Build King Holdings Limited

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

Annual Report 2009

Contents

Financial Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity* per share	73%
Equity	HK$151 million
Equity per share	HK16 cents
Group revenue and share of revenue of jointly controlled entities	HK$1,035 million
Profit attributable to owners of the Company	HK$64 million

* equity refers to equity attributable to owners of the Company

FINAL DIVIDEND

The board of directors ("Board") does not recommend the payment of a final dividend for the year ended 31 December 2009.

The Group's gain in equity during 2009 was HK$64 million whilst the equity per share increased by 73% to HK16 cents.

During the year it became clear that we needed to strengthen our balance sheet in order to cater for the anticipated future increase in workload. In February 2010, we successfully raised HK$46 million via an open offer share subscription. An overwhelming response was received and our offer was 11 times oversubscribed – a very encouraging sign that we have the full support of our shareholders.

2009 has been a turn around year in almost all aspects. After two years of registering a loss, our core construction business finally recovered to produce a decent profit; and going forward I expect to show further improvement.

In Hong Kong, the Group construction turnover (including share of jointly controlled entities) was very close to expectations at HK$800 million with a profit of HK$27 million. Our order book also improved considerably to HK$2.4 billion. We expect further improvement in 2010 and following years.

In the UAE, our turnover increased to HK$223 million and produced HK$23 million profit. I am pleased to say that we have been able to maintain solid progress despite the economic downturn in this area. We expect the results in 2010 to be similar to 2009 but in the following years I am confident of further growth with good results.

In China, the daily inflow at our sewage treatment plant in Wuxi has increased substantially as forecast last year and is now close to 23,000 tonnes/day, well above the plant design capacity. The inflow is expected to continue to increase and work is now well in hand to expand the capacity of the plant.

Even our security investment brought about a nice surprise, contributing a profit of HK$19 million. Before we get too excited about this, I must warn you that this will surely be an one off incidence and cannot be repeated.

In the foreseeable future, our focus in Hong Kong will be on infrastructure construction and building work (see below), whilst in the UAE, it will be on marine as well as some land-based civil engineering work. In China, it will be on investment in environmental infrastructure projects.

BUSINESS ANALYSIS

Construction

The core business of our Group is construction which represented 96% of our turnover in 2009 of which 80% was in Hong Kong. The results in Hong Kong have been very encouraging, I told you in my last report that we changed our tendering strategy starting early 2008, targeting projects with higher margin and better cash flow. This strategy has worked well and since the 2nd half of 2008, all our projects have been profitable and in addition the Group's cash flow has improved significantly.

BUSINESS ANALYSIS (Continued)

Construction (Continued)

Last year I mentioned that there were changes in our top management team. I am pleased to report that the team, in particular Messrs. Simon Liu and Paul Lui, have settled down well in their new positions and have contributed significantly to the successful result this year. I am sure that in the following years we can expect further good results in our bottom line as they mature. In addition, many of our staff at the next level who are in their late thirties or early forties show good potential to grow into positions of greater responsibility.

In his recent budget speech, the Financial Secretary estimated that for 2010-2011 capital works expenditure by the Government will increase to HK$49.6 billion (2009: HK$23 billion), and that for the next few years thereafter it will be at an all-time high of over HK$50 billion. We have been awarded contracts worth more than HK$2 billion in 2009; together with the high level of tender activity this is a sure sign that the industry is in strong recovery. In addition to more projects, profit margins are also improving. Worldwide construction generally achieves some 3% net margin on turnover but, before 2009, most companies in Hong Kong were struggling to break even (Build King was no exception). However towards the end of 2008, we saw a gradual improvement in tender prices and generally we are now tendering with 3% net margin or better. I am confident that 2010 the Group will see further growth and although it is a little too early to say, I am expecting that our turnover in 2010 will be close to HK$1.5 billion and going forward I expect our turnover will continue to increase, at least in line with the growth of the market.

I have reason for my optimism. In the past as most of you may be aware we have focused on civil engineering infrastructure with a limited building work element in our turnover. However, the construction market in Hong Kong is roughly 50% building and 50% civil engineering, although obviously this ratio tends to fluctuate in any particular year. I have avoided entering the building market on any major scale because firstly of our financial position and secondly the lack of a leader of the right age and the right experience. However, I am now pleased to report that Mr. H.P. Choy joined the Group in January 2010 as director for building works. Mr. Choy has over 30 years' experience in building with various local developers and contractors.

However, I do not expect this sector will produce meaningful result within 2010, or even 2011. We wish to grow the business steadily one step at a time. It took us 4 years in the UAE before real results showed up and likewise we should have the same patience in establishing the building operation. But I hope that by the time I am writing my Chairman's Letter to you in 2012 (hopefully earlier), I can bring good news to you all.

In the UAE, Dubai in particular has been badly affected by the world financial crisis. However, our operations are in Abu Dhabi and Fujairah which have been least affected. Many contractors previously working in Dubai are as a result seeking work in Abu Dhabi and hence competition is increasing and margins are affected. Abu Dhabi's infrastructure plans continue to go ahead and the potential for marine projects in this area is we believe still good. We are also exploring the potential to extend our co-operations with our partner Arabian Construction Company to cover land based civil engineering work.

BUSINESS ANALYSIS (Continued)

Construction (Continued)

In China, subsequent to the sale in 2008 of our share of the joint venture to our partner, Road King, we also sold our share in the joint venture with China Railway Tenth Group Co., Ltd. in February 2010. This would realize RMB19 million upon completion. We will in future concentrate on investment in environmental infrastructure projects in China and avoid the construction market thereby enabling us to employ our resources to better effect in Hong Kong and the UAE.

The essence of running a successful construction business lies in how to manage cashflow, keeping overhead costs down and properly assessing and pricing the various project risks. Historically, our overhead as a percentage of turnover had been high due to our low turnover. With the expected increased workload going forward, this problem will naturally disappear. However, I am mindful of the need to keep a lean structure in both good times and bad. I am relying on our Executive Director, Mr. Desmond Chang, to manage our cashflow so that we are well prepared for any "surprises" that we may encounter and to also keep a close eye on the control of our overhead. In view of the need to develop our staff to meet the increased level of business we foresee, I will authorise significant spending on staff training to ensure we are well equipped for the long term, but I will veto spending on any initiative that is just something "that would be nice to have".

Environmental Infrastructure Projects

As mentioned above our sewage treatment plant in Wuxi is operating according to plan and by the end of 2009 we were treating on average 23,000 tonnes/day, well above the design capacity of the plant (20,000 tonnes/day). In September 2009, we therefore agreed with the local Government to immediately increase the plant capacity to 35,000 tonnes/day and in the long term plan for 50,000 tonnes/day. Work commenced on site in October 2009 and we expect the new phase to come on stream in June 2010.

Although last year's result was in line with budget, the turnover was below due to low charges. Although there is a mechanism in our contract to increase charges as a result of inflation, the Government was reluctant to address the issue during 2009 due to the overall downturn in the economy. However, we expect to be able to agree an increase in 2010. Given that environmental protection is now high on national agenda of China, we believe there will be opportunities for other similar investment in the near future. Our director for China operation, Mr. S.L. Cheung and our team in China have been given the mission to look for projects of appropriate size in the nearby region. In the longer term, such projects will provide the Group with a steady income stream to offset the volatile nature of the construction business.

Investment

The market value of our securities portfolio increased by 20% from HK$94 million to HK$113 million; this included HK$88 million cash from disposal of securities. This is a very good result considering that the total value of the securities we had on hand at the end 2009 was only HK$25 million. During the last Annual General Meeting ("AGM"), I was asked if the Group will increase investment in this area now that market was getting better. My answer then was that our core business is construction and we need to ensure that we will have sufficient working capital to cater for the expected increase in workload. Hence, we would limit our exposure in securities investment. Nothing has happened since the last AGM to change my mind and, as I said last year, I have no intention to invest in equities with borrowed money. Obviously if the Group's overall position results in cash being surplus to operational needs, I will reconsider adding new investments to our existing portfolio. The unexpected rise in value of our securities in 2009 in my view could not be repeated this year. Thus I only expect a moderate rise (or maybe slight fall) in the value of our portfolio.

CORPORATE GOVERNANCE

Communication with Shareholders

I will be 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 wish to raise with the management in the forthcoming AGM, and so I strongly encourage shareholders to attend the AGM. This is the occasion where the management and owners of the company can discuss business face to face.

Dividend Policy

Long ago I stated that due to our thin balance sheet, we are unable to pay out any dividend and that continues to be the case this year. As a matter of fact, we actually raised more funds from shareholders in February 2010 in order to strengthen our position and ensure that we will have adequate financial resources to cater for the expected increase in workload in the next few years. But I haven't forgotten my previous statement that when our total shareholder's equity exceeds HK$300 million, we might consider distributing a part of profit to our shareholders, but this obviously depends on our forecast cashflow requirements at the time. I hope that with the Group's current position an equity value of HK$300 million may be feasible within the foreseeable future.

Management Succession

Our major shareholder is Wai Kee Holdings Limited which in turn is controlled by my brother, William Zen, and myself. So naturally most people will view the Group as a "family" business.

However, having observed the performance of family businesses here in Hong Kong and elsewhere, I have come to the conclusion that for any enterprise to develop and grow, it must be run professionally. There is no linkage whatsoever between the capability of the founder and his/her off-spring. Passing the control of an organisation to the next generation without actually putting them to a series of on the job tests to prove themselves, is as absurd as trying to identify a future Olympic winner solely from the heir of the current gold medalist! Such an approach will serve no good – in particular in an industry such as construction which calls for a willingness to work long hours, have a tough mental attitude as well as a thorough knowledge of engineering.

My wish is that by the time I retire from an active management role to become non-executive Chairman, I will be able to handover the torch to the next generation of leaders who have grown up within the Company, who know the culture well, and who are able to take the Company to the next level.

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

26 March 2010

BUSINESS REVIEW AND PROSPECT

Operating Results

During 2009, the total group turnover including our share of jointly controlled entities increased to HK$1,035 million, a 7% increase compared with that for 2008. The results for the year were also significantly improved from a loss of HK$97 million in 2008 to a net profit of HK$64 million, comprising HK$45 million (2008: HK$50 million loss) from construction activity and HK$19 million (2008: HK$47 million loss) from the investments in marketable securities.

Hong Kong and Middle East continue to be our major markets. The turnover in Hong Kong was stable but with a net profit of HK$27 million in 2009 compared with a loss of HK$22 million in 2008. In the Middle East, the Group is now well positioned in the niche sector of marine civil engineering and the result for the year has not been adversely affected by the financial turmoil in Dubai. The turnover in 2009 increased by 70% to HK$223 million and net profit of HK$23 million was recorded.

In China, the Group has entered into an agreement on 25 February 2010 to dispose of its 49% equity interest in the joint venture with China Railway Tenth Group Co., Ltd. with the initial investment cost to be fully recovered. Our focus in China will now be the development of our current environmental sector by participation in new private investment projects.

As at the date of this report, the aggregate outstanding value of contracts is approximately HK$2,423 million.

Hong Kong

Although, the group turnover in Hong Kong in 2009 was nearly the same as that for 2008, the gross margin significantly improved from a near breakeven in last year to a profit of 9%. This was the result of the combined effect of selective tendering together with the successful finalisation of several final accounts for projects completed in prior years. During the last two years, provision for losses had been booked for several completed projects but during 2009 we managed to negotiate final contract values resulting in a reversal of the majority of these loss provisions. Since the adoption of a tendering strategy focusing on projects with positive cashflows as well as sensible margins, the projects awarded were generally not the lowest bid and have to date performed in line with expectations on cashflow and margin.

During the year the Hong Kong construction market has shown strong signs of recovery. In second half several sizeable projects were available for tender and the Group successfully secured seven new projects with a total value of approximately HK$2 billion. These included infrastructure works for the Civil Engineering and Development Department as part of Kai Tak Development, a project to build the new Polar Adventure and Thrill Mountain for Ocean Park Corporation, a design and build contract for infrastructure works in Tseng Kwan O Stage 1 for the Highways Department and, in late December, the first stage of Central – Wanchai Bypass. A second Greening Contract for the Civil Engineering and Development Department was also secured. All these projects are progressing satisfactorily and we expect them to achieve the tender budgets.

BUSINESS REVIEW AND PROSPECT (Continued)

Hong Kong (Continued)

Several current projects were also approaching completion by end of 2009. Phase II of the Ecopark at Tuen Mun, including building of a plastic recycling plant, was completed in March 2010; this project was highly appraised by Environmental Protection Department. Two noise mitigation projects, one at Fo Tan for MTR Corporation Limited ("MTRC") and the other at the Tsing Yi North Bridge for the Highway Department, are progressing at full speed with satisfactory results. A Greening Work Contract for the urban areas was also completed. The new pedestrian subway link to Lai Chi Kok MTR station is progressing well after earlier delays due to late approvals for traffic diversion arrangements. A break through into the existing station structure has been successfully achieved.

During the year, a significant milestone in building sector was achieved. Kaden Construction Limited ("Kaden", a wholly owned subsidiary of the Company) successfully upgraded its listing in Group C – Building from probationary to confirmed status. All the restrictions that apply to probationary status for public building works (both in terms of value of as well as the number of contracts on hand at any time) have now been lifted and Kaden is now one of the few contractors in Hong Kong that are listed as Group C in all five categories for public works.

In 2009, the two school projects for ASD were successfully completed. The Special School at Cornwall Street was handed over in August whilst the primary school at Tai Pak Tin Street was finished in July 2009. In the private sector, the projects in Tung Chung for 56 town houses and a 17-storey residential building in Conduit Road were completed.

We are now strengthening our management team in the building sector and will in future place more emphasis on the provision of client oriented services. We will focus on customer relationship management training for all our staff and actively promote Kaden brand name in building market, establishing relationships with all customers and other stakeholders including architects and consultants as well as with preferred specialist subcontractors.

Hong Kong Government has forecast that its annual expenditure on public works will increase from HK$23 billion in 2009 to HK$45 billion in 2010 and continue spending at this level for several years. As a result we will seek to benefit from this opportunity and expand the business to achieve HK$2 billion turnover from both civil and building in Hong Kong by 2011.

In 2010, we will actively tender for major infrastructure projects including amongst others the MTRC Rail projects, the Central-Wanchai Bypass, Kai Tak Development and the Hong Kong-Zhuhai-Macau Bridge. We will also expand the building activity to HK$250 million with projects mainly in the public sector in the range of HK$200 million-HK$300 million.

To this end, we have a strong and loyal management team of versatile professionals who are able to undertake any type of project. We also have a flexible organisational structure and will seek to enhance a culture of learning in the Group. As such, we believe that we are well placed to meet new challenges ahead and achieve significant growth in response to this market change.

BUSINESS REVIEW AND PROSPECT (Continued)

Middle East – United Arabic Emirates (“UAE”)

In the UAE, Leader Marine undertakes marine civil engineering projects. The operating joint venture with Arabian Construction Company is now well established and in 2009 performed very satisfactorily in line with expectations generating significant cash flows for the Group. The total turnover for 2009 was 70% more than last year at HK$223 million (2008: HK$131 million), with growth in turnover in both the construction (2009: HK$193 million vs. 2008: HK$109 million) and marine plant chartering (2009: HK$30 million vs. 2008: HK$22 million).

Current projects are progressing satisfactorily and achieving budgets. An early completion is expected for the quay wall construction for Marasy Development in Abu Dhabi. The newly secured cooling water Intake/Outfall project for Emirates Steel Industries in Abu Dhabi commenced in early January 2010 and progress is good. The design and build project for reclamation work at Al Raha Beach was completed in January 2009 and by the end December, the offshore work at Fujairah F2 Power Plant were also substantially complete. Following the satisfactory completion of this work, the client has requested quotations for the installation of both additional seawall work as well as an undersea fuel pipeline with an advanced Single Point Mooring system. Negotiations are currently in hand.

Notwithstanding the market conditions in Dubai, the enquiry level from the oil and gas sector in other Emirates, in particular Abu Dhabi, has been high but due to the complexity, the negotiation process is usually slow. Enquires from other sectors, particularly in Abu Dhabi, have also picked up in the last quarter. The joint venture continues to concentrate on Abu Dhabi and we believe that with the track record established, we are well placed to capitalise on the opportunities that exist in the current environment. Currently, several tenders are outstanding and we believe that further success is imminent. We target to maintain an annual turnover of HK$250 million in the marine civil engineering projects.

In regard to marine plant, our applications for ship classification status including for those vessels mobilised last year, is progressing well. During 2009, the plant hire utilization of our vessels was well ahead of that for 2008.

PRC

Since the commencement of operation in 2007, our sewage treatment plant in Wuxi City has consistently provided high quality service to local residents and factories alike. We have been partnering with Hong Kong Polytechnics University to continuously improve and upgrade the facility to meet the changing environmental requirements of the government. Our effort was well recognized by local authorities and this year we received the award for “The Best Sewage Discharge Unit” in Wuxi City. As a result, our plant became the role model for the city, receiving visits from many government officials.

BUSINESS REVIEW AND PROSPECT (Continued)

PRC (Continued)

During the year, our sewage plant has consistently treated volumes in excess of the design capacity and with further increased demand foreseen in the coming years, we decided to invest additional RMB38 million to extend the facilities from 20,000 tonnes to an ultimate daily capacity of 50,000 tonnes. By June 2010, the first stage of the extension will be commissioned which will increase capacity to 35,000 tonnes. We forecast the second stage will be required in 2014 to meet a demand of 50,000 tonnes.

The investment in Wuxi was the Group's first attempt in PRC environmental protection industry. The return on investment has been most satisfactory and leveraging on this we will seek further opportunities to build up a portfolio of similar projects to produce a stable income stream for the Group in long term.

Employees and Remuneration Policies

As at 31 December 2009, the Group had a total of 728 employees and total remuneration for the year ended 31 December 2009 was approximately HK$156 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 that of the individual.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2009, the Group had liquid assets of HK$46 million (as at 31 December 2008: HK$55 million) comprising held-for-trading investments of HK$25 million (as at 31 December 2008: HK$18 million) and bank balances and cash of HK$21 million (as at 31 December 2008: HK$37 million).

As at 31 December 2009, the Group had a total of interest bearing borrowings of HK$36 million (as at 31 December 2008: HK$123 million) repayable within one year.

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.

FINANCIAL REVIEW (Continued)

Capital Structure and Gearing

As at 31 December 2009, total equity was HK$157 million comprising ordinary share capital of HK$93 million, reserves of HK$58 million and minority interests of HK$6 million.

On 10 February 2010, the Company issued 310,469,498 shares at a price of HK$0.15 per share by way of an open offer on the basis of one offer share for every three existing shares pursuant to a circular dated 18 January 2010. Accordingly, the total equity was increased by HK$46 million.

As at 31 December 2009, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 23% (as at 31 December 2008: 132%).

Pledge of Assets

As at 31 December 2009, bank deposit of the Group amounting to HK1,815,000 (as at 31 December 2008: bank deposits of HK$1,013,000) was pledged to a bank for securing banking facilities granted to the Group.

Certain equity securities with market value of HK$18 million (as at 31 December 2008: HK$9 million) were pledged to a bank to secure general banking facilities granted to the Group.

The Group has pledged certain motor vehicles with carrying value of HK$201,000 (as at 31 December 2008: HK$347,000) to secure bank loans granted to the Group.

Contingent Liabilities

	As at 31 December 2009 HK$ million	As at 31 December 2008 HK$ million
Outstanding tender/performance/retention bonds in respect of construction contracts	**151**	116

EXECUTIVE DIRECTORS

ZEN Wei Peu, Derek, age 57, 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. 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 ("Stock Exchange"). He is also the Chairman of Chai-Na-Ta Corp.. 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 is also the Honorary Treasurer of Hong Kong Construction Association from 2009 to 2011. He has over 30 years of experience in civil engineering.

CHANG Kam Chuen, Desmond, age 44, 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 20 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 69, has been appointed as a Non-executive Director of the Company since 9 August 2004 and a member of the Audit Committee of the Company since 29 July 2005. 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 40 years of experience with contractors in the management, design and construction of a wide variety of civil engineering and building projects in the UK, Asia and Hong Kong. He is a past Vice President of The Hong Kong Construction Association and Chairman of The Civil Engineering Committee. He is 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 52, 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, 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 25 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.

NON-EXECUTIVE DIRECTORS (Continued)

CHAN Chi Hung, Anthony, age 36, 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 was the Managing Director of a leading foreign-owned leasing company in the PRC. His expertise includes structuring of leveraged leasing and cross-broader leasing for overseas-listed State-owned Enterprises. Before his active participation in the financial leasing industry, 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. He is an Executive Director of China Financial Leasing Group Limited, the shares of which are listed on the Main Board on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHOW Ming Kuen, Joseph, OBE, JP, age 68, 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. 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 is the Chairman of the Construction Workers Registration Authority and 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, Deputy Council Chairman of Hong Kong Polytechnic University, a member of Hospital Authority, Hong Kong Housing Authority and Hong Kong University Court. He is also the Independent Non-executive Chairman of PYI Corporation Limited, an Independent Non-executive Director of Chevalier International Holdings Limited and Road King, and a Non-executive director of Wheelock Properties Limited, the shares of these four companies are listed on the Main Board of the Stock Exchange.

NG Chi Ming, James, age 66, 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. He has over 30 years of experience in the banking industry in Hong Kong and the United States. He is an Independent Non-executive Director of iOne Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. He was a Director and the Chief Executive Officer of ENM Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. 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.

HO Tai Wai, David, age 61, 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. 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 the 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 the Independent Non-executive Director, a member of the Audit Committee and the Remuneration Committee of Recruit Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

CHEUNG Siu Lun, age 59, is responsible for the Group's business development in Hong Kong and operation of China market. He is a Director of Kaden Construction Limited ("Kaden"). 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 the UK. He has over 35 years of experience in both civil engineering and building construction. He is a member of Minor Works Contractors Registration Committee (MWCRC) under Buildings Ordinance.

CHOY Hon Ping, age 53, is responsible for the Group's building operation in Hong Kong. He was appointed as a director of Kaden on 2 January 2010. He has over 30 years of experience in building construction in Hong Kong. He is a member of The Hong Kong Institution of Engineers and The Chartered Institute of Building (UK). He has been appointed by The Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) as the "Construction Specialist" since 2006. He was the Building Committee member (1998-2007) and Council member of The Hong Kong Construction Association, Limited (2005-2007).

LIU Sing Pang, Simon, age 48, is responsible for the Group's civil engineering operation in Hong Kong. He is a Director and the General Manager of Kaden, a Director of Leader Civil Engineering Corporation Limited and a Director of Wai Kee (Zens) Construction & Transportation Company Limited ("WKC&T"). He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineer. He is also a Chartered Engineer of the UK. He has over 20 years of experience in civil engineering and building construction. He is a council member of the Hong Kong Construction Association.

LUI Yau Chun, Paul, age 49, is responsible for the Group's business development and operation in the Middle East. He is a Director and the General Manager (Marine) of WKC&T, a Director of Leader Marine Contractors Limited, and the General Manager of Leader Marine L.L.C. and Leader Marine Cont. L.L.C., both companies were registered in Sharjah, UAE. He is a member of the Institution of Structural Engineers. He has over 25 years of experience in civil and marine engineering.

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the five largest customers of the Group together accounted for approximately 85% of the Group's turnover, with the largest customer accounted for approximately 56%, and the five largest suppliers of the Group together represented less than 11% 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 2009 are set out in the consolidated statement of comprehensive income on page 34.

The board of directors of the Company ("Board") does not recommend the payment of dividend for the year ended 31 December 2009 (31 December 2008: nil).

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 37.

DISTRIBUTABLE RESERVES

There were no distributable reserves available for distribution to the Shareholders as at 31 December 2008 and 2009.

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 83.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

BANK BORROWINGS

Details of the Group's bank borrowings for the year ended 31 December 2009 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.

On 10 February 2010, the Company issued 310,469,498 shares at a price of HK$0.15 per share by way of an open offer on the basis of one offer share for every three existing shares pursuant to a circular dated 18 January 2010. Accordingly, the total equity was increased by HK$46 million.

RETIREMENT BENEFITS SCHEMES

Details of the Company's pension schemes are set out in note 40 to the consolidated financial statements.

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)*
Chang Kam Chuen, Desmond
Yu Sai Yen *(Vice Chairman)* (resigned on 15 March 2009)

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

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

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. David Howard Gem, Dr. Chow Ming Kuen, Joseph and Mr. Ho Tai Wai, David shall retire by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

The Non-executive Directors have been appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

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 independence during the year ended 31 December 2009 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 2009, the interests (including short positions) of 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 carry 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 Listing Issuers 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	Number of Shares held: Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Personal	244,597,161 (Notes 1 & 2)	–	26.26
Cheng Chi Pang, Leslie	Personal	1,170,000 (Note 1)	–	0.13 (Note 3)

Notes:

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

2. This includes 92,981,421 Shares held by Mr. Zen Wei Peu, Derek, his assured allotment of 30,993,807 Offer Shares under the Open Offer as announced on 21 December 2009 and 120,621,933 Offer Shares underwritten by Mr. Zen under an underwriting agreement dated 21 December 2009 (the "Underwriting Agreement"). Subsequently, as announced by the Company's announcement dated 8 February 2010, since the Open Offer was oversubscribed, the obligations of Mr. Zen under the Underwriting Agreement had been fully discharged. Accordingly, as of the date of the publication of this report, Mr. Zen is interested in, for the purpose of the SFO, 123,975,228 Shares.

3. As at 31 December 2009, the number of the issued shares of the Company was 931,408,494. Accordingly, the percentage has been adjusted.

DIRECTORS' INTERESTS (Continued)

(II) Associated corporations

Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long position	Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Wai Kee Holdings Limited ("Wai Kee")	Personal	185,057,078 (Note 1)	–	23.33
		Personal	770,000 (Note 2)	–	0.10
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 (Note 1)	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000 (Note 1)	–	37.50
David Howard Gem	Wai Kee	Personal	500,000 (Note 1)	–	0.06
Cheng Chi Pang, Leslie	Wai Kee	Personal	330,000 (Note 2)	–	0.04

Notes:

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

2. Long position in the underlying shares of Wai Kee pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to Directors are included in this category, the particulars of which are set out under the heading "SHARE OPTIONS" below.

Save as disclosed above, as at 31 December 2009, 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 for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

Associated Corporation

The share option scheme was adopted by Wai Kee at the annual general meeting held on 18 September 2002 ("Wai Kee Share Option Scheme") to comply with Chapter 17 of the Listing Rules. As at 31 December 2009, Wai Kee has granted 1,100,000 share options under the Wai Kee Share Option Scheme to two Directors of the Company, no share options of which were exercised.

Details of the share options granted under the Wai Kee Share Option Scheme to the following Directors of the Company and a summary of the movements during the year were as follows:

				Number of share options				
Name	Date of grant	Exercisable period	Exercise price (HK$)	Balance at 1.1.2009	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31.12.2009
Zen Wei Peu, Derek	9 July 2007	9 July 2008 to 8 July 2011	3.39	770,000	–	–	–	770,000
Cheng Chi Pang, Leslie	9 July 2007	9 July 2008 to 8 July 2011	3.39	330,000	–	–	–	330,000
Total				1,100,000	–	–	–	1,100,000

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 spouse 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

Other than the Wai Kee Share Option Scheme as mentioned earlier, 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

As at 31 December 2009, 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 an interest 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		Short position	
Name of substantial Shareholder	**Capacity/Nature of interest**	**Number of Shares**	**%**	**Number of Shares**	**%**
Top Horizon Holdings Limited ("Top Horizon") (Note (a))	Personal/ Beneficiary	635,415,033 (Note)	68.22	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note (b))	Corporate	635,415,033 (Note)	68.22	–	–
Wai Kee (Note (c))	Corporate	635,415,033 (Note)	68.22	–	–
Vast Earn Group Limited (Note (d))	Personal/ Beneficiary	50,823,040 (Note)	5.46	–	–
NWS Service Management Limited (incorporated in the British Virgin Islands) (Note (e))	Corporate	50,823,040 (Note)	5.46	–	–
NWS Service Management Limited (incorporated in the Cayman Islands) (Note (f))	Corporate	50,823,040 (Note)	5.46	–	–
NWS Holdings Limited (Note (g))	Corporate	50,823,040 (Note)	5.46	–	–
New World Development Company Limited (Note (h))	Corporate	50,823,040 (Note)	5.46	–	–
Chow Tai Fook Enterprises Limited (Note (i))	Corporate	50,823,040 (Note)	5.46	–	–
Centennial Success Limited (Note (j))	Corporate	50,823,040 (Note)	5.46	–	–
Cheng Yu Tung Family (Holdings) Limited (Note (k))	Corporate	50,823,040 (Note)	5.46	–	–

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

Long position in the Shares

(a) Top Horizon was a direct wholly owned subsidiary of Wai Kee (Zens).

(b) Wai Kee (Zens) was deemed to be interested in the Shares through its interests in Top Horizon.

(c) Wai Kee (Zens) was a direct wholly owned subsidiary of Wai Kee. Accordingly, Wai Kee was deemed to be interested in the Shares through its interests in its wholly owned subsidiaries, namely Wai Kee (Zens) and Top Horizon.

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

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

(f) NWS Service Management Limited (incorporated in the Cayman Islands) was 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).

(g) NWS Holdings Limited was 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).

(h) New World Development Company Limited was deemed to be interested in the Shares through its interests in its subsidiary, namely NWS Holdings Limited.

(i) Chow Tai Fook Enterprises Limited was 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.

(j) Centennial Success Limited was deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.

(k) Cheng Yu Tung Family (Holdings) Limited was deemed to be interested in the Shares through its interests in its subsidiary, namely Centennial Success Limited.

Save as disclosed above, as at 31 December 2009, no other person (other than Directors or chief executives 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 TRANSACTION

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

The Company, through its subsidiary, entered into the Consultancy Agreement ("the Agreement") with Gateway (wholly owned by Mr. David Howard Gem). Pursuant to the Agreement, the Group agreed to engage Gateway through Mr. Gem to provide consultancy services on normal commercial terms and at a consultancy fee of HK$99,000 per month (including traveling and accommodation) together with a discretionary additional fee (not exceeding HK$10,000 per month) for two years commencing 1 June 2008.

Subsequent to the execution of a supplementary agreement between the subsidiary and Gateway, the monthly consultancy fee for the period from 1 January 2009 to 31 May 2010 were cancelled and replaced by a lump sum fee of HK$500,000 to be paid monthly at a rate of HK$30,000 with the balance paid in the last month. As the revised consultancy fee is not exceeding HK$1 million for each of the financial years ending 31 December 2010, it is the de minimis threshold exempt from the reporting, announcement and shareholders' approval requirements.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

DISCLOSURES PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

Loan Facility of Euro5,000,000

On 31 March 2006, the Company as the borrower entered into the Facility Agreement with Nederlandse Financierings-Maatschappi voor Ontwikkelingslanden N.V. (Netherlands Development Finance Company) for the amount of Euro5,000,000 (the "Facility") to finance the acquisition and/or construction of wastewater treatment facilities in the PRC and the ongoing operation and maintenance on those facilities.

For so long as the Facility is made available to the Company, Wai Kee is required to control and/or beneficially own (directly or indirectly) more than 50% of the total issued share capital of the Company. Accordingly, this disclosure is made pursuant to Rules 13.18 and 13.21 of the Listing Rules.

Revolving Loan Facility of HK$20,000,000

On 26 January 2010, Leader Civil Engineering Corporation Limited, a wholly-owned subsidiary of the Company, was granted a one-year term revolving loan facility of up to HK$20,000,000 (the "Banking Facilities").

Throughout the life of the Banking Facilities, Wai Kee is required to maintain not less than 50% shareholding in the Company. Accordingly, this disclosure is made pursuant to the Rules 13.18 and 13.21 of the Listing Rules.

Save as disclosed above, the Company did not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

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 approximately HK$10,000.

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 2009 and up to 26 March 2010, the latest practicable date to ascertain such information prior to the issue of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 44 to the consolidated financial statements.

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

26 March 2010

CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality board, better transparency and effective accountability system in order to enhance the Shareholders' value.

The Company has adopted the code provisions of the Code on Corporate Governance Practices ("the Code") set out in Appendix 14 of the Listing Rules as its own code and has complied with the Code throughout the year ended 31 December 2009 except for the deviations in respect of the separate roles of the chairman and chief executive officer under code provision A.2.1 of the Code and the service term of the Directors under code provision A.4.1 of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2009.

BOARD OF DIRECTORS

The Board formulates overall strategies of the Group, monitors management's performance and maintains effective oversight of execution of business strategies. The Board members are fully committed to their roles and have acted in good faith to maximise the Shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board is made up of eight Directors, including two Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The Non-executive Directors and Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of construction, management, financial and accounting. All the Board members have extensive experience and knowledge in corporate management making significant contributions to the Company's strategic decision. The diverse background of the Board members ensures that they fully represent the interests of all the Shareholders. Biography and responsibility of the Directors are set out under the heading "Directors and Senior Management" of this Annual Report. The Board has delegated certain authorities to the Audit Committee and Remuneration Committee.

To the best knowledge of the Company, there is no financial, business and family relationship among members of the Board.

BOARD OF DIRECTORS (Continued)

During the year, seven full board meetings were held and the attendance of each Director is set out as follows:

Directors	**Attendance/ Number of meetings**
Executive Directors:	
Zen Wei Peu, Derek *(Chairman)*	6/7
Chang Kam Chuen, Desmond	7/7
Yu Sai Yen *(Vice Chairman)*	1/7 (Note)
Non-executive Directors:	
David Howard Gem	3/7
Cheng Chi Pang, Leslie	7/7
Chan Chi Hung, Anthony	6/7
Independent Non-executive Directors:	
Chow Ming Kuen, Joseph	5/7
Ng Chi Ming, James	5/7
Ho Tai Wai, David	7/7

Note:

Six of the seven board meetings were held after the resignation of Mr. Yu Sai Yen as an Executive Director on 15 March 2009.

The Board is provided with information by the senior management for the operational and financial reports before the regular board meetings. At least 14 days' notice is given to all Directors and the relevant information despatched to them at least 3 days before the meeting. Senior management who are responsible for the preparation of the Board papers are usually invited to present and to take any questions or address queries that the Board members may have. All Board members have unrestricted access to information and may seek independent professional advice where appropriate. Minutes of every board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at the following board meeting.

The Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities.

CHAIRMAN AND VICE CHAIRMAN

The Company does not at present have any officer with the title "Chief Executive Officer" ("CEO"). The duties of CEO were previously carried out by Mr. Yu Sai Yen, the former Vice Chairman and Executive Director. Following Mr. Yu's resignation on 15 March 2009, the duties of CEO have been taken up by the Chairman of the Board, Mr. Zen Wei Peu, Derek. 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. This constitutes a deviation from code provision A.2.1 of the Code.

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.

NON-EXECUTIVE DIRECTORS

None of the existing Non-executive Directors (including Independent Non-executive Directors) is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all the Directors are subject to the retirement provisions under Bye-law 111 of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established in February 2005 with specific written terms of reference which delineates its authority and duties. The Chairman of the Remuneration Committee is Dr. Chow Ming Kuen, Joseph, an Independent Non-executive Director, and other members include Mr. Ng Chi Ming, James, Mr. Ho Tai Wai, David and Mr. Zen Wei Peu, Derek, the majority being Independent Non-executive Directors.

The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee shall consult with the Chairman on its proposals and recommendations. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions and prevailing marketing conditions.

REMUNERATION OF DIRECTORS (Continued)

During the year, two meetings of the Remuneration Committee were held. Details of the attendance of the Remuneration Committee meetings are as follows:

Remuneration Committee Members	Attendance/ Number of meetings
Chow Ming Kuen, Joseph	2/2
Ng Chi Ming, James	2/2
Ho Tai Wai, David	2/2
Zen Wei Peu, Derek	2/2

During the year, the Remuneration Committee reviewed and approved the remuneration packages of the Executive Directors and senior management (as defined in the Annual Report). No member can determine his own remuneration. The terms of reference of the Remuneration Committee is published on the Company's website.

NOMINATION OF DIRECTORS

The appointment and removal of Directors is considered and determined by the Board of Directors. The Board shall consider every proposed director's knowledge, experience and his/her possible contribution to the Company before his/her appointment as the Company's Director. The Directors shall retire from office in general meeting in accordance with the Bye-laws but shall be eligible for re-election at the general meeting.

AUDIT COMMITTEE

The Audit Committee was re-established upon the completion of the restructuring in April 2004. The Chairman of the Audit Committee is Mr. Ng Chi Ming, James, an Independent Non-executive Director, and other members include Dr. Chow Ming Kuen, Joseph, Mr. Ho Tai Wai, David and Mr. David Howard Gem, the majority being Independent Non-executive Directors.

The main roles and functions of the Audit Committee are as follows:

1. to consider the appointment of external auditors, the audit fees and any questions of resignation or dismissal of the external auditors;

2. to discuss with the external auditors the nature and scope of the audit;

3. to review the annual and interim financial statements before submission to the Board of Directors;

4. to discuss problems arising from the interim review and final audit;

5. to review the external auditor's management letters and management's response;

6. to review internal control systems;

7. to review the internal audit program, ensure co-ordination between the internal and external auditors; and

8. to consider the major findings of internal investigations and management's response.

The terms of reference of the Audit Committee is published on the Company's website.

During the year, four meetings of the Audit Committee were held. Details of the attendance of the Audit Committee meetings are as follows:

Audit Committee Members	Attendance/ Number of meetings
Ng Chi Ming, James	3/4
Chow Ming Kuen, Joseph	3/4
Ho Tai Wai, David	4/4
David Howard Gem	1/4

During the year, the Audit Committee considered the external auditors' proposed audit fees, discussed with the external auditors the nature and scope of the audit, reviewed the major findings and recommendations of the Internal Audit Team on the operations and performance of the Group, reviewed the effectiveness of internal control system, interim and annual financial statements, and reviewed the external auditors' management letter and management's responses.

AUDITOR'S REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	**Fees paid/payable**
	HK$
Audit services	2,032,000
Non-audit services (including tax advice)	353,000
	2,385,000

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group.

The statement of the external auditor of the Company, Messrs. Deloitte Touche Tohamstu, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 32 and 33.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Board recognises its responsibility for maintaining an adequate system of internal control. To guarantee an ongoing assurance process, the Board established an internal audit team in January 2006. During the year, the Board has conducted a review of the effectiveness of the Group's internal control system. The internal audit team provides independent and objective assurance to the Chairman and Audit Committee on:

1. Integrity of financial and operational information;

2. Effectiveness and efficiency of operations;

3. Safeguarding of assets;

4. Quality of information flow; and

5. Compliance with laws, regulations, and contracts.

INTERNAL CONTROL (Continued)

The internal audit team carried out its mission by:

1. identifying and prioritising potential business risks;

2. performing risk-based audits;

3. evaluating effectiveness and compliance with internal policies and procedures;

4. analysing causes for errors and irregularities found;

5. recommending good internal controls to prevent unintentional mistakes, discourage fraudulent acts, and promote operational efficiency and ethical standards;

6. performing follow up procedures on corrective actions;

7. appraising the soundness and adequacy of various departments' ongoing maintenance of internal controls;

8. providing consulting and advisory services on control and related matters;

9. conducting independent investigation of situations raised by whistleblowers, if any; and

10. maintaining open communication with the chairman, audit committee, and audit management.

The system of internal control is designed to provide reasonable, but not absolute, assurance against human errors, material misstatements, losses, damages, or frauds, and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. During the year under review, no irregularity or material weakness was noted within any function or process. The Audit Committee and the external auditors were satisfied that the internal control system has functioned effectively as intended.

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT

The Group is dedicated to excellence in Quality, Safety and Environmental Protection. Since the Year 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 whole entity. This is a living system and 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.

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT (Continued)

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:

- 3 numbers of HKCA Environmental Merit Award presented by the Hong Kong Construction Association
- HKCA Innovation Environmental Award presented by the Hong Kong Construction Association
- Appreciation Letter presented by MTR Corporation Limited
- 2 numbers of Construction Site Safety presented by Highways Department, Hong Kong SAR Government

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 & Health and Environmental Protection.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all Shareholders. The Company communicates with its Shareholders through the publication of annual and interim reports in accordance to the Listing Rules. Detailed analysis of the development status of each business are set out in the Business Review and Prospects of the Interim and Annual Reports so as to enable the Shareholders to have a thorough understanding of the Company's businesses.

The Company's financial statements and each of the required disclosure of information are despatched within the prescribed period imposed by law and regulations and are all posted on the Company's website at www.buildking.hk for the public to download.

The Company welcomes the Shareholders to attend the general meetings and express their views. The Chairman of the Board as well as other Board members together with the external auditor is available to answer Shareholders' questions.

COMPLIANCE

The Company realises the importance of the corporate governance. The Board shall ensure from time to time to comply with the Code to increase their accountability and to achieve a high standard of corporate governance.

Deloitte.
德勤

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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 34 to 82, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Companies Act of Bermuda 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 as to 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 and true and fair presentation of the consolidated financial statements 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 of the Company, 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 2009 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
26 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	**822,072**	751,130
Cost of sales		**(742,916)**	(783,611)
Gross profit (loss)		**79,156**	(32,481)
Other income	7	**3,865**	36,221
Increase (decrease) in fair value of held-for-trading investments		**17,295**	(49,325)
Administrative expenses		**(67,805)**	(72,578)
Finance costs	8	**(3,774)**	(7,323)
Share of results of jointly controlled entities		**37,869**	26,572
Share of results of associates		**1,709**	1,457
Profit (loss) before tax	9	**68,315**	(97,457)
Income tax (expense) credit	12	**(4,053)**	142
Profit (loss) for the year		**64,262**	(97,315)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(535)**	4,838
Reclassification adjustment upon disposal of a jointly controlled entity		**–**	(1,254)
Other comprehensive income for the year		**(535)**	3,584
Total comprehensive income for the year		**63,727**	(93,731)
Profit (loss) for the year attributable to:			
Owners of the Company		**64,262**	(93,624)
Minority interests		**–**	(3,691)
		64,262	(97,315)
Total comprehensive income attributable to:			
Owners of the Company		**63,718**	(90,158)
Minority interests		**9**	(3,573)
		63,727	(93,731)
		HK cents	HK cents
Earnings (loss) per share	13		
– Basic		**6.9**	(11.1)
– Diluted		**N/A**	–

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	14	**22,076**	27,149
Intangible assets	15	**32,858**	32,858
Goodwill	16	**30,554**	30,554
Interests in jointly controlled entities	18	**89,286**	64,754
Available-for-sale investments	19	**–**	–
Other financial assets	20	**51,520**	47,505
		226,294	202,820
Current assets			
Amounts due from customers for contract work	21	**99,057**	151,821
Debtors, deposits and prepayments	22	**202,562**	210,981
Amounts due from associates	23	**6,573**	6,886
Amounts due from jointly controlled entities	23	**2,170**	16,848
Held-for-trading investments	24	**24,693**	17,680
Tax recoverable		**–**	1,239
Pledged bank deposits	25	**1,815**	1,013
Bank balances and cash	25	**20,687**	37,453
		357,557	443,921
Current liabilities			
Amounts due to customers for contract work	21	**35,358**	75,867
Creditors and accrued charges	26	**250,011**	258,798
Amount due to an intermediate holding company	27	**7,229**	5,817
Amounts due to fellow subsidiaries	27	**8,138**	1,287
Amount due to an associate	34	**7,738**	6,632
Amounts due to jointly controlled entities	27	**16,745**	14,270
Amounts due to minority shareholders	27	**3,094**	3,094
Tax liabilities		**2,253**	1,139
Ordinary share dividend payable to an intermediate holding company		**22,000**	22,000
Preference share dividend payable to immediate holding company		**1,224**	1,224
Loans from a director	28	**10,000**	10,000
Bank loans – due within one year	29	**25,798**	108,604
Bank overdraft, secured	25	**–**	4,749
		389,588	513,481
Net current liabilities		**(32,031)**	(69,560)
Total assets less current liabilities		**194,263**	133,260

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Ordinary share capital	30	**93,141**	93,141
Reserves		**57,594**	(6,124)
Equity attributable to owners of the Company		**150,735**	87,017
Minority interests		**5,952**	5,943
Total equity		**156,687**	92,960
Non-current liabilities			
Deferred tax liabilities	32	**5,750**	5,750
Obligations in excess of interests in associates	33	**18,744**	20,453
Amount due to an associate	34	**8,961**	9,800
Amount due to a jointly controlled entity	35	**4,067**	4,067
Bank loans – due after one year	29	**54**	230
		37,576	40,300
		194,263	133,260

The consolidated financial statements on pages 34 to 82 were approved and authorised for issue by the Board of Directors on 26 March 2010 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 2009

	Ordinary share capital HK$'000	Convertible preference share capital HK$'000	Translation reserve HK$'000	Special reserve HK$'000 (Note)	Asset revaluation reserve HK$'000	Retained profits HK$'000	Equity attributable to owners of the Company HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	82,141	11,000	6,399	(63,141)	4,290	136,661	177,350	9,516	186,866
Loss for the year	–	–	–	–	–	(93,624)	(93,624)	(3,691)	(97,315)
Exchange differences arising on translation of foreign operations	–	–	4,720	–	–	–	4,720	118	4,838
Reclassification adjustment upon disposal of a jointly controlled entity	–	–	(1,254)	–	–	–	(1,254)	–	(1,254)
Total comprehensive income for the year	–	–	3,466	–	–	(93,624)	(90,158)	(3,573)	(93,731)
Other changes in equity during the year:									
Conversion of convertible preference shares	11,000	(11,000)	–	–	–	–	–	–	–
Dividend to the holders of convertible preference shares	–	–	–	–	–	(175)	(175)	–	(175)
Sub-total	11,000	(11,000)	–	–	–	(175)	(175)	–	(175)
At 31 December 2008	93,141	–	9,865	(63,141)	4,290	42,862	87,017	5,943	92,960
Profit for the year	–	–	–	–	–	64,262	64,262	–	64,262
Exchange differences arising on translation of foreign operations	–	–	(544)	–	–	–	(544)	9	(535)
Total comprehensive income for the year	–	–	(544)	–	–	64,262	63,718	9	63,727
At 31 December 2009	93,141	–	9,321	(63,141)	4,290	107,124	150,735	5,952	156,687

Note: 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 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
Profit (loss) before tax	**68,315**	(97,457)
Adjustments for:		
Finance costs	**3,774**	7,323
Depreciation	**14,233**	6,899
Bad debts written off	**147**	–
Write off of other payables	**(710)**	–
Gain on disposal of property, plant and equipment	**–**	(11,676)
Loss on disposal of a jointly controlled entity	**–**	1,972
Dividends from held-for-trading investments	**(1,367)**	(2,507)
(Increase) decrease in fair value of held-for-trading investments	**(17,295)**	49,325
Share of results of jointly controlled entities	**(37,869)**	(26,572)
Share of results of associates	**(1,709)**	(1,457)
Interest on bank deposits	**(11)**	(72)
Interest on other receivables	**(36)**	(408)
Interest on other financial assets	**(1,436)**	(1,853)
Interest on finance lease receivables	**–**	(7)
Operating cash flows before movements in working capital	**26,036**	(76,490)
(Increase) decrease in other financial assets	**(4,015)**	1,577
Decrease (increase) in amounts due from customers for contract work	**52,784**	(71,414)
Decrease in debtors, deposits and prepayments	**8,272**	60,153
Decrease in held-for-trading investments	**10,282**	22,758
(Decrease) increase in amounts due to customers for contract work	**(40,509)**	55,978
(Decrease) increase in creditors and accrued charges	**(9,114)**	35,969
Cash generated from operations	**43,736**	28,531
Interest on bank deposits received	**11**	72
Interest on other receivables received	**36**	408
Interest on other financial assets	**1,436**	1,853
Income taxes paid	**(1,700)**	(9,735)
Net cash from operating activities	**43,519**	21,129

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Investing activities		
Repayment from jointly controlled entities	**17,153**	3,940
Distribution of profits from jointly controlled entities	**13,560**	35,267
Dividends from held-for-trading investments	**1,367**	2,507
Repayment from (advances to) associates	**313**	(17,138)
Purchases of property, plant and equipment	**(9,175)**	(23,902)
(Increase) decrease in pledged bank deposits	**(802)**	1,045
Proceeds from disposal of property, plant and equipment	**–**	12,195
Proceeds from disposal of a jointly controlled entity	**–**	9,422
Repayment of finance lease receivables	**–**	271
Interest on finance lease receivables received	**–**	7
Net cash from investing activities	**22,416**	23,614
Financing activities		
Repayment of bank loans	**(82,982)**	(62,039)
Interest paid	**(3,507)**	(7,103)
Advances from fellow subsidiaries	**6,851**	171
Advances from an intermediate holding company	**1,412**	281
New bank loans raised	**–**	18,790
Loans from a director	**–**	10,000
Advances from an associate	**–**	8,200
Net cash used in financing activities	**(78,226)**	(31,700)
Net (decrease) increase in cash and cash equivalents	**(12,291)**	13,043
Cash and cash equivalents at beginning of the year	**32,704**	19,081
Effect of foreign exchange rate changes, net	**274**	580
Cash and cash equivalents at end of the year	**20,687**	32,704
Represented by:		
Bank balances and cash	**20,687**	37,453
Bank overdraft	**–**	(4,749)
	20,687	32,704

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" to 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 significant subsidiaries, associates and jointly controlled entities are set out in notes 43, 33 and 18 respectively.

In preparing the consolidated financial statements, the directors the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the fact that the Group's current liabilities exceeded its current assets by HK$32,031,000 as at 31 December 2009. Taking into account of the internally generated funds, the open offer of shares that took place after the reporting period (see note 44) and the available banking facilities, the directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

Except as described below, the adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 "Segment Reporting" (see note 6).

The Group has not early adopted the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised 2009)	Related Party Disclosures[5]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

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

The adoption of HKFRS 3 (Revised 2008) may affect the accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments: Recognition and Measurement" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value.

The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations 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, 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisition on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, 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 for goodwill is not reversed in subsequent periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate.

Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly controlled entities (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the jointly controlled entity. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Construction contract

When the outcome of a construction contract 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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Construction contracts

Where the outcome of a construction contract including construction services of the infrastructure under a service concession arrangement can be estimated reliably, contract costs are recognised in the consolidated statement of comprehensive income by reference to the stage of completion of the contract activity at the end of the reporting period on the same basis as the contract revenue recognised.

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 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 as 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).

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.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term 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 except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

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 (the translation reserve). 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") or other retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as reported in the consolidated statement of comprehensive income 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.

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 difference 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. Deferred tax is 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 deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

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)

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. 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 future;

- it is a part of an identified portfolio of 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.

Financial assets at fair value through profit or loss are measured at fair value, with changes in 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 assets, debtors, amounts due from associates and jointly controlled entities, pledged bank deposits 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 of 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 subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 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 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 impacted.

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;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as debtors, assets that are assessed not to be impaired individually are subsequently 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, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the 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.

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 losses 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to 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, amounts due to an intermediate holding company, fellow subsidiaries, an associate and jointly controlled entities, amounts due to minority shareholders, dividend payables to intermediate and immediate holding companies, loans from a director, bank loans and bank overdraft) are subsequently measured at amortised cost, using the effective interest method.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 annually, and whenever there is an indication that they may be impaired. 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 as an expense 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. CRITICAL ACCOUNTING JUDGMENTS AND 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.

Critical judgments in applying the entity's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern basis

Although the Group's net current liabilities exceed its current assets by HK$32,031,000 as at 31 December 2009, the Group manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash and adequate committed lines of funding from reputable financial institutions to meet the Group's liquidity requirements in the short and long term. The directors of the Company are of the opinion that, taking into account of the internally generated funds of the Group, the open offer of shares that took place after the reporting period (see note 44) and the presently available banking facilities, the Group has sufficient working capital for its present requirements for the next twelve months from 31 December 2009. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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 is included in the consolidated statement of financial position at 31 December 2009 at HK$32,858,000 (2008: 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 recent 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 management to reconsider its assumptions regarding future market share and anticipated margins on these construction projects. Detailed sensitivity analysis has been carried out and 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

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 2009, the carrying amount of goodwill is HK$30,554,000 (2008: HK$30,554,000). Details of the recoverable amount calculation are disclosed in note 17.

Income taxes

As at 31 December 2009, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK$286,259,000 (2008: HK$313,055,000) 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 would be recognised in profit or loss for the period in which such recognition takes place.

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 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, 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 jointly controlled entities were principally derived from the construction contracts carried out by the jointly controlled entities. These figures were derived from the latest available budgets of the construction contracts which were prepared by the management of the respective jointly controlled entity 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 has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

The Group is mainly engaged in civil engineering work. Information reported to the Group's chief operating decision maker (i.e. the chief executive officer) for the purposes of resource allocation and assessment of performance is focused on geographical location of its customers including Hong Kong, Taiwan, other regions in the People's Republic of China (the "PRC") and the Middle East. The identification of the Group's reportable segments under HKFRS 8 is consistent with the prior years' presentation of geographical segments as primary segments under HKAS 14. The adoption of HKFRS 8 has changed the basis of measurement of segment profit. Previously under HKAS 14, the segment result did not include the share of results of jointly controlled entities. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8. The Group's reportable segments under HKFRS 8 are as follows:

Year ended 31 December 2009

	Hong Kong HK$'000	Taiwan HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Results					
Group revenue	781,200	–	10,656	30,216	822,072
Share of revenue of jointly controlled entities	18,769	–	1,192	193,110	213,071
Segment revenue	799,969	–	11,848	223,326	1,035,143
Group results	21,894	(1,327)	5,347	(10,536)	15,378
Share of results of jointly controlled entities	5,068	729	(1,961)	34,033	37,869
Segment profit (loss)	26,962	(598)	3,386	23,497	53,247
Unallocated corporate expenses					(1,529)
Dividends from held-for-trading investments					1,367
Increase in fair value of held-for-trading investments					17,295
Share of results of associates					1,709
Finance costs					(3,774)
Profit before tax					68,315

6. SEGMENTAL INFORMATION (Continued)

Year ended 31 December 2008

	Hong Kong HK$'000	Taiwan HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Results					
Group revenue	709,309	13,007	6,538	22,276	751,130
Share of revenue of jointly controlled entities	94,068	–	11,738	108,606	214,412
Segment revenue	803,377	13,007	18,276	130,882	965,542
Group results	(25,401)	(38,083)	(2,814)	(3,603)	(69,901)
Share of results of jointly controlled entities	3,534	–	(2,119)	25,157	26,572
Segment (loss) profit	(21,867)	(38,083)	(4,933)	21,554	(43,329)
Unallocated corporate expenses					(1,444)
Dividends from held-for-trading investments					2,507
Decrease in fair value of held-for-trading investments					(49,325)
Share of results of associates					1,457
Finance costs					(7,323)
Loss before tax					(97,457)

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 and share of results of jointly controlled entities without allocation of dividends from held-for-trading investments, change in fair value of held-for-trading investments, share of results of associates, finance costs and unallocated corporate expenses.

At 31 December 2009

	Hong Kong HK$'000	**Taiwan HK$'000**	**The PRC HK$'000**	**Middle East HK$'000**	**Total HK$'000**
Assets					
Group assets	**319,427**	**657**	**72,981**	**23,732**	**416,797**
Interests in jointly controlled entities	**3,864**	**–**	**36,955**	**48,467**	**89,286**
Segment assets	**323,291**	**657**	**109,936**	**72,199**	**506,083**
Unallocated corporate assets					**77,768**
Total consolidated assets					**583,851**
Liabilities					
Segment liabilities	**309,884**	**10,164**	**12,176**	**6,968**	**339,192**
Obligations in excess of interests in associates					**18,744**
Unallocated corporate liabilities					**69,228**
Total consolidated liabilities					**427,164**

6. SEGMENTAL INFORMATION (Continued)

For the year ended 31 December 2009

	Hong Kong HK$'000	**Taiwan HK$'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)	**59**	**–**	**–**	**9,116**	**9,175**
Depreciation of property, plant and equipment	**351**	**11**	**197**	**13,674**	**14,233**
Interest income	**36**	**–**	**1,447**	**–**	**1,483**

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

At 31 December 2008

	Hong Kong HK$'000	Taiwan HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Assets					
Group assets	366,571	2,102	90,680	34,668	494,021
Interests in jointly controlled entities	163	(697)	42,020	23,268	64,754
Segment assets	366,734	1,405	132,700	57,936	558,775
Unallocated corporate assets					87,966
Total consolidated assets					646,741
Liabilities					
Segment liabilities	343,584	10,277	17,530	6,470	377,861
Obligations in excess of interests in associates					20,453
Unallocated corporate liabilities					155,467
Total consolidated liabilities					553,781

For the year ended 31 December 2008

	Hong Kong HK$'000	Taiwan HK$'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)	119	366	99	23,318	23,902
Depreciation of property, plant and equipment	594	4	182	6,119	6,899
Gain on disposal of property, plant and equipment	11,676	–	–	–	11,676
Interest income	457	–	1,883	–	2,340

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

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 investments, held-for-trading investments, pledged bank deposits, bank balances and cash and tax recoverable, and

- all liabilities are allocated to reportable segments other than ordinary share dividend payable to an intermediate holding company, preference share dividend payable to immediate holding company, loans from a director, tax liabilities, bank loans, bank overdraft, deferred tax liabilities and obligations in excess of interests in associates.

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

	Non-current assets	
	2009	2008
	HK$'000	HK$'000
Hong Kong	**67,673**	64,755
The PRC	**37,136**	41,723
Middle East	**69,965**	48,837
	174,774	155,315

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

For the year ended 31 December 2009, there were two customers (2008: two) who accounted for over 10% of total revenue with revenue of HK$457,632,000 (2008: HK$357,251,000) and HK$86,479,000 (2008: HK$130,571,000) each and they were located in Hong Kong.

7. OTHER INCOME

	2009	2008
	HK$'000	HK$'000
Other income includes:		
Dividends from held-for-trading investments	**1,367**	2,507
Gain on disposal of property, plant and equipment	**–**	11,676
Interest on bank deposits	**11**	72
Interest on finance lease receivables	**–**	7
Interest on other receivables	**36**	408
Interest on other financial assets	**1,436**	1,853
Service income from an associate for secretarial and management services rendered	**–**	19,000
Write off of other payables	**710**	–

8. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**3,005**	6,719
Interest on amount due to an associate	**141**	141
Imputed interest expense on non-current interest free amount due to an associate	**267**	220
Interest on loans from a director	**361**	243
	3,774	7,323

9. PROFIT (LOSS) BEFORE TAX

	2009 HK$'000	2008 HK$'000
Profit (loss) before tax has been arrived at after charging (crediting):		
Auditor's remuneration		
Current year	**1,850**	1,910
Underprovision in prior years	**171**	288
	2,021	2,198
Bad debts written off	**147**	–
Depreciation	**14,253**	6,984
Less: amount attributable to construction contracts	**(20)**	(85)
	14,233	6,899
Hire charges for plant and machinery	**13,611**	28,216
Less: amount attributable to construction contracts	**(13,611)**	(28,216)
	–	–
Loss on disposal of a jointly controlled entity	**–**	1,972
Net foreign exchange losses	**594**	838
Operating lease rentals in respect of land and buildings	**6,503**	5,274
Less: amount attributable to construction contracts	**(1,160)**	(1,014)
	5,343	4,260
Share of income tax expense (credit) of jointly controlled entities (included in share of results of jointly controlled entities)	**499**	(20)
Staff costs:		
Directors' remuneration (note 10)	**5,532**	6,418
Other staff costs	**144,449**	175,859
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$156,000 (2008: HK$545,000)	**6,751**	7,536
	156,732	189,813
Less: amount attributable to construction contracts	**(104,136)**	(146,415)
	52,596	43,398

10. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the nine (2008: ten) directors were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 December 2009				
Zen Wei Peu, Derek	**–**	**2,250**	**12**	**2,262**
Yu Sai Yen	**–**	**914**	**39**	**953**
Chang Kam Chuen, Desmond	**–**	**1,327**	**120**	**1,447**
David Howard Gem	**145**	**–**	**–**	**145**
Cheng Chi Pang, Leslie	**145**	**–**	**–**	**145**
Chow Ming Kuen, Joseph	**145**	**–**	**–**	**145**
Ng Chi Ming, James	**145**	**–**	**–**	**145**
Ho Tai Wai, David	**145**	**–**	**–**	**145**
Chan Chi Hung, Anthony	**145**	**–**	**–**	**145**
	870	**4,491**	**171**	**5,532**
Year ended 31 December 2008				
Zen Wei Peu, Derek	–	2,238	12	2,250
Yu Sai Yen	–	2,348	228	2,576
Chang Kam Chuen, Desmond	–	724	70	794
David Howard Gem	145	–	–	145
Cheng Chi Pang, Leslie	145	–	–	145
Chow Ming Kuen, Joseph	145	–	–	145
Ng Chi Ming, James	145	–	–	145
Ho Tai Wai, David	145	–	–	145
Chan Chi Hung, Anthony	–	–	–	–
Lam Wai Hon, Patrick	73	–	–	73
	798	5,310	310	6,418

No director waived any emoluments for both years ended 31 December 2009 and 2008.

11. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included two (2008: two) directors, details of whose emoluments are set out in note 10 above. The emoluments of the remaining three (2008: three) highest paid individuals were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**5,073**	5,531
Retirement benefits scheme contributions	**272**	320
	5,345	5,851

11. EMPLOYEES' EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	Number of employees	
	2009	2008
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	1

12. INCOME TAX EXPENSE (CREDIT)

	2009	2008
	HK$'000	HK$'000
Current tax:		
Hong Kong	**1,921**	22
Under(over)provision in prior years:		
Hong Kong	**2,132**	(167)
Other jurisdictions	**–**	3
	2,132	(164)
	4,053	(142)

Hong Kong Profits Tax is provided for at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits less available tax losses brought forward.

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

Income tax expense (credit) for the year can be reconciled to the profit (loss) before tax as follows:

	2009	2008
	HK$'000	HK$'000
Profit (loss) before tax	**68,315**	(97,457)
Taxation at the applicable rate of 16.5% (2008: 16.5%)	**11,272**	(16,080)
Tax effect of share of results of associates	**(282)**	(240)
Tax effect of share of results of jointly controlled entities	**(6,248)**	(4,384)
Tax effect of expenses that are not deductible in determining taxable profit	**2,473**	9,552
Tax effect of income that is not taxable in determining taxable profit	**(1,320)**	(526)
Under(over)provision in prior years	**2,132**	(164)
Tax effect of unrecognised tax losses	**3,191**	15,175
Tax effect of utilisation of tax losses previously not recognised	**(7,612)**	(4,050)
Others	**447**	575
Income tax expense (credit) for the year	**4,053**	(142)

13. EARNINGS (LOSS) PER SHARE

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

	2009	2008
	HK$'000	HK$'000
Profit (loss) for the year attributable to owners of the Company	**64,262**	(93,624)
Dividends on convertible preference share capital	**–**	(175)
Earnings (loss) for the purpose of basic earnings (loss) per ordinary share	**64,262**	(93,799)
Effect of dilutive potential ordinary shares:		
Dividends on convertible preference share capital	**–**	175
Earnings (loss) for the purpose of diluted earnings (loss) per ordinary share	**64,262**	(93,624)

	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per ordinary share	**931,408**	844,312
Effect of dilutive potential ordinary shares:		
Convertible preference share capital	**–**	87,096
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per ordinary share	**931,408**	931,408

No diluted earnings per share for the year ended 31 December 2009 is presented as the Company has no dilutive potential ordinary shares.

No diluted loss per ordinary share for the year ended 31 December 2008 was presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per ordinary share for the year ended 31 December 2008.

14. 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 2008	7,677	14,587	22,008	6,037	76,951	127,260
Exchange realignment	–	(12)	16	15	–	19
Additions	–	348	223	34	23,297	23,902
Disposals	–	(449)	–	(208)	(17,601)	(18,258)
At 31 December 2008	7,677	14,474	22,247	5,878	82,647	132,923
Exchange realignment	–	14	19	6	–	39
Additions	–	–	59	–	9,116	9,175
At 31 December 2009	**7,677**	**14,488**	**22,325**	**5,884**	**91,763**	**142,137**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2008	7,677	14,490	20,770	4,991	68,601	116,529
Exchange realignment	–	(9)	5	4	–	–
Provided for the year	–	54	522	337	6,071	6,984
Eliminated on disposals	–	(61)	–	(77)	(17,601)	(17,739)
At 31 December 2008	7,677	14,474	21,297	5,255	57,071	105,774
Exchange realignment	–	14	16	4	–	34
Provided for the year	–	–	445	325	13,483	14,253
At 31 December 2009	**7,677**	**14,488**	**21,758**	**5,584**	**70,554**	**120,061**
CARRYING VALUES						
At 31 December 2009	**–**	**–**	**567**	**300**	**21,209**	**22,076**
At 31 December 2008	–	–	950	623	25,576	27,149

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%

The Group has pledged certain motor vehicles with a carrying value of HK$201,000 (2008: HK$347,000) to secure bank loans.

15. INTANGIBLE ASSETS

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

The construction licenses are granted by the Works Branch, Development Bureau of 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 intangible assets are disclosed in note 17.

16. GOODWILL

The amount represents goodwill arising on the reverse acquisition of the Company in 2004. Particulars regarding impairment testing on goodwill are disclosed in note 17.

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

For the purpose of impairment testing of goodwill, goodwill has been allocated to the underlying cash generating units ("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 intangible asset, intangible asset with indefinite useful lives set out in note 15 have been allocated to a CGU, a subsidiary, acquired in 2005, which included in Hong Kong segment and holds the construction licences 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 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 15% (2008: 15%). 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.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2009 **HK$'000**	2008 HK$'000
Cost of investment in unlisted jointly controlled entities	**44,090**	44,090
Share of post-acquisition profits and other comprehensive income, net of dividends received	**45,196**	20,664
	89,286	64,754

At 31 December 2009 and 2008, the Group had interests in the following principal jointly controlled entities:

Name of jointly controlled entity	**Form of business structure**	**Place of incorporation/ registration/ operation**	**Attributable interest to the Group** %	**Principal activities**
ACC-Leader Joint Venture	Unincorporated	Middle East	50	Civil engineering
China Railway Tenth Group Third Engineering Co., Ltd.	Incorporated (note 1)	PRC	49	Civil engineering
Hip Hing-Leader JV Limited	Incorporated	Hong Kong	$33^1/_3$	Civil engineering
Kaden-ATAL Joint Venture	Unincorporated	Hong Kong	50	Civil engineering
Shanxi Jin Ya Road and Bridge Construction Co., Ltd.	Incorporated (note 1)	PRC	51 (note 2)	Road construction

Notes:

1. The company is an equity joint venture registered in the PRC.

2. The Group holds greater than 50% interests in this entity. However, under the joint venture agreement, the entity is jointly controlled by the Group and the other significant joint venture partner. Therefore, the entity is classified as jointly controlled entities.

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

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using the equity method is set out below:

Share of results attributable to the Group

	2009 HK$'000	2008 HK$'000
Revenue	**213,071**	214,412
Other income	**117**	886
Total revenue	**213,188**	215,298
Total expenses	**(174,820)**	(188,746)
Profit before tax	**38,368**	26,552
Income tax (expense) credit	**(499)**	20
Profit for the year	**37,869**	26,572

Share of assets and liabilities attributable to the Group

	2009 HK$'000	2008 HK$'000
Non-current assets	**16,579**	15,465
Current assets	**161,085**	184,384
Current liabilities	**(88,378)**	(135,095)
Net assets	**89,286**	64,754

19. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK$'000	2008 HK$'000
Unlisted equity securities, at cost	**800**	800
Less: Impairment loss recognised	**(800)**	(800)
	–	–

The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are 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 their fair values cannot be measured reliably.

20. OTHER FINANCIAL ASSETS

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 and is granted an 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 has 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 assets carrying effective interest rate of 2.82% (2008: 3.69%) per annum and repayable over the service concession period of 30 years.

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

	2009 **HK$'000**	2008 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**2,775,389**	3,760,089
Less: Progress billings	**(2,711,690)**	(3,684,135)
	63,699	75,954
Represented by:		
Due from customers included in current assets	**99,057**	151,821
Due to customers included in current liabilities	**(35,358)**	(75,867)
	63,699	75,954

22. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009 **HK$'000**	2008 HK$'000
Trade debtors analysed by age:		
0 to 60 days	**125,262**	114,910
61 to 90 days	**–**	387
Over 90 days	**4,618**	15,218
	129,880	130,515
Retention receivables	**41,091**	43,388
Other debtors, deposits and prepayments	**31,591**	37,078
	202,562	210,981
Retention receivables		
Due within one year	**21,194**	13,041
Due more than one year	**19,897**	30,347
	41,091	43,388

22. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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

Included in the Group's trade debtors are debtors with a carrying amount of HK$4,618,000 (2008: HK$15,605,000) which are past as over 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

	2009 HK$'000	2008 HK$'000
61 to 90 days	**–**	387
Over 90 days	**4,618**	15,218
	4,618	15,605

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 debtors that are neither past due nor impaired have the best credit quality with reference to respective settlement history.

In determining the recoverability of a trade debtor, 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. The concentration of credit risk is high as the major customer of the Group is the HKSAR Government. The directors consider that the HKSAR Government is financially sound and accordingly no provision is required.

23. AMOUNTS DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES

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

24. HELD-FOR-TRADING INVESTMENTS

	2009 HK$'000	2008 HK$'000
Held-for-trading investments stated at fair value:		
– Equity securities listed in Hong Kong	**24,666**	17,668
– Equity securities listed in the United States of America	**27**	12
	24,693	17,680

At 31 December 2009, certain equity securities with market value of HK$18,090,000 (2008: HK$8,670,000) were pledged to a bank to secure general banking facilities granted to the Group.

In relation to the pledge of equity securities, the bank requires certain subsidiaries of the Company that are entitled to the bank facilities, to provide cross guarantees to the bank. Therefore, although certain equity securities were pledged to the bank, the Group is allowed to trade the pledged securities upon the repayment of respective bank borrowing. Accordingly, investments in these equity securities are classified as held-for-trading investments in the consolidated statement of financial position.

25. PLEDGED BANK DEPOSITS/BANK BALANCES/BANK OVERDRAFTS

Bank deposit of the Group amounting to HK$1,815,000 (2008: bank deposits of HK$1,013,000) was pledged to a bank for securing the banking facilities granted to the Group. The pledged bank deposit carries fixed interest at 0.01% (2008: 0.01% to 1.07%) per annum.

Bank balances carry average market interest rate at 0.01% (2008: 0.01% to 1.07%) per annum.

Bank overdrafts carry interest at market rates of 6.5% (2008: 6.5% to 8.1%) per annum.

26. CREDITORS AND ACCRUED CHARGES

	2009 HK$'000	2008 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**36,906**	64,110
61 to 90 days	**1,390**	5,835
Over 90 days	**13,567**	17,184
	51,863	87,129
Retention payables	**41,947**	39,122
Accrued project costs	**129,538**	112,189
Other creditors and accrued charges	**26,663**	20,358
	250,011	258,798
Retention payables		
Repayable within one year	**26,440**	19,584
Repayable more than one year	**15,507**	19,538
	41,947	39,122

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

27. AMOUNT(S) DUE TO AN INTERMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/JOINTLY CONTROLLED ENTITIES/MINORITY SHAREHOLDERS

Amounts are unsecured, interest-free and repayable on demand.

28. LOANS FROM A DIRECTOR

The loans are unsecured, carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.75% per annum and are repayable within one year.

29. BANK LOANS

	2009 HK$'000	2008 HK$'000
The maturity of bank loans is as follows:		
Within one year	**18,050**	91,870
In the second year	**3,928**	9,079
In the third to fifth year inclusive	**3,874**	7,885
	25,852	108,834
Less: Amount due within one year shown under current liabilities	**(25,798)**	(108,604)
Amount due after one year	**54**	230
Secured	**9,230**	55,385
Unsecured	**16,622**	53,449
	25,852	108,834

At the end of the reporting period, bank loans include HK$230,000 (2008: HK$385,000) fixed rate borrowings which carry interest ranging from 8.52% to 9.39% (2008: 8.52% to 9.39%) per annum. The remaining bank loans are variable-rate borrowings which carry interest ranging from 2.7% to 7.1% (2008: 1.8% to 7.9%) per annum. Bank loans of HK$16,622,000 (2008: HK$32,446,000) carry an interest which is repriced every six months. The remaining bank loans carry interest which is repriced every month.

During the year, in respect of bank loans with carrying amounts of HK$16,622,000 (2008: HK$32,446,000) as at 31 December 2009, the Group breached certain of the terms of the bank loans, which are primarily related to the debt-equity ratio of the Group. According to HKAS 1 "Presentation of Financial Statements", since the banks have not agreed to waive their right to demand immediate payment as at the end of the reporting period, the non-current portion of the bank loans amounting to HK$7,748,000 (2008: HK$16,734,000) has been classified as a current liability in the consolidated statement of financial position as at 31 December 2009. The Group has subsequently obtained written consent from the banks to waive their rights to demand immediate repayment.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK$60,110,000 (2008: HK$7,361,000).

30. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2008, 31 December 2008 and 2009	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2008	821,408,494	82,141
Conversion of non-redeemable preference shares	110,000,000	11,000
At 31 December 2008 and 2009	931,408,494	93,141

31. CONVERTIBLE PREFERENCE SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Convertible preference shares of HK$0.01 each		
At 1 January 2008, 31 December 2008 and 2009	3,000,000,000	30,000
Issued and fully paid of HK$0.01 each:		
Convertible preference shares of HK$0.01 each		
At 1 January 2008	1,100,000,000	11,000
Conversion of non-redeemable preference shares	(1,100,000,000)	(11,000)
At 31 December 2008 and 2009	–	–

During the year ended 31 December 2008, 1,100,000,000 non-redeemable preference shares of HK$0.01 each were converted into 110,000,000 fully-paid ordinary shares of the Company at the conversion price of HK$0.1 per ordinary share. No non-redeemable preference shares were outstanding at 31 December 2008.

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 had any voting rights. The preference shares were non-redeemable and were not be listed on any stock exchange.

32. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years:

	Fair value of intangible assets HK$'000
At 1 January 2008, 31 December 2008 and 2009	5,750

32. DEFERRED TAX LIABILITIES (Continued)

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:

	2009	2008
	HK$'000	HK$'000
Tax losses:		
To expire in 2012	**2,355**	2,355
To expire in 2013	**4,298**	4,298
To expire in 2014	**1,584**	–
Carried forward indefinitely	**278,022**	306,402
	286,259	313,055

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

	2009	2008
	HK$'000	HK$'000
Cost of investment in unlisted associates	**4**	4
Share of post-acquisition losses (note)	**(18,748)**	(20,457)
	(18,744)	(20,453)

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 2009 and 2008 are as follows:

Name of associate	**Place of incorporation/ operation**	**Proportion of nominal value of issued ordinary capital held indirectly by the Company** %	**Principal activities**
Hong Kong Landfill Restoration Group Limited	Hong Kong	34.5	Civil engineering

The summarised financial information in respect of the Group's associates which are accounted for using the equity method is set out below:

	2009	2008
	HK$'000	HK$'000
Total assets	**66,525**	65,747
Total liabilities	**(104,013)**	(106,653)
Net liabilities	**(37,488)**	(40,906)
Group's share of net liabilities of associates	**(18,744)**	(20,453)
Revenue	**63,563**	61,541
Profit for the year	**3,418**	2,913
Group's share of results of associates for the year	**1,709**	1,457

34. AMOUNT DUE TO AN ASSOCIATE

The current amount due to an associate is unsecured, interest-free and repayable on demand except for an advance from an associate of HK$3,500,000 (2008: HK$3,500,000) which carries interest at one-month HIBOR.

The non-current amount due to an associate is unsecured, interest-free and has no fixed repayment terms. The associate has agreed not to demand repayment 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% (2008: 5.4%) per annum.

35. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and has no fixed repayment terms. The jointly controlled entity has agreed not to demand repayment within twelve months from the end of the reporting period and the balance is therefore shown as a non-current liability.

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 and loans from a director disclosed in notes 29 and 28 respectively 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 class of 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

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Held-for-trading investments	**24,693**	17,680
Loans and receivables (including cash and cash equivalents)	**276,317**	312,112
Available-for-sale financial assets	**–**	–
	301,010	329,792
Financial liabilities		
Amortised cost	**365,059**	450,572

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include other financial assets, debtors, amounts due from associates and jointly controlled entities, held-for-trading investments, pledged bank deposits, bank balances, creditors, amounts due to an intermediate holding company, fellow subsidiaries, an associate, jointly controlled entities and minority shareholders, dividend payable to an intermediate holding company and immediate holding company, loans from a director, bank loans and overdrafts. The risks associated with these financial instruments include market risk (currency 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) Currency risk

Certain bank loans amounting to HK$11,622,000 (2008: HK$15,647,000) are denominated in United States dollars which are different from the functional currency of the group entity (i.e. Hong Kong dollars) and therefore the Group is exposed to currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency should the need arise.

The directors of the Company are of the opinion that the Group's sensitivity to the change in United States dollars is low because Hong Kong dollars is pegged to United States dollars.

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank loans which exposed the Group to fair value interest rate risk. However, management considers the fair value interest rate risk is minimal as the amount of fixed-rate bank loans is immaterial.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank loans, loans from a director and amount due to an associate (see notes 29, 28 and 34 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 HIBOR arising from the Group's Hong Kong dollars denominated borrowings.

37. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

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

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 2009 would decrease/increase by HK$391,000 (2008: loss would increase/decrease by HK$1,267,000). 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 decrease in variable rate bank loans.

(iii) Other price risks

The Group is exposed to equity 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 instruments operating in infrastructure industry sector quoted in The Stock Exchange of Hong Kong Limited.

Other price sensitivity analysis

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

If the prices of the respective equity instruments had been 5% higher/lower while all other variables were held constant, the profit for the year ended 31 December 2009 would increase/decrease by HK$1,235,000 (2008: loss would increase/decrease by HK$884,000) as a result of the changes in fair value of held-for-trading investments.

The Group's sensitivity to available-for-sale investments has not changed significantly from 2008.

37. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at 31 December 2009, 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 arising 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 debtors. The Group is exposed to concentration of credit risk as the major customer of the Group is the HKSAR Government. The directors of the Company consider that the HKSAR Government is 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.

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 it maintains sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and longer term. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings. As at 31 December 2009, the Group had net current liabilities of HK$32,031,000. Taking into account of the internally generated funds, the open offer of shares that takes place after the reporting period and the available banking facilities, the Group will be able to meet its financial obligation when they fall due.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve 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 31.12.2009 HK$'000
2009								
Non-interest bearing	–	286,278	4,395	6,500	21,211	17,155	335,539	325,707
Fixed interest rate instruments	8.96	44	44	87	71	–	246	230
Variable interest rate instruments	2.01	20,162	10,063	9,255	–	–	39,480	39,122
		306,484	14,502	15,842	21,282	17,155	375,265	365,059

37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	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 31.12.2008 HK$'000
2008								
Non-interest bearing	–	286,964	932	2,188	24,869	18,633	333,586	323,489
Fixed interest rate instruments	8.74	44	44	88	241	–	417	385
Variable interest rate instruments	3.01	43,838	8,072	77,019	–	–	128,929	126,698
		330,846	9,048	79,295	25,110	18,633	462,932	450,572

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 to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

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.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

37. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

The level within which the financial asset is determined based on the lowest level of significant input to the fair value measurement.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009:

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Equity securities, listed	**24,693**	**–**	**24,693**

There have been no transfers between level 1 and 2 during the year.

38. CONTINGENT LIABILITIES

	2009 **HK$'000**	2008 HK$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	**151,029**	116,095

39. COMMITMENTS

Operating lease commitments

At 31 December 2009, 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:

	2009 **HK$'000**	2008 HK$'000
Within one year	**7,181**	6,684
In the second to fifth years inclusive	**3,093**	8,320
	10,274	15,004

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.

40. RETIREMENT BENEFITS SCHEMES

The Group operates two Mandatory Provident Fund Schemes ("MPF Schemes") for all eligible employees in Hong Kong. These MPF Schemes are registered with the Mandatory 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 the consolidated statement of comprehensive income of HK$6,922,000 (2008: HK$7,846,000) represents contributions paid or payable to the retirement benefit 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.

41. RELATED PARTY TRANSACTIONS

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

	2009 **HK$'000**	2008 HK$'000
Immediate holding company		
Corporate guarantee fee expense	**570**	418
Associates		
Interest expense	**141**	141
Secretarial and management service income	**–**	19,000
Jointly controlled entities		
Interest income	**–**	66
Director		
Interest expense	**361**	243

During the year ended 31 December 2008, the Group disposed of its entire interest in a jointly controlled entity to the joint venture partner of the jointly controlled entity at a consideration of HK$9,422,000.

Details of the balances with associates, jointly controlled entities, intermediate holding company, fellow subsidiaries, minority shareholders, immediate holding company and a director are disclosed in the consolidated statement of financial position and respective notes.

41. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

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

	2009	2008
	HK$'000	HK$'000
Short-term benefits	**9,666**	13,828
Post-employment benefits	**494**	857
	10,160	14,685

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 2009, a director provided personal guarantees amounting to HK$12,500,000 (2008: HK$12,500,000) to several banks to secure the general banking facilities granted to the Group.

At 31 December 2009, Wai Kee provided corporate guarantees amounting to HK$45,000,000 (2008: HK$54,547,000) to several banks to secure the general banking facilities granted to the Group and charged corporate guarantee fee of HK$570,000 (2008: HK$418,000) to the Group.

At 31 December 2009 and 31 December 2008, Wai Kee has also given guarantees to indemnify all liabilities for certain construction contracts undertaken by the Group.

In addition to above, the Group has an interest in a jointly controlled entity with carrying value of HK$1,807,000 (2008: HK$1,807,000) for the construction of Zhejiang Shenjiawan – Zhongmentong (the "JCE"). The JCE is an unincorporated jointly controlled entity operating in the PRC, with a 50% attributable interests held by a wholly-owned subsidiary of the Company and the remaining attributable interest held by two wholly-owned subsidiaries of Wai Kee.

42. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2009	2008
	HK$'000	HK$'000
Investment in a subsidiary	**60,000**	60,000
Amounts due from subsidiaries	**12,638**	25,210
Other current assets	**42**	291
Other current liabilities	**(3,628)**	(4,099)
Loans from a director	**(10,000)**	(10,000)
Bank loans	**(11,622)**	(22,447)
	47,430	48,955
Share capital	**93,141**	93,141
Reserves	**(45,711)**	(44,186)
	47,430	48,955

43. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid/ registered ordinary share capital	Proportion of nominal value of issued ordinary share capital held by the Group %	Principal activities
Allied Wise Limited	Hong Kong	Hong Kong	HK$2	100	Investment holding
Amazing Reward Group Limited	British Virgin Islands ("BVI")	Hong Kong	US$1,000,000	100	Investment holding
Kaden Construction Limited	United Kingdom	Hong Kong	GBP16,072,500	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	Civil engineering
Leader Construction Company Limited	Hong Kong	Hong Kong	HK$2	100	Provision of administrative and management services to group companies
Leader Construction Overseas Limited	Hong Kong	Hong Kong	HK$20	100	Investment holding
Leader Marine Contractors Limited	Hong Kong	Hong Kong	HK$200,000	100	Marine engineering and provision of transportation services
Leader Marine L.L.C.	Sharjah, United Arab Emirates ("U.A.E.")	U.A.E.	Dh300,000	100	Ships and boats rental and shipping services
Leader Marine Cont. L.L.C.	Sharjah, U.A.E.	U.A.E.	Dh300,000	100	First class contracting/ specialised in marine construction
Profound Success Limited	BVI	Hong Kong	US$1	100	Investment holding
Top Tactic Holdings Limited	BVI	BVI	US$1	100	Investment holding

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid/ registered ordinary share capital	Proportion of nominal value of issued ordinary share capital held by the Group %	Principal activities
Wai Kee China Construction Company Limited	Hong Kong	Hong Kong	HK$10,000,000	100	Civil engineering
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	Hong Kong	HK$2 Ordinary shares	100	Civil engineering
			HK$14,800,000 Non-voting deferred shares	100	
			HK$5,200,000 Non-voting deferred shares (note 1)	–	
Wisdom Aim Investments Limited	Hong Kong	Hong Kong	HK$1	100	Provision of secretarial and nominee services
Wuxi Qianhui Sewage Treatment Co., Ltd. (note 2)	PRC	PRC	US$5,400,000	95.6	Sewage treatment
惠記環保工程(上海)有限公司 (note 3)	PRC	PRC	US$800,000	100	Environmental engineering

Notes:

1. 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 respective companies. On a winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.

2. The company is a co-operative joint venture registered in the PRC.

3. 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.

44. EVENTS AFTER THE REPORTING PERIOD

(a) On 10 February 2010, the Company raised approximately HK$46.6 million before expenses for general working capital of the Group, by way of issuing 310,469,498 shares at the subscription price of HK$0.150 per share on the basis of one offer share for every three shares held on 15 January 2010, the record date of the open offer.

Details of the open offer of shares are set out in the circular of the Company dated 18 January 2010.

(b) On 25 February 2010, the Group entered into a sale and purchase Agreement ("S&P Agreement") to dispose of the Group's entire interest in China Railway Tenth Group Third Engineering Co., Ltd., an equity joint venture established in the PRC to third parties for a consideration of RMB19,080,000 (equivalent to approximately HK$21,681,000). The completion of the disposal is conditional upon certain conditions as stated in the S&P Agreement.

Details of the disposal are set out in the Company's Announcement – Disclosable Transaction dated 25 February 2010.

Financial Summary

RESULTS

	Year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Group revenue	544,960	605,927	798,475	751,130	**822,072**
Share of revenue jointly controlled entities	151,407	383,525	486,452	214,412	**213,071**
	696,367	989,452	1,284,927	965,542	**1,035,143**
Group revenue	544,960	605,927	798,475	751,130	**822,072**
Operating (loss) profit					
Company and subsidiaries	(30,428)	12,985	4,889	(118,163)	**32,511**
Share of results of jointly controlled entities	63,451	26,860	29,045	26,572	**37,869**
Share of results of associates	1,655	(15)	134	1,457	**1,709**
Finance costs	(3,163)	(6,746)	(12,214)	(7,323)	**(3,774)**
Profit (loss) before tax	31,515	33,084	21,854	(97,457)	**68,315**
Income tax credit (expense)	207	(25,691)	(6,781)	142	**(4,053)**
Profit (loss) for the year	31,722	7,393	15,073	(97,315)	**64,262**

FINANCIAL POSITION

	As at 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Total assets	521,269	654,617	683,433	646,741	**583,851**
Total liabilities	(367,014)	(492,460)	(496,567)	(553,781)	**(427,164)**
	154,255	162,157	186,866	92,960	**156,687**

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zen Wei Peu, Derek *(Chairman)*
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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Richards Butler in association with
Reed Smith LLP
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
CITIC Ka Wah Bank Limited
Hang Seng Bank Limited

COMPANY SECRETARY

Chang Kam Chuen, Desmond

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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