the Hong Kong Institution of Engineer. He is also a Chartered Engineer of UK. He is Vice Chairman of Civil Engineering Committee of Hong Kong Construction Association. He is also a member of Appeal Tribunal under the Buildings Ordinance, the Appeal Board Panel under the Construction Workers Registration Ordinance, the Committee on Technologist Training of Vocational Training Council and the Registered Contractors' Disciplinary Board Panel under the Buildings Ordinance. He has over 30 years of experience in civil engineering and building construction.

LUI Yau Chun, Paul, age 53, is responsible for the Group's civil and marine engineering operation in Hong Kong. He is a Director and the General Manager (Marine) of WKC&T, a Director of Kaden, Leader Civil and Leader Marine Contractors Limited, and the General Manager of Leader Marine Cont. L.L.C. which was registered in Sharjah, UAE. He is a member of the Institution of Structural Engineers, and of the Hong Kong Institution of Engineers. He has over 30 years of experience in civil and marine engineering.

SO Yiu Wing, Wilfred, age 40, is responsible for the Group's civil engineering operation in Hong Kong. He is a Director of Kaden, Leader Civil and WKC&T. He holds a Bachelor degree in Civil Engineering from The University of Hong Kong. He is a member of The Hong Kong Institution of Engineers and a Registered Professional Engineer (CVL). He has over 15 years of experience in civil engineering construction.

TSANG Wing Ho, Francis, age 57, is responsible for the Group's building operation. He is a Director of Kaden and Leader Civil. He holds a Bachelor of Science degree in Civil Engineering from The City University, UK and a Master degree in General Business Administration from The University of Hull, UK. He is a member of The Institution of Civil Engineers and The Hong Kong Institution of Engineers. He has over 30 years of experience in the construction industry including construction supervision, design and project management.

Directors and Senior Management

SENIOR MANAGEMENT

TSUI Wai Tim, age 52, is responsible for the Group's civil engineering operation in Hong Kong. He is a Director of Kaden, Leader Civil and WKC&T. He has over 30 years of experience in the construction industry. He is a Fellow of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, the Hong Kong Institute of Construction Managers and the Hong Kong Institution of Highways and Transportation. He is currently the Deputy Chairman of the Building Division of the Hong Kong Institution of Engineers, the Deputy Honorary Treasurer and Council Member of the Hong Kong Construction Association, and a Council Member of the Hong Kong Institution of Highways and Transportation.

WU Siu Ho, age 62, is responsible for the Group's new business development. He is a Director of Kaden and Leader Civil. He is also the project director of MTR Contract No. SCL1108 Kai Tak Station and Associated Tunnels. He holds a Bachelor of Science Degree in Engineering from The University of Hong Kong. He has over 35 years of extensive experience in management of engineering companies. He is a member of The Institution of Mechanical Engineers and The Hong Kong Institution of Engineers. He is also a Chartered Engineer of UK.

YUE Pak Lim, age 78, is responsible for the Group's civil engineering operation in Hong Kong. He is a Director of Kaden and Leader Civil. He has over 50 years of extensive experience in management and construction of a wide variety of civil engineering and building projects in Hong Kong. Prior to joining the Group, he had been a Director of several sizeable construction companies in Hong Kong. He was once an Executive Director of Wai Kee.

Directors' Report

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 45 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the five largest customers of the Group together accounted for approximately 93% of the Group's turnover, with the largest customer accounted for approximately 52%, and the five largest suppliers of the Group together represented less than 15% by value of the Group's total purchases.

None of the Directors, or any of their associates, or any shareholders which, to the knowledge of the Directors, owned more than 5% of the Company's share capital, had any beneficial interests in the Group's five largest customers or five largest suppliers as mentioned in the preceding paragraph.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 37 and 38 respectively.

The Board recommends the payment of a final dividend of HK1 cent per ordinary share for the year ended 31 December 2014 to shareholders whose names appear in the register of members of the Company on Friday, 22 May 2015. The details of the final dividend are set out in note 13 to the consolidated financial statements.

Subject to the approval of shareholders at the forthcoming Annual General Meeting, it is expected that the payment of final dividend will be made on or before Thursday, 18 June 2015.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 15 May 2015, the register of members of the Company will be closed from Wednesday, 13 May 2015 to Friday, 15 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 12 May 2015.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is on Friday, 22 May 2015. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 21 May 2015 to Friday, 22 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 20 May 2015.

SEGMENTAL INFORMATION

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

RESERVES

Details of movement in the reserves of the Group for the year is set out in the consolidated statement of changes in equity on page 41.

DISTRIBUTABLE RESERVES

The reserves of the Company which were available for distribution to the shareholders at 31 December 2014 were HK$3,623,000.

FINANCIAL SUMMARY

A summary of the results and of financial position of the Group for the past five financial years is set out on page 99.

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWINGS

Details of the Group's bank borrowings for the year ended 31 December 2014 are set out in note 29 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in notes 30 and 31 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the Company's pension schemes are set out in note 41 to the consolidated financial statements.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

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

Non-executive Directors

David Howard Gem
Cheng Chi Pang, Leslie
Chan Chi Hung, Anthony

Independent Non-executive Directors

Chow Ming Kuen, Joseph
Ng Chi Ming, James
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor (appointed on 30 September 2014)

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

Pursuant to Bye-law 94 of the Company's Bye-laws, Mrs. Ling Lee Ching Man, Eleanor, appointed by the Board as a Director in September 2014, will retire from office at the forthcoming annual general meeting. She, being eligible, will offer herself for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Chan Chi Hung, Anthony, Dr. Chow Ming Kuen, Joseph and Mr. Ng Chi Ming, James shall retire from office by rotation at the forthcoming annual general meeting and are eligible for re-election. Mr. Ng Chi Ming, James has informed the Company that he will not offer himself for re-election. Mr. Chan Chi Hung, Anthony and Dr. Chow Ming Kuen, Joseph, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence during the year ended 31 December 2014 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS

As at 31 December 2014, the interests (including short positions) of the directors (the "Directors") and chief executive of the Company (including their respective spouses, infant children, related trusts and companies controlled by them) in the Shares, convertible securities, warrants, options or derivatives in respect of securities which carried voting rights of the Company and its associated corporations (within the meaning of the Securities & Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position in which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, were as follows:

(I) The Company

Interests in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held Long Position (Note)	Number of Shares held Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Personal	117,475,228	–	9.46
Chang Kam Chuen, Desmond	Personal	1,400,000	–	0.11
David Howard Gem	Personal	900,000	–	0.07
Cheng Chi Pang, Leslie	Personal	1,170,000	–	0.09

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

(II) Associated Corporations

Interests in Shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long Position (Note)	Number of shares held Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Wai Kee Holdings Limited ("Wai Kee")	Personal	185,557,078	–	23.40
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000	–	37.50

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

DIRECTORS' INTERESTS (Continued)

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had any interests or short positions in any equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save as disclosed above, none of the Directors nor any of their associates had any interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTEREST

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2014, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Number of Shares held and percentage of shareholding			
		Long position (Note 1)		**Short position**	
Name of substantial Shareholder	**Capacity/Nature of interest**	**Number of Shares**	**%**	**Number of Shares**	**%**
Top Horizon Holdings Limited ("Top Horizon") (Note 2)	Personal/Beneficiary	635,415,033	51.17	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 3)	Corporate	635,415,033	51.17	–	–
Wai Kee (Note 4)	Corporate	635,415,033	51.17	–	–
Vast Earn Group Limited (Note 5)	Personal/Beneficiary	67,404,052	5.43	–	–
NWS Service Management Limited (incorporated in the British Virgin Islands) (Note 6)	Corporate	67,404,052	5.43	–	–
NWS Service Management Limited (incorporated in the Cayman Islands) (Note 7)	Corporate	67,404,052	5.43	–	–
NWS Holdings Limited (Note 8)	Corporate	67,404,052	5.43	–	–
New World Development Company Limited (Note 9)	Corporate	67,404,052	5.43	–	–
Chow Tai Fook Enterprises Limited (Note 10)	Corporate	67,404,052	5.43	–	–
Chow Tai Fook (Holding) Limited (Note 11)	Corporate	67,404,052	5.43	–	–
Chow Tai Fook Capital Limited (Note 12)	Corporate	67,404,052	5.43	–	–
Cheng Yu Tung Family (Holdings II) Limited (Note 13)	Corporate	67,404,052	5.43	–	–
Cheng Yu Tung Family (Holdings) Limited (Note 14)	Corporate	67,404,052	5.43	–	–

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Continued)

Notes:

1. Long position in the Shares.

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

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

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

5. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).

6. NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited.

7. NWS Service Management Limited (incorporated in the Cayman Islands) is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the British Virgin Islands).

8. NWS Holdings Limited is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the Cayman Islands).

9. New World Development Company Limited is deemed to be interested in the Shares through its interests in its subsidiary, namely NWS Holdings Limited.

10. Chow Tai Fook Enterprises Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.

11. Chow Tai Fook (Holding) Limited is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.

12. Chow Tai Fook Capital Limited is deemed to be interested in the Shares through its interests in its subsidiary, namely Chow Tai Fook (Holding) Limited.

13. Cheng Yu Tung Family (Holdings II) Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.

14. Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.

Save as disclosed above, as at 31 December 2014, no other person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

(1) Consultancy Agreement with Gateway Business Services Limited ("Gateway")

On 21 June 2012, the Company, through its subsidiary, entered into a consultancy agreement (the "Consultancy Agreement") with Gateway (wholly owned by Mr. David Howard Gem). Pursuant to the Consultancy Agreement, the Group agreed to engage Gateway through Mr. Gem to provide consultancy services on normal commercial terms for two years commencing on 1 June 2012 at a consultancy fee (exclusive of travelling and accommodation expenses) of HK$36,000 per month. Subject to the Company's financial performance, the subsidiary may pay a discretionary fee not exceeding HK$10,000 per month to Gateway. If Mr. Gem is requested by the subsidiary to visit countries outside the United Kingdom for more than one week, the charge payable to Gateway per additional week is HK$90,000. The fees to be paid under the Consultancy Agreement for each of the financial years ending 31 December 2012, 2013 and 2014 of the Company is subject to an annual cap amount of HK$800,000, HK$1,500,000 and HK$700,000 respectively.

During the period from 1 January 2014 to 31 May 2014, the fee paid was HK$450,000.

(2) Framework Agreement with Wai Kee

On 18 November 2013, the Company entered into a framework agreement (the "Framework Agreement") with Wai Kee, which is a connected person of the Company by virtue of its being a substantial shareholder of the Company, whereby the Group may, but is not obliged to, purchase ready mixed concrete ("Concrete") from Wai Kee (or its subsidiaries and/or associates) from time to time during the period from 1 January 2014 to 31 December 2016 for the Group's construction projects, subject to the terms and conditions of the Framework Agreement. The maximum aggregate value of the contract sum in respect of the purchase of Concrete by the Group from Wai Kee (or its subsidiaries and/or associates) for the periods concerned under the Framework Agreement are subject to annual caps and shall not exceed the amounts set out below.

Period	Total value not exceeding
1 January 2014 – 31 December 2014	HK$32,000,000
1 January 2015 – 31 December 2015	HK$50,000,000
1 January 2016 – 31 December 2016	HK$43,000,000

During the year, the relevant maximum aggregate value of the contracts was approximate HK$16,666,000 and the transactions are disclosed in note 42 to the consolidated financial statements.

CONNECTED TRANSACTIONS (Continued)

(3) Framework Agreement with Grandeur Building Material (Holdings) Limited ("Grandeur Building")

On 14 February 2014, Leader Marine Contractors Limited ("Leader Marine", a wholly-owned subsidiary of the Company) entered into a framework agreement (the "Framework Agreement") with Grandeur Building, a wholly-owned subsidiary of Wai Kee, for the continuing provision of Transportation Service from time to time for a period from 1 March 2014 to 31 December 2016, subject to the terms and conditions of the Framework Agreement. The maximum total value of the contract sum in respect of the continuing provision of Transportation Service by Leader Marine to Grandeur Building for the periods concerned under the Framework Agreement are subject to proposed caps and shall not exceed the amounts set out below.

Period	Total value not exceeding
1 March 2014 – 31 December 2014	HK$17,000,000
1 January 2015 – 31 December 2015	HK$21,000,000
1 January 2016 – 31 December 2016	HK$21,000,000

During the period from 1 March 2014 to 31 December 2014, the relevant maximum aggregate value of the contracts was approximate HK$12,079,000 and the transactions are disclosed in note 42 to the consolidated financial statements.

The continuing connected transactions mentioned in (1) to (3) above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

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

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;

(iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole; and

(iv) within the caps as disclosed in the relevant announcements.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditor of the Company to report the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

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

Name of Director	Details of changes
Zen Wei Peu, Derek	Mr. Zen's annual salary has been revised from HK$2.64 million to HK$2.82 million with effect from 1 January 2015.
Chang Kam Chuen, Desmond	Mr. Chang's annual salary has been revised from HK$1.91 million to HK$2.05 million with effect from 1 January 2015.
David Howard Gem	On 28 February 2015, Mr. Gem entered into a Letter of Appointment with the Company for the period of three years from 1 March 2015 to 28 February 2018, subject to re-election.
Cheng Chi Pang, Leslie	On 28 February 2015, Dr. Cheng entered into a Letter of Appointment with the Company for the period of three years from 1 March 2015 to 28 February 2018, subject to re-election.
Chan Chi Hung, Anthony	Mr. Chan has been appointed as an independent non-executive director of South East Group Limited (Stock Code: 726) with effect from 30 December 2014. On 28 February 2015, Mr. Chan entered into a Letter of Appointment with the Company for the period of three years from 1 March 2015 to 28 February 2018, subject to re-election.
Chow Ming Kuen, Joseph	On 28 February 2015, Dr. Chow entered into a Letter of Appointment with the Company for the period of three years from 1 March 2015 to 28 February 2018, subject to re-election.
Ng Chi Ming, James	Mr. Ng resigned as an independent non-executive director of iOne Holdings Limited (Stock Code: 982) with effect from 21 July 2014. On 28 February 2015, Mr. Ng entered into a Letter of Appointment with the Company for the period of three years from 1 March 2015 to 28 February 2018, subject to re-election.
Ho Tai Wai, David	On 28 February 2015, Mr. Ho entered into a Letter of Appointment with the Company for the period of three years from 1 March 2015 to 28 February 2018, subject to re-election.
Ling Lee Ching Man, Eleanor	Mrs. Ling has been appointed as an Independent Non-executive Director of the Company with effect from 30 September 2014. In addition, she has entered into a Letter of Appointment with the Company for the initial period from 30 September 2014 to the date of next annual general meeting to be held in 2015, subject to re-election.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximate HK$13,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the per cent of its public float exceeds 25% for the year ended 31 December 2014 and up to 12 March 2015, the latest practicable date to ascertain such information prior to the issue of this annual report.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as Auditor of the Company.

On behalf of the Board

Zen Wei Peu, Derek
Chairman

12 March 2015

CORPORATE GOVERNANCE CODE

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

Throughout the year of 2014, the Company has complied with the code provisions of Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules, except for code provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

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

THE BOARD

Composition

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

Board of Directors

Executive Directors	**Non-executive Directors**	**Independent Non-executive Directors**
Zen Wei Peu, Derek *(Chairman, Chief Executive Officer and Managing Director)*	David Howard Gem	Chow Ming Kuen, Joseph
Chang Kam Chuen, Desmond	Cheng Chi Pang, Leslie	Ng Chi Ming, James
	Chan Chi Hung, Anthony	Ho Tai Wai, David
		Ling Lee Ching Man, Eleanor

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

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

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

THE BOARD (Continued)

Appointment and Re-election

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

Non-executive Directors

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

Independence of Independent Non-executive Directors

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

Role and Delegation

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

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

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

THE BOARD (Continued)

Role and Delegation (Continued)

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

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

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

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

THE BOARD (Continued)

Board Meetings

The Board meets regularly at least four times each year and additional meetings are arranged if and when required. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. During the year, the attendance records of individual Directors at the Board meetings, meetings of three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, the annual general meeting held on 9 May 2014 and the special general meeting held on 14 March 2014 are set out below:

		Meetings attended/held				
Name of Director	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting held on 9 May 2014	Special General Meeting held on 14 March 2014
Executive Directors						
Zen Wei Peu, Derek	6/6	–	2/2	3/3	1	1
Chang Kam Chuen, Desmond	6/6	–	–	–	1	1
Non-executive Directors						
David Howard Gem	6/6	–	–	–	0	0
Cheng Chi Pang, Leslie	5/6	–	–	–	1	0
Chan Chi Hung, Anthony	6/6	–	–	–	1	1
Independent Non-executive Directors						
Chow Ming Kuen, Joseph	6/6	4/4	2/2	3/3	1	1
Ng Chi Ming, James	5/6	3/4	2/2	3/3	1	1
Ho Tai Wai, David	6/6	4/4	2/2	3/3	1	1
Ling Lee Ching Man, Eleanor (appointed on 30 September 2014)	1/1	–	–	–	–	–

Note:

"-": Not Applicable

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

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

All Directors have direct access to the Company Secretary who is responsible for advising the Board on corporate governance and compliance issues. The Company Secretary is also responsible for taking the minutes of Board and Board Committees' meetings. Such minutes are open for inspection by Directors.

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

THE BOARD (Continued)

Induction and Continuous Professional Development

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

During the year, briefing of the Group's business was given to the newly appointed Director and a comprehensive induction package on the directors' duties was provided to her. In addition, a seminar relating to the latest amendments to the Listing Rules as well as New Companies Ordinance was organised for the Directors.

All Directors are requested to provide the Company with their respective training records pursuant to the Code. Trainings received by each of the Directors during the period from 1 January 2014 to 31 December 2014 are summarized as follows:

Name of Director	Type of continuous professional development
Executive Directors	
Zen Wei Peu, Derek	A,B
Chang Kam Chuen, Desmond	A,B
Non-executive Directors	
David Howard Gem	B
Cheng Chi Pang, Leslie	A,B
Chan Chi Hung, Anthony	A,B
Independent Non-executive Directors	
Chow Ming Kuen, Joseph	A,B
Ng Chi Ming, James	A,B
Ho Tai Wai, David	A,B
Ling Lee Ching Man, Eleanor (appointed on 30 September 2014)	A,B

A: attending seminars and/or conference and/or forum
B: reading newspapers, journals and updates relating to the economy, general business, accounting, laws, rules and regulations, etc.

Directors' and Officers' Liability Insurance and Indemnity

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

THE BOARD (Continued)

Chairman and Chief Executive Officer

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

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

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

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

Board Diversity Policy

The Board has adopted a Board Diversity Policy to comply with a new code provision on board diversity effective from 1 September 2013. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the year, the Board appointed an Independent Non-executive Director as an addition to the Board. In the nomination process for the new appointment, the Nomination Committee has considered diversity factors in the Board Diversity Policy to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

BOARD COMMITTEES

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

Audit Committee

Composition

The Audit Committee was formed in 2004 and currently comprises three members, namely Mr. Ng Chi Ming, James (Chairman of the Audit Committee), Dr. Chow Ming Kuen, Joseph and Mr. Ho Tai Wai, David, all of whom are Independent Non-executive Directors.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

Role and Function

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

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2014 and up to the date of this report:

- Approval of remuneration and terms of engagement of the external auditor;
- Review of the annual results of the Group for the years ended 31 December 2013 and 2014, and the interim results of the Group for the six months ended 30 June 2014;
- Review of the Group's financial information, financial reporting procedures, internal control system, risk management, and financial and accounting policies and practices;
- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to supply non-audit services;
- Review of the audit plan for financial year ended 31 December 2014;
- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation;
- Recommendation to the Board to re-appoint the external auditor at the 2014 and 2015 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Review of the 2015 internal audit plan;
- Review of the findings in the internal control reports;
- Review of reporting mechanism for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters related to the Company;
- Review of the continuing connected transactions of the Company; and
- Meetings with the external auditor, in the absence of Executive Directors and management.

BOARD COMMITTEES (Continued)

Nomination Committee

Composition

The Nomination Committee was set up in February 2012 and currently comprises four members, namely Mr. Ho Tai Wai, David (Chairman of the Nomination Committee), Dr. Chow Ming Kuen, Joseph, Mr. Ng Chi Ming, James and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

Role and Function

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

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2014 and up to the date of this report:

- Review of the structure, size and composition (including but not limited to gender, age, cultural background, educational background, skills, knowledge, professional experience and/or length of service) of the Board;
- Review of its constitution and terms of reference;
- Recommendation to the Board on the appointment of the nominated Independent Non-executive Director;
- Review of the Board Diversity Policy and the measurable objectives for implementing diversity on the Board;
- Assessment of the independence of the Independent Non-executive Directors; and
- Determination of the rotation of the Directors for the annual general meeting to be held in May 2015.

Nomination Procedures

Appointments of new Directors are first considered by the Nomination Committee. In considering the appointment of a Director, this Committee applies criteria such as relevant experience, professional and educational background. The recommendations of this Committee are then put to the Board for consideration and approval. Thereafter, any Director appointed by the Board is subject to re-election at the general meeting after his/her appointment.

In September 2014, the Board approved the appointment for Mrs. Ling Lee Ching Man, Eleanor as an Independent Non-executive Director of the Company, who will retire from office at the forthcoming annual general meeting and, being eligible, offer herself for re-election at the forthcoming annual general meeting.

BOARD COMMITTEES (Continued)

Remuneration Committee

Composition

The Remuneration Committee was formed in 2005 and currently comprises four members, namely Dr. Chow Ming Kuen, Joseph (Chairman of the Remuneration Committee), Mr. Ng Chi Ming, James, Mr. Ho Tai Wai, David and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

Role and Function

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

Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2014 and up to the date of this report:

- Approval of the service contract of an Executive Director;
- Approval of year end bonus of Executive Directors for 2013 and 2014;
- Approval of emoluments of Executive Directors (where Mr. Zen Wei Peu, Derek abstained from voting in determining his own remuneration) and senior management;
- Approval of salary adjustment in 2014 and 2015; and
- Make recommendations on remuneration of the nominated Independent Non-Executive Director.

Remuneration policy

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

The remuneration of a Director is determined with reference to his duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of Directors for the year ended 31 December 2014 are set out in note 10 to the consolidated financial statements of this annual report. The emoluments paid to senior management for the year ended 31 December 2014 were within the following bands:

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' Securities Transactions. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2014.

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu has been re-appointed as the Company's external auditor at the annual general meeting of 2014 until the conclusion of the next annual general meeting.

The fees paid to external auditor for audit and non-audit services for the year ended 31 December 2014 are as follows:

Type of services	**Fee paid/payable** HK$
Audit fee	1,420,000
Non-audit services	
Interim review fee	449,000
Other services	266,000
Total	2,135,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out on page 36 in the Independent Auditor's Report forming part of this annual report.

INTERNAL CONTROL

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

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

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's internal control system put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31 December 2014. The Audit Committee considered the internal control system of the Company and its subsidiaries was effective and adequate.

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

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

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

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT

The Group is dedicated to excellence in Quality, Safety and Environmental Protection. Since 2004, it has adopted an Integrated Management System, which is a total management and systematic approach comprising a consistent set of standards and processes, that are applied uniformly across the Group. The system is being constantly reviewed and amended to suit changing circumstances and new legislation. Continual monitoring and reporting at all levels is carried out together with internal and external audits to ensure full compliance. As a testament of the commitment, the Group continues to be accredited under the relevant international standards; namely: ISO9001:2008, OHSAS18001:2007 and ISO14001:2004.

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

- Construction Sites Housekeeping Award Scheme 2013 (Meritorious Award) presented by Drainage Services Department, Hong Kong SAR Government
- Innovative Safety Initiative Award 2014 – Operational Device Category (Merit Award) presented by Construction Industry Council
- Innovative Safety Initiative Award 2014 – Safety Management System, Training & Promotion (Bronze Award) presented by Construction Industry Council
- Best Contractor Award (Silver Award) presented by MTR Corporation Limited
- DNV Independent Audit Highest Audit Score Award presented by MTR Corporation Limited
- Best Site Condition Award presented by MTR Corporation Limited
- Gold Quality Award presented by MTR Corporation Limited
- 3 numbers of HKCA Safety Merit Award presented by The Hong Kong Construction Association
- 2 numbers of HKCA Environmental Merit Award presented by The Hong Kong Construction Association

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

SHAREHOLDERS' RIGHTS

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

INVESTOR RELATIONS

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

Independent Auditor's Report

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Build King Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 98, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	5	**3,237,341**	2,193,098
Cost of sales		**(3,017,594)**	(2,060,683)
Gross profit		**219,747**	132,415
Investments and other income	7	**5,079**	8,796
(Decrease) increase in fair value of held-for-trading investments		**(4,031)**	3,990
Administrative expenses		**(163,334)**	(119,811)
Finance costs	8	**(3,559)**	(4,324)
Share of results of associates		**619**	643
Profit before tax	9	**54,521**	21,709
Income tax expense	12	**(1,907)**	(1,495)
Profit for the year		**52,614**	20,214
Profit for the year attributable to:			
Owners of the Company		**55,203**	21,330
Non-controlling interests		**(2,589)**	(1,116)
		52,614	20,214
		HK cents	HK cents
Earnings per share	14		
– Basic		**4.5**	1.7

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	**52,614**	20,214
Other comprehensive (expense) income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(2,557)**	2,569
Total comprehensive income for the year	**50,057**	22,783
Total comprehensive income attributable to:		
Owners of the Company	**52,739**	23,810
Non-controlling interests	**(2,682)**	(1,027)
	50,057	22,783

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	**110,550**	76,311
Intangible assets	16	**68,632**	71,110
Goodwill	17	**30,554**	30,554
Interest in a joint venture	19	**–**	–
Available-for-sale investment	20	**–**	–
Other financial asset	21	**49,421**	52,390
		259,157	230,365
Current assets			
Amounts due from customers for contract work	22	**461,531**	325,487
Debtors, deposits and prepayments	23	**779,897**	784,056
Amounts due from fellow subsidiaries	24	**1,636**	3,148
Amounts due from associates	24	**7,590**	7,541
Amount due from a joint venture	24	**321**	321
Amounts due from other partners of joint operations	24	**139,840**	66,601
Held-for-trading investments	25	**25,804**	44,948
Tax recoverable		**148**	1,482
Pledged bank deposits	26	**60**	30
Bank balances and cash	26	**410,873**	299,082
		1,827,700	1,532,696
Current liabilities			
Amounts due to customers for contract work	22	**648,641**	643,952
Creditors and accrued charges	27	**801,126**	599,149
Amount due to an intermediate holding company	28	**9,242**	7,225
Amount due to an associate	34	**13,264**	12,159
Amount due to a joint venture	28	**1,142**	1,142
Amounts due to other partners of joint operations	28	**138,304**	69,849
Amounts due to non-controlling interests	28	**3,094**	3,094
Tax payable		**1,698**	–
Bank loans - due within one year	29	**95,758**	94,497
		1,712,269	1,431,067
Net current assets		**115,431**	101,629
Total assets less current liabilities		**374,588**	331,994

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Capital and reserves			
Ordinary share capital	30	**124,188**	124,188
Reserves		**221,643**	175,624
Equity attributable to owners of the Company		**345,831**	299,812
Non-controlling interests		**1,068**	3,239
Total equity		**346,899**	303,051
Non-current liabilities			
Deferred tax liabilities	32	**5,750**	5,750
Obligations in excess of interests in associates	33	**16,533**	17,152
Amount due to an associate	34	**5,406**	6,041
		27,689	28,943
		374,588	331,994

The consolidated financial statements on pages 37 to 98 were approved and authorised for issue by the Board of Directors on 12 March 2015 and are signed on its behalf by:

Zen Wei Peu, Derek
Chairman

Chang Kam Chuen, Desmond
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Ordinary share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note a)	Special reserve HK$'000 (Note b)	Asset revaluation reserve HK$'000	Retained profits HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	124,188	14,186	14,331	–	(63,141)	4,290	182,580	276,434	15,605	292,039
Profit for the year	–	–	–	–	–	–	21,330	21,330	(1,116)	20,214
Exchange differences arising on translation of foreign operations	–	–	2,480	–	–	–	–	2,480	89	2,569
Total comprehensive income for the year	–	–	2,480	–	–	–	21,330	23,810	(1,027)	22,783
Acquisition of additional interests in a subsidiary	–	–	–	(432)	–	–	–	(432)	(11,339)	(11,771)
At 31 December 2013	124,188	14,186	16,811	(432)	(63,141)	4,290	203,910	299,812	3,239	303,051
Profit for the year	–	–	–	–	–	–	55,203	55,203	(2,589)	52,614
Exchange differences arising on translation of foreign operations	–	–	(2,464)	–	–	–	–	(2,464)	(93)	(2,557)
Total comprehensive (expense) income for the year	–	–	(2,464)	–	–	–	55,203	52,739	(2,682)	50,057
Acquisition of additional interest in a subsidiary	–	–	–	(511)	–	–	–	(511)	511	–
Dividend paid	–	–	–	–	–	–	(6,209)	(6,209)	–	(6,209)
At 31 December 2014	124,188	14,186	14,347	(943)	(63,141)	4,290	252,904	345,831	1,068	346,899

Notes:

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

b. The special reserve represents adjustment in share capital on the reverse acquisition of the Company in 2004.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Operating activities		
Profit before tax	**54,521**	21,709
Adjustments for:		
Finance costs	**3,559**	4,324
Amortisation of intangible assets	**1,519**	1,342
Depreciation of property, plant and equipment	**15,659**	15,224
Impairment loss recognised on goodwill	**2,177**	–
Share of results of associates	**(619)**	(643)
Gain on disposal of property, plant and equipment	**(280)**	(91)
Decrease (increase) in fair value of held-for-trading investments	**4,031**	(3,990)
Dividends from held-for-trading investments	**(1,933)**	(1,575)
Interest on bank deposits	**(96)**	(242)
Interest on other financial asset	**(1,347)**	(1,430)
Interest on held-for-trading investments	**(287)**	(1,477)
Operating cash flows before movements in working capital	**76,904**	33,151
Decrease (increase) in other financial asset	**2,969**	(95)
Increase in amounts due from customers for contract work	**(114,120)**	(55,108)
Decrease (increase) in debtors, deposits and prepayments	**5,763**	(158,514)
Decrease in held-for-trading investments	**15,113**	66
Increase in amounts due to customers for contract work	**4,689**	351,964
Increase in creditors and accrued charges	**201,977**	52,100
Cash generated from operations	**193,295**	223,564
Interest on other financial asset	**1,347**	1,430
Interest on held-for-trading investments received	**287**	1,035
Interest on bank deposits received	**431**	242
Income taxes refunded (paid)	**1,125**	(3,306)
Net cash from operating activities	**196,485**	222,965

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Investing activities			
(Advance to) repayment from associates		**(49)**	11
Dividends from held-for-trading investments		**1,933**	1,575
Purchases of property, plant and equipment		**(72,838)**	(44,823)
(Advances to) repayment from other partners of joint operations		**(560)**	3,793
Placement of pledged bank deposits		**(30)**	(20)
Proceeds from disposal of property, plant and equipment		**953**	1,032
Additions of intangible assets		**–**	(6,478)
Acquisition of additional interests in a subsidiary		**–**	(11,771)
Acquisition of additional interest in a joint operation	43	**(8,000)**	–
Net cash used in investing activities		**(78,591)**	(56,681)
Financing activities			
New banks loans raised		**83,800**	50,000
Repayment of bank loans		**(82,539)**	(70,180)
Interest paid		**(3,089)**	(3,889)
Advances from (repayment to) fellow subsidiaries		**1,512**	(1,995)
Advances from an intermediate holding company		**2,017**	2,076
Dividend paid		**(6,209)**	–
Net cash used in financing activities		**(4,508)**	(23,988)
Net increase in cash and cash equivalents		**113,386**	142,296
Cash and cash equivalents at beginning of the year		**299,082**	155,100
Effect of foreign exchange rate changes, net		**(1,595)**	1,686
Cash and cash equivalents at end of the year		**410,873**	299,082
Represented by:			
Bank balances and cash		**410,873**	299,082

1. GENERAL

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

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and joint venture are set out in notes 45, 33 and 19 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) - Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions, and valuation techniques used which are in line with the disclosure required by HKFRS 13. On the other hand, the amendments remove the requirement to disclose the recoverable amount of a CGU to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal impairment of the related CGU.

The adoption of such amendments does not have any impact to the Group.

The application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plant[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[3]

1 Effective for accounting periods beginning on or after 1 July 2014.
2 Effective for accounting periods beginning on or after 1 July 2014, with limited exceptions.
3 Effective for accounting periods beginning on or after 1 January 2016.
4 Effective for first annual financial statements beginning on or after 1 January 2016.
5 Effective for accounting periods beginning on or after 1 January 2017.
6 Effective for accounting periods beginning on or after 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The management of the Group anticipates that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Other than that, the management anticipates that the application of the above new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Derecognition and Measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Construction contract

When the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the value of work performed during the year. Variations in contract work, claims, and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Others

Service income, including that from operating service provided under service concession arrangements, is recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

Where the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised in profit or loss by reference to the stage of completion of the contract activity at the end of the reporting period as measured by the proportion that the value of work performed to date to the estimated total contract value. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipts is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts in progress at the end of the reporting period are recorded in the consolidated statement of financial position at the net amount of costs incurred to date plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as “Amounts due from customers for contract work” or “Amounts due to customers for contract work”, as appropriate. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, under “Creditors and accrued charges”. Amounts billed, but not yet paid by the customers, for work performed on contracts are included in the consolidated statement of financial position under “Debtors, deposits and prepayments”.

Service concession arrangements

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

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

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

The Group recognises and measures revenue for the services in relation to the operation of the plant under a service concession arrangement in accordance with HKAS 11 “Construction Contracts” and HKAS 18 “Revenue”.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis.

Foreign currencies

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

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

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

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair values at the acquisition date (which is regarded at their cost).

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Service concession arrangements

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost (which equals to fair value at initial recognition) less accumulated amortisation and any accumulated impairment losses. Amortisation commences when the intangible asset is available for use.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a post event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the account of the obligation.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss are the financial assets held for trading.

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss are measured at fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss exclude any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other financial asset, debtors, amounts due from fellow subsidiaries, associates, a joint venture and other partners of joint operations, pledged bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Effective interest method

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

Impairment loss on financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For certain categories of financial assets, such as debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investment, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities.

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Estimated impairment of intangible assets with indefinite useful lives arising from acquisition of a subsidiary

Determining the recoverable amounts of the intangible assets (i.e. construction licenses with indefinite useful lives) arising from the acquisition of a subsidiary, which are included in the consolidated statement of financial position at 31 December 2014 at HK$32,858,000 (2013: HK$32,858,000), requires an estimation of the revenues to be generated in future periods from the acquired construction licenses. The construction projects continue to progress in a satisfactory manner, and the new projects successfully secured by the Group have reconfirmed management's previous estimates of anticipated revenues generated from the acquired construction licenses. However, increased market competition has caused the management to reconsider its assumptions regarding future market share and anticipated margins on these construction projects. Detailed sensitivity analysis has been carried out and the management is confident that the carrying amount of the intangible assets will be recovered in full, even if returns are reduced. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates such adjustments are appropriate.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate is applied in order to calculate the present value. As at 31 December 2014, the carrying amount of goodwill is HK$30,554,000 (2013: HK$30,554,000). Details of the recoverable amount calculation are disclosed in note 18.

Income taxes

As at 31 December 2014, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK$156,925,000 (2013: HK$194,506,000) due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such recognition takes place.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Construction contracts

The Group recognised profits and losses from construction contracts, which were derived from the latest available budgets of the construction contracts based on the overall performance of each construction contract and the management's best estimates and judgments. Estimated construction income is determined in accordance with the terms set out in the relevant contracts. Estimated construction costs which mainly comprise sub-contracting charges and costs of materials are proposed by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction income and costs.

The Group's estimated profits from construction contracts of its joint ventures were principally derived from the construction contracts carried out by the joint ventures. These figures were derived from the latest available budgets of the construction contracts which were prepared by the management of the respective joint ventures and the Group, and were based on the overall performance of each construction contract.

5. REVENUE

Revenue represents mainly the revenue on construction contracts recognised during the year.

6. SEGMENTAL INFORMATION

The Group is mainly engaged in civil engineering work. Information reported to the Group's chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and assessment of performance is focused on geographical location of its customers including Hong Kong, People's Republic of China (the "PRC") and the Middle East. The Group's operating and reportable segments are as follows:

Year ended 31 December 2014

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Results				
Segment revenue	3,214,927	22,414	–	3,237,341
Segment profit (loss)	55,416	8,973	(2,324)	62,065
Unallocated expenses				(2,793)
Investments income				2,220
Decrease in fair value of held-for-trading investments				(4,031)
Share of results of associates				619
Finance costs				(3,559)
Profit before tax				54,521

6. SEGMENTAL INFORMATION (Continued)

Year ended 31 December 2013

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Results				
Segment revenue	2,165,199	27,899	–	2,193,098
Segment profit (loss)	12,519	10,283	(2,464)	20,338
Unallocated expenses				(1,990)
Investments income				3,052
Increase in fair value of held-for-trading investments				3,990
Share of results of associates				643
Finance costs				(4,324)
Profit before tax				21,709

There are no inter-segment sales for both years.

All of the segment revenue reported above is from external customers.

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of dividends from held-for-trading investments, interest on held-for-trading investments, change in fair value of held-for-trading investments, share of results of associates, finance costs and unallocated expenses.

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2014

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Assets				
Segment assets	1,461,544	108,146	48,811	1,618,501
Unallocated assets				468,356
Total consolidated assets				2,086,857
Liabilities				
Segment liabilities	1,611,557	3,534	2,505	1,617,596
Obligations in excess of interests in associates				16,533
Unallocated liabilities				105,829
Total consolidated liabilities				1,739,958

For the year ended 31 December 2014

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (Note)	72,341	497	–	72,838
Amortisation of intangible assets	–	1,519	–	1,519
Depreciation of property, plant and equipment	15,551	66	42	15,659
Impairment loss recognised on goodwill	2,177	–	–	2,177
Gain on disposal of property, plant and equipment	239	41	–	280
Interest income on bank deposits and other financial asset	41	1,402	–	1,443
Insurance claim on loss of plant and machinery	301	–	–	301

Note: Non-current assets included all non-current assets except goodwill and available-for-sale investment.

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2013

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Assets				
Segment assets	1,221,439	110,432	49,982	1,381,853
Unallocated assets				381,208
Total consolidated assets				1,763,061
Liabilities				
Segment liabilities	1,330,057	6,284	3,647	1,339,988
Obligations in excess of interests in associates				17,152
Unallocated liabilities				102,870
Total consolidated liabilities				1,460,010

For the year ended 31 December 2013

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (Note)	44,784	6,487	30	51,301
Amortisation of intangible assets	–	1,342	–	1,342
Depreciation of property, plant and equipment	15,156	26	42	15,224
Gain on disposal of property, plant and equipment	–	–	91	91
Interest income on bank deposits and other financial asset	99	1,573	–	1,672
Insurance claim on loss of plant and machinery	2,169	–	–	2,169

Note: Non-current assets included all non-current assets except goodwill and available-for-sale investment.

6. SEGMENTAL INFORMATION (Continued)

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

- all assets are allocated to reportable segments other than goodwill, available-for-sale investment, held-for-trading investments, certain deposits and prepayments, pledged bank deposit, and bank balances and cash; and

- all liabilities are allocated to reportable segments other than certain creditors and accrued charges, tax payable, bank loans, deferred tax liabilities, obligations in excess of interests in associates, and certain corporate liabilities.

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

	Non-current assets	
	2014	2013
	HK$'000	HK$'000
Hong Kong	**172,403**	138,532
The PRC	**36,314**	38,369
Middle East	**1,019**	1,074
	209,736	177,975

Note: Non-current assets included all non-current assets except available-for-sale investment and other financial asset.

Revenue from customers of the corresponding years contributing over 10% of the Group's revenue are as follows:

	2014	2013
	HK$'000	HK$'000
Customer A[1]	**1,681,236**	1,062,937
Customer B[1]	**969,298**	711,608

[1] Revenue from customers located in Hong Kong.

7. INVESTMENTS AND OTHER INCOME

	2014 **HK$'000**	2013 HK$'000
Investments and other income include:		
Dividends from held-for-trading investments	**1,933**	1,575
Gain on disposal of property, plant and equipment	**280**	91
Interest on bank deposits	**96**	242
Interest on other financial asset	**1,347**	1,430
Interest on held-for-trading investments	**287**	1,477
Insurance claim on loss of plant and machinery	**301**	2,169

8. FINANCE COSTS

	2014 **HK$'000**	2013 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**3,089**	3,889
Imputed interest expense on non-current interest-free amount due to an associate	**470**	435
	3,559	4,324

9. PROFIT BEFORE TAX

	2014 HK$'000	2013 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration		
Current year	**1,420**	1,420
Underprovision in prior years	**437**	–
	1,857	1,420
Depreciation of property, plant and equipment	**37,938**	31,924
Less: amount attributable to construction contracts	**(22,279)**	(16,700)
	15,659	15,224
Hire charges for plant and machinery	**133,577**	93,463
Less: amount attributable to construction contracts	**(133,577)**	(93,463)
	–	–
Amortisation of intangible assets	**1,519**	1,342
Net foreign exchange losses (gains)	**290**	(23)
Impairment loss recognised on goodwill	**2,177**	–
Operating lease rentals in respect of land and buildings	**16,537**	7,744
Less: amount attributable to construction contracts	**(9,834)**	(2,178)
	6,703	5,566
Staff costs:		
Directors' remuneration (note 10)	**9,435**	8,968
Other staff costs	**530,788**	423,912
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$562,000 (2013: HK$595,000)	**17,883**	13,692
	558,106	446,572
Less: amount attributable to construction contracts	**(442,108)**	(364,829)
	115,998	81,743

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the eight (2013: eight) directors and the chief executive were as follows:

	Fees HK$'000	**Salaries and other benefits HK$'000**	**Retirement benefits scheme contributions HK$'000**	**Total emoluments HK$'000**
Year ended 31 December 2014				
Zen Wei Peu, Derek	**–**	**6,140**	**17**	**6,157**
Chang Kam Chuen, Desmond	**–**	**2,085**	**185**	**2,270**
David Howard Gem	**168**	**–**	**–**	**168**
Cheng Chi Pang, Leslie	**168**	**–**	**–**	**168**
Chow Ming Kuen, Joseph	**168**	**–**	**–**	**168**
Ng Chi Ming, James	**168**	**–**	**–**	**168**
Ho Tai Wai, David	**168**	**–**	**–**	**168**
Chan Chi Hung, Anthony	**168**	**–**	**–**	**168**
	1,008	**8,225**	**202**	**9,435**

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 December 2013				
Zen Wei Peu, Derek	–	5,877	15	5,892
Chang Kam Chuen, Desmond	–	1,899	169	2,068
David Howard Gem	168	–	–	168
Cheng Chi Pang, Leslie	168	–	–	168
Chow Ming Kuen, Joseph	168	–	–	168
Ng Chi Ming, James	168	–	–	168
Ho Tai Wai, David	168	–	–	168
Chan Chi Hung, Anthony	168	–	–	168
	1,008	7,776	184	8,968

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

Neither the chief executive nor any of the directors waived any emoluments for both years ended 31 December 2014 and 2013.

11. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included one (2013: one) director, details of whose emoluments are set out in note 10 above. The emoluments of the remaining four (2013: four) highest paid individuals were as follows:

	2014	2013
	HK$'000	HK$'000
Salaries and other benefits	**9,751**	8,956
Retirement benefits scheme contributions	**696**	644
	10,447	9,600

Their emoluments were within the following bands:

	Number of employees	
	2014	2013
HK$2,000,001 to HK$2,500,000	**2**	3
HK$2,500,001 to HK$3,000,000	**2**	1

12. INCOME TAX EXPENSE

	2014	2013
	HK$'000	HK$'000
Current tax:		
Other jurisdictions	**1,690**	1,484
Under(over)provision in prior years:		
Hong Kong	**204**	(6)
Other jurisdictions	**13**	17
	217	11
	1,907	1,495

Hong Kong Profits Tax is provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits.

No provision for Hong Kong Profits Tax for both years has been made in the consolidated financial statements as the estimated assessable profit has been wholly absorbed by tax losses brought forward.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

12. INCOME TAX EXPENSE (Continued)

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

	2014 HK$'000	2013 HK$'000
Profit before tax	**54,521**	21,709
Taxation at the applicable rate of 16.5% (2013: 16.5%)	**8,996**	3,582
Tax effect of share of results of associates	**(102)**	(106)
Tax effect of expenses that are not deductible in determining taxable profit	**5,524**	1,746
Tax effect of income that is not taxable in determining taxable profit	**(3,646)**	(91)
Underprovision in prior years	**217**	11
Tax effect of unrecognised tax losses	**23,585**	8,104
Tax effect of utilisation of tax losses previously not recognised	**(29,786)**	(9,823)
Tax effect on concessionary rate	**837**	622
Others	**(3,718)**	(2,550)
Income tax expense for the year	**1,907**	1,495

13. DIVIDEND

A final dividend for the year ended 31 December 2014 of HK1 cent (2013: HK0.5 cent) per ordinary share, totaling HK$12,419,000 based on 1,241,877,992 shares (2013: approximately HK$6,209,000 based on 1,241,877,992 shares) has been proposed by the board of directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

14. EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per ordinary share	**55,203**	21,330

	Number of shares	
	2014 '000	2013 '000
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share	**1,241,878**	1,241,878

The Company has no potential ordinary shares outstanding during both years. Accordingly, no diluted earnings per share information is presented.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Total HK$'000
COST						
At 1 January 2013	4,930	59,206	28,593	7,511	68,682	168,922
Exchange realignment	–	–	22	11	–	33
Additions	119	31,897	7,840	725	4,242	44,823
Disposals	–	(705)	(615)	(7)	–	(1,327)
At 31 December 2013	5,049	90,398	35,840	8,240	72,924	212,451
Exchange realignment	–	–	(21)	(10)	–	(31)
Additions	27	68,034	2,684	1,761	332	72,838
Disposals	(33)	(976)	(8)	(266)	–	(1,283)
At 31 December 2014	**5,043**	**157,456**	**38,495**	**9,725**	**73,256**	**283,975**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2013	1,977	33,485	25,254	6,416	37,441	104,573
Exchange realignment	–	–	19	10	–	29
Provided for the year	1,860	17,315	3,227	518	9,004	31,924
Eliminated on disposals	–	(114)	(268)	(4)	–	(386)
At 31 December 2013	3,837	50,686	28,232	6,940	46,445	136,140
Exchange realignment	–	–	(18)	(10)	–	(28)
Provided for the year	1,223	27,275	3,514	595	5,331	37,938
Eliminated on disposals	(33)	(351)	(8)	(233)	–	(625)
At 31 December 2014	**5,027**	**77,610**	**31,720**	**7,292**	**51,776**	**173,425**
CARRYING VALUES						
At 31 December 2014	**16**	**79,846**	**6,775**	**2,433**	**21,480**	**110,550**
At 31 December 2013	1,212	39,712	7,608	1,300	26,479	76,311

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	$33^{1}/_{3}$% or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% – 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Vessels	10% – 15%

16. INTANGIBLE ASSETS

	Construction licenses HK$'000 (Note a)	Service concession arrangement HK$'000 (Note b)	Total HK$'000
COST			
At 1 January 2013	32,858	35,396	68,254
Exchange realignment	–	965	965
Additions	–	6,478	6,478
At 31 December 2013	32,858	42,839	75,697
Exchange realignment	–	(1,074)	(1,074)
At 31 December 2014	**32,858**	**41,765**	**74,623**
AMORTISATION			
At 1 January 2013	–	3,159	3,159
Exchange realignment	–	86	86
Charge for the year	–	1,342	1,342
At 31 December 2013	–	4,587	4,587
Exchange realignment	–	(115)	(115)
Charge for the year	–	1,519	1,519
At 31 December 2014	**–**	**5,991**	**5,991**
CARRYING VALUES			
At 31 December 2014	**32,858**	**35,774**	**68,632**
At 31 December 2013	32,858	38,252	71,110

16. INTANGIBLE ASSETS (Continued)

Notes:

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

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

Various studies including sensitivity analysis and market trends have been carried out by the management of the Group, which supports that the construction licenses have no foreseeable limit to the period over which the construction licenses are expected to generate net cash inflow for the Group. As a result, the construction licenses are considered by the management of the Group as having an indefinite useful life because it is expected to contribute net cash inflow indefinitely. The construction licenses will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars regarding the impairment testing on construction licenses are disclosed in note 18.

(b) A subsidiary of the Company, Wuxi Qianhui Sewage Treatment Co., Ltd. ("Wuxi Qianhui"), entered into a service concession arrangement with the local government whereby Wuxi Qianhui is required to build the infrastructure of a sewage treatment plant phase II (see note 21 for details of sewage treatment plant phase I) and is granted an exclusive operating right for provision of sewage treatment services to the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province of the PRC for a term of 30 years.

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

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

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

17. GOODWILL

The amount represents goodwill arising on the reverse acquisition of the Company in 2004 and the acquisition of additional interest in a joint operation during the year (note 43). Particulars regarding impairment testing on goodwill are disclosed in note 18.

18. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purpose of impairment testing of goodwill arising on the reverse acquisition of the Company in 2004, goodwill has been allocated to the group of underlying CGU which represents the Company and its subsidiaries in existence at the time of reverse acquisition of the Company in 2004.

For the purpose of impairment testing of goodwill arising on the acquisition of additional interest in a joint operation during the year, goodwill has been allocated to the underlying CGU and represents the control premium and potential for revenue growth and future market development.

For the purpose of impairment testing, intangible assets with indefinite useful lives set out in note 16 have been allocated to a CGU, a subsidiary, acquired in 2005, which is included in Hong Kong segment and holds the construction licenses granted by the Works Branch, Development Bureau of the HKSAR and through which it is eligible to undertake government construction contracts for all five categories of public works with no limitation in contract sum.

The recoverable amounts of the above groups of CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. All value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, and a discount rate of 10% (2013: 10%). Cash flow projections during the budget period for the CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

At the end of reporting period, the management writes off the goodwill arising from the acquisition of additional interest in a joint operation amounted to HK$2,177,000.

19. INTEREST IN A JOINT VENTURE

	2014 **HK$'000**	2013 HK$'000
Cost of investment in unlisted joint venture	**–**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**–**	–
	–	–

19. INTEREST IN A JOINT VENTURE (Continued)

At 31 December 2014 and 2013, the Group had interest in the following joint venture:

Name of jointly venture	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group		Principal activities
			2014	2013	
			%	%	
Hip Hing-Leader JV Limited	Incorporated	Hong Kong	**33.3**	33.3	Civil engineering

The summarised financial information in respect of the Group's joint venture, Hip Hing-Leader JV Limited is set out below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2014	2013
	HK$'000	HK$'000
Current liabilities	**(3,429)**	(3,429)

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

	2014	2013
	HK$'000	HK$'000
Net liabilities of the joint venture	**(3,429)**	(3,429)
Proportion of the Group's ownership interest in a joint venture	**33.3%**	33.3%
Carrying amount of the Group's interest in a joint venture	**–**	–

20. AVAILABLE-FOR-SALE INVESTMENT

	2014	2013
	HK$'000	HK$'000
Unlisted equity securities, at cost	**800**	800
Less: Impairment loss recognised	**(800)**	(800)
	–	–

The unlisted investment represents investment in unlisted equity securities issued by private entities incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair values cannot be measured reliably.

21. OTHER FINANCIAL ASSET

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

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

Under the service concession arrangement, the local government of Qian Qiao Zhen guarantees a minimum volume of sewage to be treated by the plant with a fixed predetermined rate per tons of sewage. The agreed price will be reviewed annually. Therefore, the service concession arrangement is classified as financial assets. The fair value of the consideration receivable for the construction services rendered under the service concession arrangement is recognised as other financial asset carrying effective interest rate of 2.61% (2013: 2.61%) per annum and repayable over the service concession period of 30 years.

22. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2014 **HK$'000**	2013 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**12,682,746**	9,379,923
Less: Progress billings	**(12,869,856)**	(9,698,388)
	(187,110)	(318,465)
Represented by:		
Due from customers included in current assets	**461,531**	325,487
Due to customers included in current liabilities	**(648,641)**	(643,952)
	(187,110)	(318,465)

23. DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade receivables net of allowances for doubtful debts presented based on the invoice date at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
Trade receivables analysed by age:		
0 to 60 days	496,677	504,306
61 to 90 days	730	7,337
Over 90 days	4,912	14
	502,319	511,657
Retention receivables	240,235	195,401
Other debtors, deposits and prepayments	37,343	76,998
	779,897	784,056
Retention receivables:		
Due within one year	66,745	109,220
Due more than one year	173,490	86,181
	240,235	195,401

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

Included in the Group's trade receivables are debtors with a carrying amount of HK$5,642,000 (2013: HK$7,351,000) which are past due but not impaired as at the end of the reporting period. As there has not been a significant change in credit quality, the amounts are still considered recoverable.

Ageing of trade receivables which are past due but not impaired

	2014 HK$'000	2013 HK$'000
Overdue:		
1 - 30 days	730	7,337
Over 30 days	4,912	14
	5,642	7,351

23. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

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

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

25. HELD-FOR-TRADING INVESTMENTS

	2014	2013
	HK$'000	HK$'000
Held-for-trading investments stated at fair value:		
– Equity securities listed in Hong Kong	**25,804**	28,668
– Debt securities listed in Singapore	**–**	16,280
	25,804	44,948

At 31 December 2014, certain equity securities with market value of HK$19,650,000 (2013: HK$22,260,000) were pledged to a bank to secure general banking facilities granted to the Group. Although these equity securities were pledged to the bank, the Group is allowed to trade the pledged securities upon the repayment of respective bank borrowings. In relation to the pledge of equity securities, the bank also requires certain subsidiaries of the Company that are entitled to the bank facilities to provide cross guarantee to the bank.

26. PLEDGED BANK DEPOSITS/BANK BALANCES

Bank deposit of the Group amounting to HK$60,000 (2013: HK$30,000) is pledged to bank for securing the banking facility granted to the Group. The pledged bank deposit carries fixed interest rate at 0.01% (2013: 0.01%) per annum.

Bank balances carry average market interest rate ranging from 0.01% to 0.25% (2013: 0.01% to 0.25%) per annum.

27. CREDITORS AND ACCRUED CHARGES

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

	2014	2013
	HK$'000	HK$'000
Trade creditors analysed by age:		
0 to 60 days	**186,594**	101,551
61 to 90 days	**25,440**	13,471
Over 90 days	**36,954**	13,895
	248,988	128,917
Retention payables	**194,730**	133,432
Accrued project costs	**323,236**	317,085
Other creditors and accrued charges	**34,172**	19,715
	801,126	599,149
Retention payables:		
Repayable within one year	**52,412**	70,148
Repayable more than one year	**142,318**	63,284
	194,730	133,432

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

28. AMOUNT(S) DUE TO AN INTERMEDIATE HOLDING COMPANY/A JOINT VENTURE/ OTHER PARTNERS OF JOINT OPERATIONS/NON-CONTROLLING INTERESTS

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

29. BANK LOANS

	2014	2013
	HK$'000	HK$'000
On demand or within one year	**87,287**	94,497
In the second year	**3,778**	–
In the third to fifth year inclusive	**4,693**	–
	95,758	94,497
Less: Amount due within one year shown under current liabilities	**(95,758)**	(94,497)
Amount due after one year	**–**	–
Secured	**18,000**	50,000
Unsecured	**77,758**	44,497
	95,758	94,497

At the end of the reporting period, all bank loans are variable rate borrowings which carry interest rate ranging from 2.41% to 3.19% (2013: 2.41% to 3.23%) per annum. Except bank loans of HK$12,149,000 (2013: nil) carry an interest rate which is fixed on the drawdown date, all remaining bank loans carry interest rate which is repriced every month.

As at 31 December 2014, bank loans that are repayable more than one year after the end of the reporting period but contains a repayment on demand clause with the aggregate carrying amount of HK$8,471,000 (2013: nil) have been reclassified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK$113,000,000 (2013: HK$206,110,000).

Certain bank loans were secured by personal guarantees of a director of the Company.

30. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2013, 31 December 2013 and 31 December 2014	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2013, 31 December 2013 and 31 December 2014	1,241,877,992	124,188

31. CONVERTIBLE PREFERENCE SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Convertible preference shares of HK$0.01 each		
At 1 January 2013, 31 December 2013 and 31 December 2014	3,000,000,000	30,000
Issued and fully paid of HK$0.01 each:		
At 1 January 2013, 31 December 2013 and 31 December 2014	–	–

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

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

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

32. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group represent fair value of intangible assets arising from the acquisition of a subsidiary during the year ended 31 December 2005. There is no movement of balance during each of the two years ended 31 December 2014.

At the end of the reporting period, the Group has unutilised tax losses carried forward to offset future profits, the utilisation of which will expire in the following years:

	2014 HK$'000	2013 HK$'000
Tax losses:		
To expire in 2014	**–**	1,584
Carried forward indefinitely	**156,925**	192,922
	156,925	194,506

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

33. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	2014 HK$'000	2013 HK$'000
Cost of investment in unlisted associates	**4**	4
Share of post-acquisition losses (note)	**(16,537)**	(17,156)
	(16,533)	(17,152)

Note: The Group has contractual obligations to share the net liabilities of associates.

Details of the incorporated principal associate of the Group as at 31 December 2014 and 2013 are as follows:

Name of associate	**Form of entity**	**Place of incorporation/ operation**	**Proportion of nominal value of issued ordinary capital held indirectly by the Company** %	**Proportion of voting rights by the Group** %	**Principal activities**
Hong Kong Landfill Restoration Group Limited ("Hong Kong Landfill")	Incorporated	Hong Kong	34.5	50	Civil engineering

33. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associate

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

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

Hong Kong Landfill

	2014 HK$'000	2013 HK$'000
Current assets	**23,710**	19,921
Non-current assets	**38,384**	38,489
Current liabilities	**(81,282)**	(78,835)

	2014 HK$'000	2013 HK$'000
Revenue	**14,899**	21,771
Profit for the year	**1,238**	1,286
Total comprehensive income for the year	**1,238**	1,286

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

	2014 HK$'000	2013 HK$'000
Net liabilities of Hong Kong Landfill	**(19,188)**	(20,425)
Proportion of the Group's ownership interests in Hong Kong Landfill	**50%**	50%
Carrying amount of the Group's obligations in excess of interests in Hong Kong Landfill	**(9,594)**	(10,213)

The financial information of the other associate is immaterial.

34. AMOUNT DUE TO AN ASSOCIATE

The current amount due to an associate is unsecured, interest-free and repayable on demand.

The non-current amount due to an associate is unsecured, interest-free and has an agreed repayment terms which is not repayable within twelve months from the end of the reporting period and the balance is therefore shown as non-current liabilities. The non-current amount is carried at amortised cost using effective interest of 5.4% (2013: 5.4%) per annum.

35. JOINT OPERATIONS

At 31 December 2014 and 2013, the Group had interests in the following principal joint operations:

Name of joint operation	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group 2014 %	2013 %	Principal activities
ACC-Leader Joint Venture	Unincorporated	Middle East	**50**	50	Civil engineering
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering
China State-Leader Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering
Chun Wo-Leader Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
CRBC-Kaden Joint Venture	Unincorporated	Hong Kong	**49**	–	Civil engineering
McDow-Kaden Joint Venture	Unincorporated	Hong Kong	**50**	50	Civil engineering
Kaden-Chun Wo Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
Kaden-VSL Joint Venture	Unincorporated	Hong Kong	**55**	55	Civil engineering
Kier-Kaden-OSSA Joint Venture	Unincorporated	Hong Kong	**35**	35	Civil engineering
Sembawang-Leader Joint Venture	Unincorporated	Hong Kong	**45**	45	Civil engineering
Kier-Laing O'Rourke – Kaden Joint Venture	Unincorporated	Hong Kong	**15**	15	Civil engineering

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

36. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the bank loans disclosed in note 29 and equity attributable to equity holders of the Company, comprising issued capital and reserves.

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

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

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014	2013
	HK$'000	HK$'000
Financial assets		
Held-for-trading investments	**25,804**	44,948
Loans and receivables (including cash and cash equivalents)	**1,371,170**	1,185,296
Available-for-sale investment	**–**	–
	1,396,974	1,230,244
Financial liabilities		
Amortised cost	**1,067,336**	793,156

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include other financial asset, debtors, amounts due from fellow subsidiaries, associates, a joint venture and other partners of joint operations, held-for-trading investments, pledged bank deposit, bank balances, creditors and accrued charges, amounts due to an intermediate holding company, a joint venture, an associate, other partners of joint operations and non-controlling interests and bank loans. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable rate bank loans (see note 29 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

Sensitivity analysis

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

For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would decrease/increase by HK$958,000 (2013: HK$945,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank loans.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the increase in variable rate bank loans.

37. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Other price risk

The Group is exposed to equity and debt security price risk through its investments in listed held-for-trading investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. The Group's other price risk is mainly concentrated on equity and debt instruments operating in infrastructure industry sector quoted in the Stock Exchange and Singapore Exchange Securities Trading Limited respectively.

Other price sensitivity analysis

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

If the prices of the respective equity and debt instruments had been 5% higher/lower while all other variables were held constant, the profit for the year ended 31 December 2014 would increase/decrease by HK$1,290,000 (2013: HK$2,247,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables. The Group is exposed to concentration of credit risk as the major customers of the Group are the HKSAR Government and certain reputable organisations. The directors of the Company consider that the HKSAR Government and these reputable organisations are financially sound and accordingly no provision is required.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk for bank deposits is limited because the directors of the Company consider that the counterparties are financially sound.

37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

The Group's liquidity position and its compliance with lending covenants is monitored closely by the management of the Company, to ensure that the Group maintains sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and long term. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or 3 months or less HK$'000	3 – 6 months HK$'000	6 – 12 months HK$'000	1 – 3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2014 HK$'000
2014								
Non-interest bearing	–	818,225	3,074	2,555	82,173	73,410	979,437	971,578
Variable interest rate instruments	3.36	95,758	–	–	–	–	95,758	95,758
		913,983	3,074	2,555	82,173	73,410	1,075,195	1,067,336

	Weighted average effective interest rate %	Repayable on demand or 3 months or less HK$'000	3 – 6 months HK$'000	6 – 12 months HK$'000	1 – 3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000 (restated)	Carrying amount at 31.12.2013 HK$'000 (restated)
2013								
Non-interest bearing	–	606,262	1,189	21,883	36,028	41,626	706,988	698,659
Variable interest rate instruments	3.36	94,497	–	–	–	–	94,497	94,497
		700,759	1,189	21,883	36,028	41,626	801,485	793,156

37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or 3 months or less" time band in the above maturity analysis. As at 31 December 2014, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$8,471,000 (2013: nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings of HK$3,778,000, HK$3,882,000 and HK$811,000 will be repaid in 2016, 2017 and 2018, respectively after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$3,962,000 (2013: nil) HK$3,962,000 (2013: nil) and HK$814,000 (2013: nil) in 2016, 2017 and 2018, respectively.

(c) Fair value

The investments held for trading of the Group are measured at fair value at recurring basis, by reference to market bid price in active market and classified under Level 1.

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

38. CONTINGENT LIABILITIES

	2014 HK$'000	2013 HK$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	**234,278**	248,288

39. CAPITAL COMMITMENTS

	2014 HK$'000	2013 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**5,988**	12,938

40. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2014, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**18,978**	9,272
In the second to fifth years inclusive	**16,722**	2,153
	35,700	11,425

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms ranging from one to three years and rentals are fixed at the time of entering the respective leases.

41. RETIREMENT BENEFITS SCHEMES

The Group operates two MPF Schemes for all eligible employees in Hong Kong. These MPF Schemes are registered with the Mandatory Provident Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance").

The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by the MPFA.

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

The amount charged to profit or loss of HK$18,085,000 (2013: HK$13,876,000) represents contributions paid or payable to the retirement benefits schemes by the Group at the rates specified in the rules of the MPF Schemes reduced by the aforesaid amount of forfeited benefits in respect of the current accounting period.

42. RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with the following related parties:

	2014 **HK$'000**	2013 HK$'000
Immediate holding company		
Corporate guarantee fee expense	**–**	123
Fellow subsidiary		
Marine plant hire income	**12,079**	–
Purchase of construction materials	**16,666**	8,995

Details of the balances with associates, joint ventures, other partners of joint operations, an intermediate holding company, fellow subsidiaries and non-controlling interests are disclosed in the consolidated statement of financial position and respective notes.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2014 **HK$'000**	2013 HK$'000
Short-term benefits	**24,934**	26,005
Post-employment benefits	**1,430**	1,236
	26,364	27,241

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

At 31 December 2014 and 2013, a director provided personal guarantees amounting to HK$12,500,000 to a bank to secure the general banking facilities granted to the Group.

At 31 December 2014 and 2013, Wai Kee has also given guarantees to indemnify all liabilities for certain construction contracts undertaken by the Group.

43. ACQUISITION OF ADDITIONAL INTEREST IN A JOINT OPERATION

On 28 February 2014, the Group further acquired 60% attributable interest in Honwin-Leader Marine Joint Venture ("Honwin-Leader") from an independent third party at a cash consideration of HK$8,000,000. Prior to the acquisition, Build King held 40% interest in Honwin-Leader which is an unincorporated entity and has been accounted for as joint operation of the Group. Immediately after the acquisition, Honwin-Leader becomes a 100% owned subsidiary of the Group. Honwin-Leader is engaged in marine engineering and provision of transportation services in Hong Kong. The acquisition is accounted for using the purchase method.

Acquisition-related costs have been excluded from the cost of the above acquisition. The costs are insignificant and recognised as an expense in the year within the administrative expenses in the consolidated statement of profit or loss.

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

	HK$'000
Debtors, deposits and prepayments	2,665
Amount due from a partner of a joint operation	8,562
Amount due to a partner of a joint operation	(1,522)
Net assets	9,705
Goodwill arising on the acquisition:	
Cash consideration paid	8,000
Fair value of 40% interest held by Build King	3,882
Less: net assets at the acquisition date	(9,705)
	2,177

The fair value of Honwin-Leader's identifiable assets and liabilities has been assessed by the management of the Group and it considers that the fair value of debtors, deposits and prepayments, at the date of acquisition amounted to HK$2,665,000 which approximate to gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considers that the contractual cash flows not expected to be collected is insignificant.

Goodwill arising in the acquisition includes the control premium and the potential for revenue growth and future market development.

At the end of the reporting period, the management of the Group writes off the goodwill and recognises a loss of HK$2,177,000 in relation to goodwill arising from the acquisition of Honwin-Leader which is included in administrative expenses.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
Non-current asset		
Unlisted investments in subsidiaries	**60,000**	60,000
Current assets		
Amounts due from subsidiaries	**94,064**	28,764
Bank balances and cash	**5,516**	5,605
Other current assets	**6**	6
	99,586	34,375
Current liabilities		
Amount due to an intermediate holding company	**2,514**	2,514
Amounts due to subsidiaries	**14,960**	6,618
Other current liabilities	**–**	110
	17,474	9,242
Net current assets	**82,112**	25,133
Total assets less current liabilities	**142,112**	85,133
Capital and reserves		
Ordinary share capital	**124,188**	124,188
Reserves	**17,924**	(39,055)
Total equity	**142,112**	85,133

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in reserves

	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Other reserve HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	14,186	419,212	115	(470,438)	(36,925)
Loss and total comprehensive expense for the year	–	–	–	(2,130)	(2,130)
At 31 December 2013	14,186	419,212	115	(472,568)	(39,055)
Profit and total comprehensive income for the year	–	–	–	63,188	63,188
Dividend paid	–	–	–	(6,209)	(6,209)
At 31 December 2014	**14,186**	**419,212**	**115**	**(415,589)**	**17,924**

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

45. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital held by the Group 2014 %	2013 %	Principal activities
Archibuild Limited	Hong Kong	Hong Kong	HK$6,000 ordinary shares HK$4,000 Preferred shares (note a)	**100** **–**	100 –	Supply and provision of installation works of stone products
Allied Wise Limited	Hong Kong	Hong Kong	HK$2	**100**	100	Investment holding
Amazing Reward Group Limited	British Virgin Islands ("BVI")	Hong Kong	US$1,000,000	**100**	100	Investment holding
Titan Foundation Limited	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Civil engineering
Kaden Construction Limited	United Kingdom	Hong Kong	GBP16,072,500	**100**	100	Construction and civil engineering
Leader Civil Engineering Corporation Limited	Hong Kong	Hong Kong	HK$25,200,000 Ordinary shares HK$24,000,000 Non-voting deferred shares	**100** **100**	100 100	Civil engineering
Leader Construction Company Limited	Hong Kong	Hong Kong	HK$2	**100**	100	Provision of administrative and management services to group companies
Leader Marine Contractors Limited	Hong Kong	Hong Kong	HK$200,000	**100**	100	Marine engineering and provision of transportation services
Leader Marine Cont. L.L.C.	Sharjah, United Arab Emirates ("U.A.E.")	U.A.E.	Dh300,000	**100**	100	First class contracting/ specialised in marine construction

45. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital held by the Group **2014** %	2013 %	Principal activities
Profound Success Limited	BVI	Hong Kong	US$1	**100**	100	Investment holding
Top Tactic Holdings Limited	BVI	BVI	US$1	**100**	100	Investment holding
Wai Kee China Construction Company Limited	Hong Kong	PRC	HK$10,000,000	**100**	100	Civil engineering
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	Hong Kong	HK$25,000,002 Ordinary shares	**100**	100	Civil engineering
			HK$14,800,000 Non-voting deferred shares	**100**	100	
			HK$5,200,000 Non-voting deferred shares (note b)	**–**	–	
Wisdom Aim Investments Limited	Hong Kong	Hong Kong	HK$1	**100**	100	Provision of secretarial and nominee services to group companies
Wuxi Qianhui Sewage Treatment Co., Ltd. (note c)	PRC	PRC	US$5,400,000	**95.6**	95.6	Sewage treatment
Yat Hing Decoration Works Limited	Hong Kong	Hong Kong	HK$1,000,000	**100**	70	Fitting out, improvement and alternation works for buildings
惠記環保工程(上海)有限公司 (note d)	PRC	PRC	US$800,000	**100**	100	Environmental engineering

45. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) These preferred shares, which are not held by the Group, practically carry rights to dividends and rights to receive notice of or to attend or vote at any general meeting of the company. On winding up, both the holders of the ordinary shares and the holders of the preferred shares are entitled to a distribution out of the remaining assets of the company on a pro rata basis in proportion to the number of shares held by them respectively.

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

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

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

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

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Financial Summary

RESULTS

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Group revenue	914,968	1,730,857	2,142,042	2,193,098	**3,237,341**
Share of revenue of joint ventures	–	–	–	–	**–**
	914,968	1,730,857	2,142,042	2,193,098	**3,237,341**
Group Revenue	914,968	1,730,857	2,142,042	2,193,098	**3,237,341**
Operating profit	29,765	28,850	24,257	25,390	**57,461**
Share of results of joint ventures	–	–	–	–	**–**
Share of results of associates	(188)	697	440	643	**619**
Finance costs	(1,710)	(2,122)	(2,751)	(4,324)	**(3,559)**
Profit before tax	27,867	27,425	21,946	21,709	**54,521**
Income tax expense	(322)	(332)	(1,822)	(1,495)	**(1,907)**
Profit for the year	27,545	27,093	20,124	20,214	**52,614**

FINANCIAL POSITION

	At 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	803,539	1,085,005	1,324,724	1,763,061	**2,086,857**
Total liabilities	(572,042)	(814,248)	(1,032,685)	(1,460,010)	**(1,739,958)**
Net assets	231,497	270,757	292,039	303,051	**346,899**

The information for the year ended 31 December 2010, 2011 and 2012 has been adjusted to reflect the change in accounting policy arising from the adoption of HKFRS 11 "Joint Arrangements" issued by the HKICPA during the year ended 31 December 2013.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

David Howard Gem
Cheng Chi Pang, Leslie
Chan Chi Hung, Anthony

Independent Non-executive Directors

Chow Ming Kuen, Joseph
Ng Chi Ming, James
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor

AUDIT COMMITTEE

Ng Chi Ming, James *(Chairman)*
Chow Ming Kuen, Joseph
Ho Tai Wai, David

NOMINATION COMMITTEE

Ho Tai Wai, David *(Chairman)*
Chow Ming Kuen, Joseph
Ng Chi Ming, James
Zen Wei Peu, Derek

REMUNERATION COMMITTEE

Chow Ming Kuen, Joseph *(Chairman)*
Ng Chi Ming, James
Ho Tai Wai, David
Zen Wei Peu, Derek

COMPANY SECRETARY

Chang Kam Chuen, Desmond

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China CITIC Bank International Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 601-605A, 6th Floor, Tower B
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223 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
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Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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