Build King Holdings Limited

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

Annual Report 2011

Contents

Financial Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity* per share	12%
Equity	HK$255 million
Equity per share	HK21 cents
Group revenue and share of revenue of jointly controlled entities	HK$1,731 million
Profit attributable to owners of the Company	HK$26 million

* equity refers to equity attributable to owners of the Company

FINAL DIVIDEND

The board of directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2011.

Chairman's Letter

The Group's gain in equity during 2011 was HK$28 million whilst the equity per share increased by 12% to HK21 cents.

Although the Group results for 2011 have been rather mixed, our turnover reached HK$1.7 billion which was what I expected, with a construction profit of HK$37 million in line with our forecast.

Whilst in general the projects in Hong Kong gave a better result, the overall construction activities were adversely affected by our UAE operation. Our Wuxi sewage plant however provided a satisfactory return, assisted in part by a small increase in the levy.

Regrettably our equity investments were hit by the general poor market condition and suffered significant loss. Although I do not expect to see a further deterioration next year, neither do I expect to see any real gain; in the long run however I am quite positive that the equities we hold are sound.

Our order book is very healthy and at the time of writing has risen from last year's HK$3.9 billion to HK$5.4 billion. Based on the contracts now on hand, I expect next year's Group turnover will be above HK$2.2 billion and that before too long we will be able to reach my target of HK$3 billion. Given what we know, I am confident that the Group result will improve as our turnover increases and that the future will be bright for Build King.

BUSINESS ANALYSIS

Construction

The core business of our Group in construction which represents 97% of our turnover and of which 93% was in Hong Kong.

Most of our Hong Kong civil engineering projects are in good shape, on programme and within budget. I am pleased to say that we have been able to mitigate some of the delays on the two major joint venture projects I mentioned last year, and we now expect to be able to recover the overall programme on both projects. The main set back this year came from a few of fixed price private projects where clients have also been very slow in making or agreeing payments. Given the rapid rise in price of most construction materials and in labour costs during the past year, we were hard hit on these projects. We will continue our tendering strategy of reducing our exposure to fixed price contract and/or difficult clients.

The turnover of our building section was HK$234 million, an increase of 169% over the year before. With the current contracts in hand, I expect there will be further increase in turnover next year. However I am loath to set a date when we will be able to reach our target HK$1 billion turnover on building alone as a lot depends on the market conditions and how fast we can train up our staff. As always, my focus is more on the bottom line than the 'top line', and the directors and I will therefore be patient and give our building section a little more breathing space.

As noted above, our current order book has again increased significantly and I expect this trend to continue for the next two years or so. I am hoping that by 2014 (if not 2013) we can finally reach our current turnover target of HK$3 billion.

Chairman's Letter

BUSINESS ANALYSIS (Continued)

Construction (Continued)

I am hesitant to go much higher than this HK$3 billion figure. The main constraint is the shortage of good staff, front line supervision and labour; recruitment is getting more and more difficult by the month. We need to move much more cautiously if we aim to grow beyond HK$3 billion per annum. The two pre-requisites will be to identify and develop sufficient staff internally as well as by recruitment, and whether we can see that there will be enough resources in the labour market at the time. With a lot of major projects being announced or already underway, the cost of labour has risen rapidly and we can see no slowing down of this trend in the coming year. This may attract experienced labour who have left, back into the industry and recently we have also seen some newly trained workers coming into this industry, but these are far from sufficient to meet the needs. Unless there is a change in Government's labour policy to allow imported labour, I expect the situation to get worse towards end of this year and in the years to come.

This year we will be much more selective in our tendering; we will target only at those projects where we consider the Group has a real edge and have at least the core team available to start up the project. In addition on major projects where we need to share risk, we will be more selective in choosing joint venture partners.

As I mentioned last year, we have successfully recruited staff from nearby regions, and we are now focusing on Taiwan and Malaysia where the cultural and language barrier is lower. However, there is a certain limit on employing from abroad and we are also actively recruiting locally. I hope that in time our younger generation of staff can grow to take up more responsibilities.

2011 has been a poor year for our Middle East operation. The marine civil engineering construction market in the UAE, including Abu Dhabi, has not recovered as we had hoped and we were unsuccessful in winning any new projects during 2011. Even for those tenders where we were the lowest, the client either shelved the project or decided to amend the scope and re-tender. At the end of the year, as we could not see the situation improving coupled with the huge demand for marine equipment and staff here in Hong Kong, we decided to downsize to a small team and to relocate most of our staff and marine plant back to Hong Kong. When the market conditions improve we hope to be able to re-mobilise back to UAE – such is the nature of our business.

We have tendered for an underground railway project in Kuala Lumpur and are waiting for the outcome. We will keep looking for opportunities in the nearby region in order that we can lessen our reliance solely on Hong Kong market in the future.

I take this opportunity to report to you on our progress on the five areas that I mentioned last year:

1) Track Record – with our current involvement in a number of major civil projects, our track record is improving and in time we can expect to close some of the gap now existing between us and the track record of some of our multinational competitors.

2) Our safety, quality and project performance record remain very good. In fact we are perhaps amongst the top few contractors in these areas, thanks to the effort of all Build King staff.

3) I am glad to report that since January this year, Robert Yu has joined us as Engineering Manager. I am confident that this move will be the start of raising our technical capability at all levels both in tendering as well as on contract execution.

Chairman's Letter

BUSINESS ANALYSIS (Continued)

Construction (Continued)

4) I do not know for sure how successful we have been in building a 'happy' family within Build King, but I believe it's safe to say that most of our colleagues regard our Group's simple structure, with its open and transparent decision making and the close relations from top to bottom, as providing a safe and secure environment within which to work. Later this year, we will conduct a survey to really see where we are versus our competitors. Our aim is always to see how we can improve further.

5) Again, on 'partnering' with sub contractors and suppliers we have made some progress. We have aimed to ensure that all our payments are on time and there have been significant improvements to this end during the year. We have also started, in some selected trades, to form alliances with identified key sub-contractors and suppliers. We all realise that this is a long and slow process, and the results won't be visible for a few years. In addition our Group has established a very solid and good reputation in Hong Kong, and a lot of international contractors have expressed keen interest to Joint Venture with us.

Our minor investments in construction related businesses are still 'minor' at present, but I hope I can report next year on some of the results we have achieved.

Environmental Infrastructure Project

During the year, we finally made a minor breakthrough in raising the levy on the Wuxi sewage treatment plant. However the amount agreed is far from satisfactory and we hope we can negotiate a further increase the coming year. This will however be an uphill task, in particular for that part of the levy related to the general public which will be strongly resisted by local Government.

The average sewage we now treated at the plant is circa 30,000 tons/day, only 5,000 tons short of the design capacity. Judging from the trend, we expect to reach 35,000 tons/day by end 2013.

The net cash we received from the plant is roughly RMB10 million per annum. Given that we invested a total of HK$75 million, our payback period is around 7-8 years – not a great investment, but it does provide the Group with a steady income for the next 25-30 years. As a result, I am still pressing our team to look for similar projects in the region.

Investment

2011 has been a poor year for equity investors and the Group lost a total of HK$10 million, representing a 40% drop in value. Currently we hold a total of HK$30 million of equity investments.

With the expected increase in construction activity, the Group will need a lot more working capital than before. As such I do not intend to make any new investment in equity the coming year. Also, with the current uncertainty in the world economies, I believe that bank lines will be tighter in the coming year. Although our cash position continues to improve, we are very mindful of the need to continue the close monitoring of our cashflow and bank lines.

Chairman's Letter

CORPORATE GOVERNANCE

Communication with Shareholders

I will continue to be candid with you in my reporting and I will emphasise 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.

Company Organization

As you may note, we have added three New Directors to our subsidiary companies to strengthen our management, first to rationalize our organization, also in preparation for heavier overall workload in the coming year. You will see a wide age span. We have Mr. Yue Pak Lim, at the 'young' age of 75 and still going strong, (I hope I can still be around and contributing when I am 75!), Mr. Wilfred So who is just 37 and Mr. Enmale Kwok at a 'mature' age of 55.

Here in Build King we do not have an official retirement age, as we believe the dogma of a pre-determined retirement age is illogical as well as out-dated. Nowadays people are healthier and live longer than in the years gone by. Most people working in this industry are male, in particularly in contractors and males in Hong Kong on average live into their eighties. With all their knowledge and experience that can benefit the industry and be shared with the younger generation, it is a real waste to expect males to retire at the age of 60. As long as staff are healthy and still have 'fire' in their belly and are keen and able to contribute, we welcome him (or her) to stay or new staff to join our Group notwithstanding their age.

On the other hand, we try to avoid promoting staff purely based on seniority. Individuals blossom at different ages and at Build King we try to choose the person best fitted for the job at the time.

Dividend Policy

Our shareholders' equity has risen to HK$255 million, only HK$45 million short of HK$300 million benchmark that I mentioned, as by then we may be able to distribute some dividends.

Barring accident, I think we will have a better year in 2012 as compared with 2011, so it is possible that we may finally be in a position to declare some small dividend in the coming 1 or 2 years, please keep your fingers crossed.

Appreciation

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

Zen Wei Peu, Derek
Chairman

27 February 2012

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECT

Operating Results

During the year, the Group has been able to take advantage of the current high level of activity in the construction market in Hong Kong. The turnover, including our share of jointly controlled entities, increased from HK$915 million for 2010 to HK$1,731 million for 2011, a jump of 89%. As a result, the profit from the construction operation increased from HK$20 million to HK$37 million. However, the loss due to the world economic conditions of HK$10 million on our investments in securities, the profit of the Group was only maintained at HK$27 million, comparable with that in 2010.

The group turnover, representing projects undertaken by our subsidiaries on solo basis and generally small to medium in size, increased from HK$722 million for 2010 to HK$1,153 million for 2011; coupled with improvement of gross profit margin from 8% to 10%, the gross profit recorded significant increase from HK$58 million to HK$111 million.

This achievement reflects our continuing strategy of focusing on projects not only where we believe we have a competitive edge but also on those projects where we can maintain a healthy cashflow and margin.

The contribution from joint venture projects, including both our share of results and of management service income, decreased from HK$37 million in 2010 to HK$32 million for this year. This included a loss of HK$9 million on our joint venture in the Middle East.

The expected market recovery in the UAE and particularly in Abu Dhabi did not materialise and as a result, our joint venture there failed to secure any new projects this year. As the UAE marine civil engineering market is showing no improvement, we have decided to transfer most of our staff back to Hong Kong together with the majority of the marine plant. This will be completed in the first half of 2012. We will however maintain a small office and our licenses. If the opportunity arises, we will reactivate our operation there.

In line with our budget, the head office administrative expenses increased by 20% from HK$89 million to HK$107 million. The expected increase was attributable to the high level of tendering activities, rising staff costs and associated training for staff development. Our aim is to reach and maintain a ratio of expense to turnover of 4%. The ratios for 2010 and 2011 were 10% and 6% respectively, but we believe that a ratio of 4% can be achieved in the not too distant future.

During 2011, the number of new contracts secured was 21 and the value of outstanding works recorded a 38% increase to HK$5.4 billion as at the date of this report compared with HK$3.9 billion reported in the Annual Report 2010.

Hong Kong

This year, the Group was awarded 16 new civil engineering projects, including three in joint venture, totaling in all HK$2.3 billion in value. These included several major contracts for the Government: the second works package for Harbour Area Treatment Scheme Stage 2A and the reconstruction and improvement works for the Kai Tak River, both for the Drainage Services Department; a design and build contract to upgrade the promenades of Aberdeen Harbour and, in joint venture, the construction of Portion C4 of Central Wan Chai Bypass over MTR Tsuen Wan Line, both for the Civil Engineering and Development Department. In the private sector, we are a member of the joint venture which was awarded by the MTRC the contract for Admiralty Station South Island Line underground extension and modifications. This project is on a target cost basis. At the airport we were awarded the third hangar for servicing private aircraft by Hong Kong Business Aviation Centre. This is the second project for this client. And in late 2011, we secured a project in joint venture to install a new submarine gas pipeline across Hong Kong Harbour for The Hong Kong and China Gas Company Limited.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECT (Continued)

Hong Kong (Continued)

In regard to projects commenced in previous years, they are generally proceeding satisfactorily. Of the two projects mentioned last year as suffering from delays, Package C1 on Central Wanchai Bypass at the Hong Kong Convention and Exhibition Centre made significant progress during the year and is now well on track to meet the overall programme. The other project – the joint venture for the Express Rail Link – Contract 824 has also progressed well and the first main tunnel drive by drill and blast has commenced. On the design and build contract for infrastructure work in Tseung Kwan O Stage 1, the main bridge is substantially complete and whole contract will be finished in the first quarter of 2012. The construction of the two sewage treatment plants on Lamma Island is well advanced as are the infrastructure works for Kai Tak Development – both are on program and with costs under control. The Polar Adventure and Thrill Mountain project at Ocean Park has however been badly delayed due to changes instructed by the Client and will complete in the mid of 2012.

In regard to the future, we are confident that there are good opportunities in civil engineering coming for the Group in 2012, and also beyond. Tenders for the MTRC Shatin to Central Line will be available in the first half of 2012 and physical works will commence in the second half. We have teamed up with partners for most of the packages and are confident that we will be prequalified for most of them. At the time of writing, we have commenced tendering on the first two packages both in joint venture. We have also tendered in joint venture for the first package for the new Hong Kong-Zhuhai-Macao Bridge. The tender for the second package is currently under preparation but with different joint venture partners. Hong Kong International Airport Authority have just kicked off their HK$9 billion expansion and the Group is part of joint ventures bidding for the new third terminal building and also separately, the associated new aprons and taxiways. In addition, the government budget of HK$62 billion on infrastructure for 2012/2013 means that a significant number of other infrastructure projects are expected to be tendered during the coming year. As a major construction Group in Hong Kong, we will be working hard on those tender where we believe we have a competitive edge and where we are confident a healthy cashflow can be maintained. We hope to be able to report some good news in regard to success on new projects in the next report to our shareholders.

Our Building division secured a major new building project as management contractor for the development of Hang Seng Management College at Shatin. This contract is the biggest building work undertaken to date by the Group. It is a fast track job in several phases and will absorb a large proportion of our building division staff. It is being managed in very close collaboration with the Client.

Turning to the building projects commenced in prior years, the high value fast track fit out project for a computer company at IFC in Central was completed satisfactorily, on time and to the required high quality. The impressive new Chapel at the Chinese University was also completed at the year end. The highrise residential tower at Tsing Yung Street in Tuen Mun will be finished in the first quarter of 2012 together with the upgrading of the Lai Chi Kok Swimming Pool project for the Architectural Services Department.

In the long term, we are confident that there will be many opportunities in Hong Kong for substantial growth of Build King during the next 5 years or so. To capitalize on these opportunities, our tendering strategy will continue to be selective and focus on those projects where we believe a decent margin can be obtained, where we have a real edge and which have healthy cashflow. Further, we have developed a team of loyal professional staff, who are committed to delivering good quality on time within budget.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECT (Continued)

PRC

No new projects have been identified in the PRC for the Group during the year. However, our existing operation at the sewage treatment plant in Wuxi continued to generate steadily increasing income and profit. For 2011, the income increased by HK$3 million to HK$16 million due to the increased average daily throughput from 25,000 tonnes to 30,000 tonnes as well as the levy for domestic users being finally increased by 9%. With the increasing population and industrial needs, we may need to consider further expansion of the plant capacity in 2013 from the current maximum capacity of daily volume of 35,000 tonnes to 50,000 tonnes.

Employees and Remuneration Policies

As at 31 December 2011, the Group had a total of 902 employees and total remuneration for the year ended 31 December 2011 was approximately HK$209 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 2011, the Group had liquid assets of HK$121 million (as at 31 December 2010: HK$52 million) comprising held-for-trading investments of HK$30 million (as at 31 December 2010: HK$25 million) and bank balances and cash of HK$91 million (as at 31 December 2010: HK$27 million).

As at 31 December 2011, the Group had a total of interest bearing borrowings of HK$30 million (as at 31 December 2010: HK$63 million) with following maturity profile:

	At 31 December 2011 HK$ million	At 31 December 2010 HK$ million
Borrowings due within one year	**16**	36
Borrowings due in the second year	**14**	13
Borrowings due in the third to fifth year inclusive	**–**	14
	30	63

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

Capital Structure and Gearing

As at 31 December 2011, total equity was HK$271 million comprising ordinary share capital of HK$124 million, reserves of HK$131 million and non-controlling interests of HK$16 million.

As at 31 December 2011, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 11% (as at 31 December 2010: 27%).

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Pledge of Assets

As at 31 December 2011, bank deposit of the Group amounting to HK$21,000 (as at 31 December 2010: HK$19,000) was pledged to a bank for securing banking facility granted to the Group.

As at 31 December 2011, certain equity securities with market value of HK$13 million (as at 31 December 2010: HK$21 million) were pledged to a bank to secure general banking facilities granted to the Group.

As at 31 December 2010, the Group pledged certain motor vehicles with a carrying value of HK$53,000 to secure bank loans.

Contingent Liabilities

	As at 31 December 2011 HK$ million	As at 31 December 2010 HK$ million
Outstanding tender/performance/retention bonds in respect of construction contracts	**152**	201

Directors and Senior Management

EXECUTIVE DIRECTORS

ZEN Wei Peu, Derek, age 59, has been the Chairman of the Company since 23 April 2004 and has been appointed as a member of the Remuneration Committee of the Company since 1 April 2005 and a member of the Nomination Committee of the Company since 27 February 2012. He is also the Vice Chairman of Wai Kee Holdings Limited ("Wai Kee") and an Executive Director of Road King Infrastructure Limited ("Road King"), the shares of both are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("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 2011 to 2013. He has over 35 years of experience in civil engineering.

CHANG Kam Chuen, Desmond, age 46, 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 71, has been appointed as a Non-executive Director of the Company since 9 August 2004. He had been a member of the Audit Committee of the Company since 29 July 2005 and resigned on 12 January 2011. He is a Chartered Engineer and is a member of both the Institution of Civil Engineers, London and The Hong Kong Institution of Engineers. He is also a member of The Chartered Institute of Arbitrators and a fellow of The Hong Kong Institute of Highways and Transportation. He has over 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 was a past Vice President of The Hong Kong Construction Association and Chairman of The Civil Engineering Committee. He was also a past Chairman of the Civil Engineering Division of The Hong Kong Institution of Engineers and a past member of the Construction Advisory Board to the Hong Kong Government.

CHENG Chi Pang, Leslie, age 54, has been appointed as a Non-executive Director of the Company since 9 August 2004 and has been appointed as a Non-executive Director of Wai Kee since September 2000. Dr. Cheng holds a Bachelor Degree in Business, a Master Degree in Business Administration, a Master Degree of Laws (Chinese and Comparative Law) and a Doctorate Degree of Philosophy in Business Management. Dr. Cheng is an associate member of The Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, the Australian Society of Certified Practicing Accountants, the Taxation Institute of Hong Kong and a fellow member of Hong Kong Institute of Directors. He is a Certified Public Accountant practicing in Hong Kong and has over 30 years of experience in auditing, business advisory and financial management. Dr. Cheng joined the New World Group in 1992 and was Group Financial Controller and Chief Executive of NWS Holdings Limited. He is now the Senior Partner of Leslie Cheng & Co., the Chief Executive Officer of L & E Consultants Limited and an Independent Non-executive Director of China Ting Group Holdings Limited, Fortune Sun (China) Holdings Limited, Nine Dragons Paper (Holdings) Limited and Tianjin Port Development Holdings Limited, the shares of these four companies are listed on the Main Board of the Stock Exchange. Prior to joining the New World Group, he was a senior manager of an international accounting firm.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS (Continued)

CHAN Chi Hung, Anthony, age 38, 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 70, has been appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company, both since 23 April 2004. He has also been appointed as the Chairman of the Remuneration Committee of the Company since 16 February 2005 and a member of the Nomination Committee of the Company since 27 February 2012. He is a professional civil and structural engineer. He is also a fellow of The Hong Kong Institution of Engineers, the Institution of Civil Engineers and the Institution of Structural Engineers. He is the Chairman of Joseph Chow and Partners Limited, a professional consulting engineers firm. Dr. Chow 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, a member of Hospital Authority, Hong Kong Housing Authority and Hong Kong University Court. He is also an Independent Non-executive Director of Chevalier International Holdings Limited, Harbour Centre Development Limited and Road King, the shares of these three companies are listed on the Main Board of the Stock Exchange. Dr. Chow was once the Independent Non-executive Chairman of PYI Corporation Limited, the shares of which are listed on the Main Board of the Stock Exchange.

NG Chi Ming, James, age 68, has been appointed as an Independent Non-executive Director and the Chairman of the Audit Committee of the Company, both since 23 April 2004. He has been appointed as a member of the Remuneration Committee of the Company since 16 February 2005 and a member of the Nomination Committee of the Company since 27 February 2012. He has over 30 years of experience in the banking industry in Hong Kong and the United States. He 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 63, has been appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company since 8 September 2004. He has been appointed as a member of the Remuneration Committee of the Company since 16 February 2005 and the Chairman of the Nomination Committee of the Company since 27 February 2012. Mr. Ho has over 40 years of experience in finance and accounting. He is a fellow member of the Association of Chartered Certified Accountants of 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 Cinderella Media Group Limited (formerly known as Recruit Holdings Limited), the shares of which are listed on the Main Board of the Stock Exchange.

Directors and Senior Management

SENIOR MANAGEMENT

CHEUNG Siu Lun, age 61, is responsible for the Group's business development. He is a Director of Kaden Construction Limited ("Kaden"), Leader Civil Engineering Corporation Limited ("Leader Civil") and Wai Kee (Zens) Construction & Transportation Company Limited ("WKC&T"). He holds a Bachelor of Science Degree in Civil Engineering from The University of Hong Kong. He is a member of the Institution of Civil Engineers and a fellow of The Hong Kong Institution of Engineers. He is also a Chartered Engineer of the UK. He is a member of the Contractors Registration Committee Panel, the Contractors Registration Committee, the Minor Works Contractors Registration Committee Panel and the Minor Works Contractors Registration Committee of Buildings Department. He has over 35 years of experience in both civil engineering and building construction.

CHOY Hon Ping, age 55, is responsible for the Group's building operation in Hong Kong. He is a Director of Kaden, Leader Civil and WKC&T. 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 2010-2012) and Council member (2005-2007) of The Hong Kong Construction Association, Limited.

KWOK Chi Ko, Enmale, age 55, is responsible for the Group's contract administration and commercial management for all building and construction related businesses. He was appointed as a Director of Kaden, Leader Civil and WKC&T on 12 December 2011. He holds an Engineering Doctorate Degree, a Master Degree in Arbitration & Dispute Resolution and a Master Degree in Laws. He is a Chartered Surveyor, a Registered Professional Surveyor and an Accredited Mediator and has been a Fellow Member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. He has had over 30 years of experience in building and construction industry.

LIU Sing Pang, Simon, age 50, is responsible for the Group's civil engineering operation in Hong Kong. He is a Director and the General Manager of Kaden, as well as a Director of Leader Civil and WKC&T. He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineer. He is also a Chartered Engineer of the UK. He is a member of the Contractors Registration Committee Panel, the Contractors Registration Committee of Buildings Department and the Committee on Technologist Training of Vocational Training Council. He has over 25 years of experience in civil engineering and building construction.

LUI Yau Chun, Paul, age 50, is responsible for the Group's civil and marine engineering operation in Hong Kong. He is a Director and the General Manager (Marine) of WKC&T, a Director of Kaden, Leader Civil and Leader Marine Contractors Limited, and the General Manager of Leader Marine 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.

SO Yiu Wing, Wilfred, age 37, is responsible for the Group's civil engineering operation in Hong Kong. He was appointed as a Director of Leader Civil and WKC&T on 1 September 2010, and a Director of Kaden on 12 December 2011. He holds a Bachelor degree in Civil Engineering from The University of Hong Kong. He is a member of The Hong Kong Institution of Engineers and a Registered Professional Engineer (CVL). He has over 15 years of experience in civil engineering construction.

YUE Pak Lim, age 75, is a Project Director of the Group. He is currently managing a major civil engineering construction contract for Wan Chai Development Phase II – Central–Wan Chai Bypass. He has over 50 years of extensive experience in management and construction of a wide variety of civil engineering and building projects in Hong Kong. Prior to joining the Group, he had been a Director of several sizeable construction companies in Hong Kong. He was once an Executive Director of Wai Kee.

Directors' Report

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2011.

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 2011, the five largest customers of the Group together accounted for approximately 84% of the Group's turnover, with the largest customer accounted for approximately 53%, and the five largest suppliers of the Group together represented less than 17% 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 2011 are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 34 and 35 respectively.

The board of directors of the Company ("Board") does not recommend the payment of dividend for the year ended 31 December 2011 (31 December 2010: 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 38.

DISTRIBUTABLE RESERVES

There were no distributable reserves available for distribution to the Shareholders as at 31 December 2010 and 2011.

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 87.

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.

Directors' Report

BANK BORROWINGS

Details of the Group's bank borrowings for the year ended 31 December 2011 are set out in note 28 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in notes 29 and 30 to the consolidated financial statements.

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

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, Dr. Cheng Chi Pang, Leslie, Dr. Chow Ming Kuen, Joseph and Mr. Ng Chi Ming, James shall retire by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

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).

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Continued)

The Company has received from each Independent Non-executive Director an annual confirmation of his independence during the year ended 31 December 2011 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 2011, 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 (Note)	Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Personal	122,675,228	–	9.88
Chang Kam Chuen, Desmond	Personal	1,000,000	–	0.08
David Howard Gem	Personal	500,000	–	0.04
Cheng Chi Pang, Leslie	Personal	1,170,000	–	0.09

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

Directors' Report

DIRECTORS' INTERESTS (Continued)

(II) Associated corporations

Interests in shares

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

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

Save as disclosed above, as at 31 December 2011, 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.

Directors' Report

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. During the year, 1,100,000 share options granted by Wai Kee to two Directors of the Company expired. As at 31 December 2011, no option remained outstanding.

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 1.1.2011	Granted during the year	Exercised during the year	Expired during the year	Balance at 31.12.2011
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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Number of Shares held and percentage of shareholding			
		Long position (Note 1)		**Short position**	
Name of substantial Shareholder	**Capacity/ Nature of interest**	**Number of Shares**	**%**	**Number of Shares**	**%**
Top Horizon Holdings Limited ("Top Horizon") (Note (a))	Personal/Beneficiary	635,415,033	51.17	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee Zens") (Note (b))	Corporate	635,415,033	51.17	–	–
Wai Kee (Note (c))	Corporate	635,415,033	51.17	–	–
Vast Earn Group Limited (Note (d))	Personal/Beneficiary	67,404,052	5.43	–	–
NWS Service Management Limited (incorporated in the British Virgin Islands) (Note (e))	Corporate	67,404,052	5.43	–	–
NWS Service Management Limited (incorporated in the Cayman Islands) (Note (f))	Corporate	67,404,052	5.43	–	–
NWS Holdings Limited (Note (g))	Corporate	67,404,052	5.43	–	–
New World Development Company Limited (Note (h))	Corporate	67,404,052	5.43	–	–
Chow Tai Fook Enterprises Limited (Note (i))	Corporate	67,404,052	5.43	–	–
Chow Tai Fook (Holding) Limited (formerly known as Centennial Success Limited) (Note (j))	Corporate	67,404,052	5.43	–	–
Chow Tai Fook Capital Limited (Note (k))	Corporate	67,404,052	5.43	–	–
Cheng Yu Tung Family (Holdings II) Limited (Note (l))	Corporate	67,404,052	5.43	–	–
Cheng Yu Tung Family (Holdings) Limited (Note (m))	Corporate	67,404,052	5.43	–	–

Directors' Report

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

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

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

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2011, 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.

Directors' Report

CONNECTED TRANSACTIONS

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$30,000 per month together with a discretionary additional fee (not exceeding HK$10,000 per month) for two years commencing 1 June 2010.

As the consultancy fee is not exceeding HK$1 million for each of the financial years ending 31 December 2012, it is the de minimis threshold exempt from the reporting, announcement and shareholders' approval requirements.

Framework Agreement with Wai Kee

On 8 July 2011, the Company entered into the Framework Agreement with Wai Kee, which is a connected person of the Company by virtue of its being a substantial shareholder of the Company, for the purchase of ready mixed concrete ("Concrete") from time to time for a period from 1 June 2011 to 31 December 2013, subject to the terms and conditions of the Framework Agreement. The maximum aggregate value of the contract sum in respect of the purchase of Concrete by the Company and its subsidiaries (collectively the "Group") from Wai Kee for the periods concerned under the Framework Agreement are subject to annual caps and shall not exceed the amounts set out below.

Period	Total value not exceeding
1 June 2011 – 31 December 2011	HK$10,000,000.00
1 January 2012 – 31 December 2012	HK$45,000,000.00
1 January 2013 – 31 December 2013	HK$55,000,000.00

During the period from 1 June 2011 to 31 December 2011, the relevant maximum aggregate value of the contract was HK$3,552,000.

The continuing connected transaction mentioned above has been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transaction has been entered into:

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

(ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to (or from) independent third parties;

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

(iv) within the cap as disclosed in the announcement dated 8 July 2011.

Directors' Report

CONNECTED TRANSACTIONS (Continued)

Framework Agreement with Wai Kee (Continued)

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

Acquisition of RKI Notes

As announced on 28 September 2011 and 7 October 2011, the Company, through its wholly owned subsidiary, acquired RKI Notes (which are US$350 million 9.5% guaranteed senior notes due 2015, issued by RKI Finance (2010) Limited ("RKI") and listed on the Singapore Stock Exchange) in the aggregate principal amount of US$2,000,000 (equivalent to approximately HK$15,600,000) at the consideration of US$1,430,000 (equivalent to approximately HK$11,154,000) on the market (the "Acquisition").

The RKI Notes were issued by RKI, a wholly-owned subsidiary of Road King Infrastructure Limited ("Road King"). Both RKI and Road King are associates of a substantial shareholder of the Company, Wai Kee. RKI is therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

Although the RKI Notes were acquired on market from independent third parties, no part of the consideration was paid to or received by RKI or Road King, and neither RKI nor Road King were parties to the transaction or have entered into any agreement with the Company or its wholly-owned subsidiary that acquired the RKI Notes to vary the terms thereof, the Stock Exchange has nevertheless taken the view that the Acquisition constitutes financial assistance to RKI under Rule 14A.13(2) of the Listing Rules.

As a result of such analysis, and as the applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition is a discloseable and connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The percentage ratio relating to the Acquisition requires that the Acquisition be subject to the approval of the Shareholders other than Wai Kee and its associates, which are required to abstain from voting on the transaction. However, as the Acquisition has already been effected and completed on the market (and therefore cannot be reversed), the Company did not propose to convene a special general meeting to approve the Acquisition. Accordingly, the Company has breached Rule 14A.18 of the Listing Rules. In order to prevent the re-occurrence of similar incident, in the event that the Company has any doubt in the interpretation of the Listing Rules, the Company will consult professional party(ies) and/or the Stock Exchange in the future.

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 2011.

Directors' Report

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 ("Leader Civil", a wholly-owned subsidiary of the Company) was granted a one-year term revolving loan facility up to HK$20,000,000 (the "Banking Facility I"). Subsequently, the Banking Facility I was renewed and extended to 30 June 2012.

Throughout the life of the Banking Facility I, Wai Kee jointly with Mr. Zen Wei Peu, Derek is required to maintain not less than 50% shareholding in the Company. Accordingly, this disclosure is made pursuant to Rules 13.18 and 13.21 of the Listing Rules.

Revolving Loan and Trade Finance Facility of HK$20,000,000

On 11 October 2010, the Company as the borrower executed a facility letter issued by a bank. The bank had agreed to grant the Company a facility comprising revolving loan and trade finance up to an overall limit of HK$20,000,000 (the "Banking Facility II"). The life of the Banking Facility II is not specified and the repayment is on demand and subject to annual review.

For so long as the Banking Facility II is made available to the Company, Wai Kee is required to maintain at least 35% shareholding in the Company. Accordingly, the disclosure is made pursuant to Rules 13.18 and 13.21 of the Listing Rules.

Term Loan Facility of HK$25,000,000

On 16 November 2010, the Company as a guarantor executed a guarantee in favour of a bank. The bank had agreed to grant Leader Civil a term loan facility up to HK$25,000,000 (the "Banking Facility III") which will mature in 30 months from 16 November 2010 being the date of a loan agreement entered into between Leader Civil and the bank.

Throughout the life of the Banking Facility III, Wai Kee is required to maintain at least 50% shareholding in the Company. Accordingly, the disclosure is made pursuant to 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.

Directors' Report

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

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

Name of Director	Details of changes
Zen Wei Peu, Derek	Mr. Zen has been appointed as a member of the Nomination Committee of the Company (the "Nomination Committee") since its establishment on 27 February 2012.
Chang Kam Chuen, Desmond	His annual salary has been revised from HK$1.45 million to HK$1.54 million with effect from 1 January 2012.
David Howard Gem	The emolument for acting as a Non-executive Director of the Company has been revised from HK$145,000 to HK$168,000 per annum with effect from 1 March 2012.
Cheng Chi Pang, Leslie	The emolument for acting as a Non-executive Director of the Company has been revised from HK$145,000 to HK$168,000 per annum with effect from 1 March 2012.
Chan Chi Hung, Anthony	The emolument for acting as a Non-executive Director of the company has been revised from HK$145,000 to HK$168,000 per annum with effect from 1 March 2012.
Chow Ming Kuen, Joseph	Dr. Chow retired as an Independent Non-executive Director of PYI Corporation Limited, whose shares are listed on the Main Board of the Stock Exchange, at the conclusion of its annual general meeting held on 16 September 2011 and also ceased to be the Chairman of its board.
	Dr. Chow has been appointed as a member of the Nomination Committee since its establishment on 27 February 2012.
	The emolument for acting as an Independent Non-executive Director of the Company has been revised from HK$145,000 to HK$168,000 per annum with effect from 1 March 2012.
Ng Chi Ming, James	Mr. Ng has been appointed as a member of the Nomination Committee since its establishment on 27 February 2012.
	The emolument for acting as an Independent Non-executive Director of the Company has been revised from HK$145,000 to HK$168,000 per annum with effect from 1 March 2012.
Ho Tai Wai, David	Mr. Ho has been appointed as the Chairman of the Nomination Committee since its establishment on 27 February 2012.
	The emolument for acting as an Independent Non-executive Director of the Company has been revised from HK$145,000 to HK$168,000 per annum with effect from 1 March 2012.

Directors' Report

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$16,000.

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 2011 and up to 27 February 2012, the latest practicable date to ascertain such information prior to the issue of this annual report.

AUDITOR

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

On behalf of the Board

Zen Wei Peu, Derek
Chairman

27 February 2012

Corporate Governance Report

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 2011 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 2011.

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.

Following the establishment of the Nomination Committee in February 2012, the Board has delegated certain authorities to three board committees, namely Audit Committee, Remuneration Committee and Nomination Committee.

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

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

During the year, four 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)*	4/4
Chang Kam Chuen, Desmond	4/4
Non-executive Directors:	
David Howard Gem	1/4
Cheng Chi Pang, Leslie	3/4
Chan Chi Hung, Anthony	4/4
Independent Non-executive Directors:	
Chow Ming Kuen, Joseph	4/4
Ng Chi Ming, James	3/4
Ho Tai Wai, David	4/4

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 the former Vice Chairman and Executive Director. Following his 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.

Corporate Governance Report

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 COMMITTEE

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, their time commitment and responsibilities, employment conditions and prevailing marketing conditions.

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 COMMITTEE

The Nomination Committee was established in February 2012 with specific written terms of reference which delineates its authority and duties. The Chairman of the Nomination Committee is Mr. Ho Tai Wai, David, an Independent Non-executive Director, and other members include Dr. Chow Ming Kuen, Joseph, Mr. Ng Chi Ming, James and Mr. Zen Wei Peu, Derek, the majority being Independent Non-executive Directors. The duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and identify individuals suitably qualified to become Directors and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships. Prior to its establishment, the above duties were performed by the Board.

The terms of reference of the Nomination Committee will be published on the websites of the Company and the Stock Exchange in due course.

Corporate Governance Report

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 and other members include Dr. Chow Ming Kuen, Joseph and Mr. Ho Tai Wai, David, all of whom are 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	4/4
Chow Ming Kuen, Joseph	3/4
Ho Tai Wai, David	4/4

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.

Corporate Governance Report

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	1,375,000
Non-audit services (including tax advice)	937,000
	2,312,000

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 page 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.

Corporate Governance Report

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.

Corporate Governance Report

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:

- Construction Site Safety Award (Merit Award) presented by Civil Engineering and Development Department, Hong Kong SAR Government
- 3 numbers of HKCA Environmental Merit Award presented by the Hong Kong Construction Association
- HKCA Proactive Safety Contractor Award presented by the Hong Kong Construction Association
- Bronze Safety Award presented by MTR Corporation Limited
- Bronze Quality Award presented by MTR Corporation Limited
- Site Safety Award (Fourth Quarter 2011) presented by Airport Authority Hong Kong

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.

Independent Auditor's Report

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Build King Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 86, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors 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 2011, 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
27 February 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Revenue	5	**1,152,639**	722,396
Cost of sales		**(1,041,700)**	(664,550)
Gross profit		**110,939**	57,846
Investments and other income	7	**32,677**	24,540
(Decrease) increase in fair value of held-for-trading investments		**(11,439)**	6,717
Administrative expenses		**(106,588)**	(89,377)
Finance costs	8	**(2,122)**	(1,710)
Share of results of jointly controlled entities		**3,261**	30,039
Share of results of associates		**697**	(188)
Profit before tax	9	**27,425**	27,867
Income tax expense	12	**(332)**	(322)
Profit for the year		**27,093**	27,545
Profit for the year attributable to:			
Owners of the Company		**25,635**	29,152
Non-controlling interests		**1,458**	(1,607)
		27,093	27,545
		HK cents	HK cents
Earnings per share	13		
– Basic		**2.1**	2.4

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 **HK$'000**	2010 HK$'000
Profit for the year	**27,093**	27,545
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**2,363**	2,749
Reclassification adjustment of exchange differences upon disposal of a jointly controlled entity	**–**	(4,156)
Reclassification adjustment of exchange differences upon disposal of a subsidiary	**–**	3,439
Other comprehensive income for the year	**2,363**	2,032
Total comprehensive income for the year	**29,456**	29,577
Total comprehensive income attributable to:		
Owners of the Company	**27,882**	31,090
Non-controlling interests	**1,574**	(1,513)
	29,456	29,577

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment	14	**47,934**	28,448
Intangible assets	15	**65,996**	65,826
Goodwill	16	**30,554**	30,554
Interests in jointly controlled entities	18	**40,622**	61,272
Available-for-sale investment	19	**–**	–
Other financial asset	20	**53,400**	52,381
		238,506	238,481
Current assets			
Amounts due from customers for contract work	21	**98,761**	66,493
Debtors, deposits and prepayments	22	**309,442**	256,840
Amounts due from fellow subsidiaries	23	**364**	631
Amounts due from associates	23	**7,171**	7,072
Amounts due from jointly controlled entities	23	**41,637**	17,035
Held-for-trading investments	24	**29,566**	24,915
Pledged bank deposit	25	**21**	19
Bank balances and cash	25	**91,300**	26,812
		578,262	399,817
Current liabilities			
Amounts due to customers for contract work	21	**65,549**	30,373
Creditors and accrued charges	26	**379,227**	247,836
Amount due to an intermediate holding company	27	**16,386**	14,065
Amount due to an associate	33	**9,947**	8,842
Amounts due to jointly controlled entities	27	**6,418**	2,782
Amounts due to non-controlling interests	27	**3,092**	3,094
Tax liabilities		**–**	193
Bank loans – due within one year	28	**16,418**	36,350
		497,037	343,535
Net current assets		**81,225**	56,282
Total assets less current liabilities		**319,731**	294,763

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Capital and reserves			
Ordinary share capital	29	**124,188**	124,188
Reserves		**130,752**	102,870
Equity attributable to owners of the Company		**254,940**	227,058
Non-controlling interests		**15,817**	4,439
Total equity		**270,757**	231,497
Non-current liabilities			
Deferred tax liabilities	31	**5,750**	5,750
Obligations in excess of interests in associates	32	**18,235**	18,932
Amount due to an associate	33	**7,172**	8,172
Amount due to a jointly controlled entity	34	**4,067**	4,067
Bank loans – due after one year	28	**13,750**	26,345
		48,974	63,266
		319,731	294,763

The consolidated financial statements on pages 34 to 86 were approved and authorised for issue by the Board of Directors on 27 February 2012 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 2011

	Ordinary share capital HK$'000	Share premium HK$'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$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	93,141	–	9,321	(63,141)	4,290	107,124	150,735	5,952	156,687
Profit for the year	–	–	–	–	–	29,152	29,152	(1,607)	27,545
Exchange differences arising on translation of foreign operations	–	–	2,655	–	–	–	2,655	94	2,749
Reclassification adjustment upon disposal of a jointly controlled entity	–	–	(4,156)	–	–	–	(4,156)	–	(4,156)
Reclassification adjustment upon disposal of a subsidiary	–	–	3,439	–	–	–	3,439	–	3,439
Total comprehensive income (expense) for the year	–	–	1,938	–	–	29,152	31,090	(1,513)	29,577
Issue of ordinary shares pursuant to an open offer	31,047	15,523	–	–	–	–	46,570	–	46,570
Shares issue expenses	–	(1,337)	–	–	–	–	(1,337)	–	(1,337)
At 31 December 2010	124,188	14,186	11,259	(63,141)	4,290	136,276	227,058	4,439	231,497
Profit for the year	–	–	–	–	–	25,635	25,635	1,458	27,093
Exchange differences arising on translation of foreign operations	–	–	2,247	–	–	–	2,247	116	2,363
Total comprehensive income for the year	–	–	2,247	–	–	25,635	27,882	1,574	29,456
Capital contribution from non-controlling interests upon the formation of subsidiaries	–	–	–	–	–	–	–	9,804	9,804
At 31 December 2011	124,188	14,186	13,506	(63,141)	4,290	161,911	254,940	15,817	270,757

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 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit before tax	**27,425**	27,867
Adjustments for:		
Finance costs	**2,122**	1,710
Amortisation of intangible assets	**1,250**	599
Depreciation of property, plant and equipment	**14,462**	9,311
Bad debts written off	**119**	373
Share of results of associates	**(697)**	188
Gain on disposal of property, plant and equipment	**(39)**	(3,600)
Gain on disposal of a subsidiary	**–**	(5,923)
Gain on disposal of a jointly controlled entity	**–**	(3,042)
Decrease (increase) in fair value of held-for-trading investments	**11,439**	(6,717)
Dividends from held-for-trading investments	**(1,378)**	(1,730)
Share of results of jointly controlled entities	**(3,261)**	(30,039)
Interest on bank deposits	**(106)**	(45)
Interest on other financial asset	**(1,468)**	(1,449)
Interest on held-for-trading investments	**(386)**	–
Operating cash flows before movements in working capital	**49,482**	(12,497)
Increase in other financial asset	**(1,019)**	(861)
(Increase) decrease in amounts due from customers for contract work	**(32,268)**	32,578
Increase in debtors, deposits and prepayments	**(52,335)**	(54,667)
(Increase) decrease in held-for-trading investments	**(16,090)**	6,495
Increase (decrease) in amounts due to customers for contract work	**35,176**	(4,985)
Increase in creditors and accrued charges	**131,391**	7,203
Cash generated from (used in) operations	**114,337**	(26,734)
Interest on bank deposits received	**106**	45
Interest on other financial asset	**1,468**	1,449
Income taxes paid	**(525)**	(2,382)
Net cash from (used in) operating activities	**115,386**	(27,622)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Investing activities		
Distribution of profits from jointly controlled entities	**23,911**	35,216
Advance to associates	**(349)**	(497)
Dividends from held-for-trading investments	**1,378**	1,730
Advances to jointly controlled entities	**(20,966)**	(28,828)
Purchases of property, plant and equipment	**(27,021)**	(15,690)
(Increase) decrease in pledged bank deposits	**(2)**	1,796
Proceeds from disposal of property, plant and equipment	**119**	3,600
Proceeds from disposal of a jointly controlled entity	**–**	21,723
Addition of intangible assets	**–**	(33,567)
Net cash used in investing activities	**(22,930)**	(14,517)
Financing activities		
Repayment of bank loans	**(32,527)**	(19,157)
Interest paid	**(1,767)**	(1,397)
Advances from (repayment to) fellow subsidiaries	**267**	(8,769)
Advances from an intermediate holding company	**2,321**	6,836
Repayment to a non-controlling interest	**(2)**	–
Ordinary share dividend paid to an intermediate holding company	**–**	(22,000)
Preference share dividend paid to immediate holding company	**–**	(1,224)
Proceeds from issue of ordinary shares	**–**	46,570
Shares issue expenses	**–**	(1,337)
New bank loans raised	**–**	56,000
Repayment of loans from a director	**–**	(10,000)
Capital contribution from non-controlling interests upon the formation of subsidiaries	**2,804**	–
Net cash (used in) from financing activities	**(28,904)**	45,522
Net increase in cash and cash equivalents	**63,552**	3,383
Cash and cash equivalents at beginning of the year	**26,812**	20,687
Effect of foreign exchange rate changes, net	**936**	2,742
Cash and cash equivalents at end of the year	**91,300**	26,812
Represented by:		
Bank balances and cash	**91,300**	26,812

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

1. GENERAL

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

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

The Company acts as an investment holding company. The principal activities of its significant subsidiaries, associates and jointly controlled entities are set out in notes 43, 32 and 18 respectively.

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HK(SIC) – Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors of the Company are in the process of ascertaining the financial impact on application of these standards.

The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretation will not have material impact on the consolidated financial statements 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 Hong Kong Financial Reporting Standards 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 income statement from the effective date of acquisition and 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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. Where assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

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

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

Investments in associates

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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. 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. Additional losses are 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 which is included within the carrying amount of the investment.

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

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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 a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

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

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Others

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

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

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

Property, plant and equipment

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

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

Plant under construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Plant under construction are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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 sales 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, revenue and costs are recognised in the consolidated income statement by reference to the stage of completion of the contract activity at the end of the reporting period as measured by the proportion that the value of work performed to date to the estimated total contract value. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipts is considered probable.

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

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

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

Service concession arrangements

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

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

Foreign currencies

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

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

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

Retirement benefit costs

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

Intangible assets

Intangible assets acquired in a business combination

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

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

Service concession arrangements

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near 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 arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss exclude any dividend or interest earned on the financial assets.

Loans and receivables

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

Available-for-sale financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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 considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

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

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

Financial liabilities and equity instruments

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

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

Financial liabilities

Financial liabilities (including creditors and accrued charges, amounts due to an intermediate holding company, an associate and jointly controlled entities, amounts due to non-controlling interests and bank loans) 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 (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

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

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

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 2011 at HK$32,858,000 (2010: 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 the management to reconsider its assumptions regarding future market share and anticipated margins on these construction projects. Detailed sensitivity analysis has been carried out and the management is confident that the carrying amount of the intangible assets will be recovered in full, even if returns are reduced. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates such adjustments are appropriate.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate is applied in order to calculate the present value. As at 31 December 2011, the carrying amount of goodwill is HK$30,554,000 (2010: HK$30,554,000). Details of the recoverable amount calculation are disclosed in note 17.

Income taxes

As at 31 December 2011, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK$210,746,000 (2010: HK$303,592,000) 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 the management's best estimates and judgments. Estimated construction income is determined in accordance with the terms set out in the relevant contracts. Estimated construction costs which mainly comprise sub-contracting charges and costs of materials are proposed by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction income and costs.

The Group's estimated profits from construction contracts of its 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

5. REVENUE

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

6. SEGMENTAL INFORMATION

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

Year ended 31 December 2011

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Results				
Group revenue	1,101,238	16,278	35,123	1,152,639
Share of revenue of jointly controlled entities	459,040	–	119,178	578,218
Segment revenue	1,560,278	16,278	154,301	1,730,857
Group results	32,503	3,439	1,672	37,614
Share of results of jointly controlled entities	12,051	–	(8,790)	3,261
Segment profit (loss)	44,554	3,439	(7,118)	40,875
Unallocated expenses				(2,350)
Investments income				1,764
Decrease in fair value of held-for-trading investments				(11,439)
Share of results of associates				697
Finance costs				(2,122)
Profit before tax				27,425

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

6. SEGMENTAL INFORMATION (Continued)

Year ended 31 December 2010

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Results				
Group revenue	648,500	55,663	18,233	722,396
Share of revenue of jointly controlled entities	132,252	–	60,320	192,572
Segment revenue	780,752	55,663	78,553	914,968
Group results	(10,508)	13,006	(15,279)	(12,781)
Share of results of jointly controlled entities	7,270	–	22,769	30,039
Segment (loss) profit	(3,238)	13,006	7,490	17,258
Unallocated expenses				(1,863)
Investments income				1,730
Increase in fair value of held-for-trading investments				6,717
Gain on disposal of a subsidiary				5,923
Share of results of associates				(188)
Finance costs				(1,710)
Profit before tax				27,867

There are no inter-segment sales for both years.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

6. SEGMENTAL INFORMATION (Continued)

Segment profit (loss) represents the profit (loss) earned/incurred by each segment and share of results of jointly controlled entities without allocation of investments income, change in fair value of held-for-trading investments, gain on disposal of a subsidiary, share of results of associates, finance costs and unallocated expenses.

At 31 December 2011

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Assets				
Group assets	475,575	103,500	45,620	624,695
Interests in jointly controlled entities	16,251	14,118	10,253	40,622
Segment assets	491,826	117,618	55,873	665,317
Unallocated assets				151,451
Total consolidated assets				816,768
Liabilities				
Segment liabilities	467,252	18,490	3,533	489,275
Obligations in excess of interests in associates				18,235
Unallocated liabilities				38,501
Total consolidated liabilities				546,011

For the year ended 31 December 2011

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (Note)	29,653	26	4,342	34,021
Amortisation of intangible assets	–	1,250	–	1,250
Depreciation of property, plant and equipment	6,332	37	8,093	14,462
Gain on disposal of property, plant and equipment	1	–	38	39
Interest income	50	1,524	–	1,574

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2010

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Assets				
Group assets	348,086	108,651	37,936	494,673
Interests in jointly controlled entities	6,189	14,118	40,965	61,272
Segment assets	354,275	122,769	78,901	555,945
Unallocated assets				82,353
Total consolidated assets				638,298
Liabilities				
Segment liabilities	282,187	26,648	7,856	316,691
Obligations in excess of interests in associates				18,932
Unallocated liabilities				71,178
Total consolidated liabilities				406,801

For the year ended 31 December 2010

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (Note)	7,776	33,642	7,839	49,257
Amortisation of intangible assets	–	599	–	599
Depreciation of property, plant and equipment	440	85	8,786	9,311
Gain on disposal of property, plant and equipment	3,600	–	–	3,600
Interest income	–	1,494	–	1,494

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

6. SEGMENTAL INFORMATION (Continued)

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

	Non-current assets	
	2011	2010
	HK$'000	HK$'000
Hong Kong	**110,712**	77,335
The PRC	**47,413**	47,248
Middle East	**26,981**	61,517
	185,106	186,100

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

For the year ended 31 December 2011, there were two customers (2010: two) who accounted for over 10% of total revenue with revenue of HK$611,186,000 (2010: HK$305,517,000) and HK$154,556,000 (2010: HK$203,053,000) each and they were located in Hong Kong.

7. INVESTMENTS AND OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Investments and other income include:		
Dividends from held-for-trading investments	**1,378**	1,730
Gain on disposal of property, plant and equipment	**39**	3,600
Gain on disposal of a subsidiary (note 37)	**–**	5,923
Gain on disposal of a jointly controlled entity (note)	**–**	3,042
Interest on bank deposits	**106**	45
Interest on other financial asset	**1,468**	1,449
Interest on held-for-trading investments	**386**	–
Service income from an associate for secretarial and management services	**250**	–
Service income from jointly controlled entities	**28,707**	6,684

Note: 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$21,723,000). The Group reported a gain on disposal of the jointly controlled entity of HK$3,042,000 in 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

8. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**1,767**	1,397
Imputed interest expense on non-current interest-free amount due to an associate	**355**	313
	2,122	1,710

9. PROFIT BEFORE TAX

	2011 HK$'000	2010 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	**1,375**	1,375
Bad debts written off	**119**	373
Depreciation of property, plant and equipment	**14,462**	9,325
Less: amount attributable to construction contracts	**–**	(14)
	14,462	9,311
Hire charges for plant and machinery	**23,675**	12,694
Less: amount attributable to construction contracts	**(23,675)**	(12,694)
	–	–
Construction contract costs recognised for sewage treatment plant	**–**	31,371
Amortisation of intangible assets	**1,250**	599
Net foreign exchange losses	**223**	1,191
Operating lease rentals in respect of land and buildings	**7,844**	6,148
Less: amount attributable to construction contracts	**(1,399)**	(550)
	6,445	5,598
Share of income tax (credit) expense of jointly controlled entities (included in share of results of jointly controlled entities)	**(53)**	22
Staff costs:		
Directors' remuneration (note 10)	**7,485**	6,403
Other staff costs	**190,662**	155,829
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$115,000 (2010: HK$164,000)	**11,036**	9,113
	209,183	171,345
Less: amount attributable to construction contracts	**(132,223)**	(103,875)
	76,960	67,470

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

10. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the eight (2010: eight) 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 2011				
Zen Wei Peu, Derek	**–**	**4,830**	**12**	**4,842**
Chang Kam Chuen, Desmond	**–**	**1,628**	**145**	**1,773**
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	**6,458**	**157**	**7,485**
Year ended 31 December 2010				
Zen Wei Peu, Derek	–	3,947	12	3,959
Chang Kam Chuen, Desmond	–	1,441	133	1,574
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	5,388	145	6,403

No director waived any emoluments for both years ended 31 December 2011 and 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

11. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included one (2010: one) director, details of whose emoluments are set out in note 10 above. The emoluments of the remaining four (2010: four) highest paid individuals were as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**8,336**	7,384
Retirement benefits scheme contributions	**430**	383
	8,766	7,767

Their emoluments were within the following bands:

	Number of employees	
	2011	2010
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**3**	2

12. INCOME TAX EXPENSE

	2011	2010
	HK$'000	HK$'000
Current tax:		
Hong Kong	**–**	193
Other jurisdiction	**344**	183
	344	376
(Over)underprovision in prior years:		
Hong Kong	**(12)**	231
Other jurisdiction	**–**	(285)
	(12)	(54)
	332	322

Hong Kong Profits Tax is provided for at the rate of 16.5% (2010: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

12. INCOME TAX EXPENSE (Continued)

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

	2011	2010
	HK$'000	HK$'000
Profit before tax	**27,425**	27,867
Taxation at the applicable rate of 16.5% (2010: 16.5%)	**4,525**	4,598
Tax effect of share of results of associates	**(115)**	31
Tax effect of share of results of jointly controlled entities	**(538)**	(4,956)
Tax effect of expenses that are not deductible in determining taxable profit	**2,206**	1,155
Tax effect of income that is not taxable in determining taxable profit	**(3,279)**	(2,200)
Overprovision in prior years	**(12)**	(54)
Tax effect of unrecognised tax losses	**2,049**	6,098
Tax effect of utilisation of tax losses previously not recognised	**(5,788)**	(3,238)
Others	**1,284**	(1,112)
Income tax expense for the year	**332**	322

13. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per ordinary share	**25,635**	29,152

	Number of shares	
	2011	2010
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share	**1,241,878**	1,216,878

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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$'000	Plant under construction HK$'000	Total HK$'000
COST							
At 1 January 2010	7,677	14,488	22,325	5,884	91,763	–	142,137
Exchange realignment	–	114	126	37	–	–	277
Additions	–	6,791	1,069	303	7,527	–	15,690
Disposals	–	–	–	–	(7,615)	–	(7,615)
At 31 December 2010	7,677	21,393	23,520	6,224	91,675	–	150,489
Exchange realignment	–	–	31	40	–	–	71
Additions (note)	4,016	7,000	1,830	179	7,927	13,069	34,021
Disposals	(7,677)	–	(7)	(159)	(116)	–	(7,959)
At 31 December 2011	**4,016**	**28,393**	**25,374**	**6,284**	**99,486**	**13,069**	**176,622**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2010	7,677	14,488	21,758	5,584	70,554	–	120,061
Exchange realignment	–	114	121	35	–	–	270
Provided for the year	–	–	471	254	8,600	–	9,325
Eliminated on disposals	–	–	–	–	(7,615)	–	(7,615)
At 31 December 2010	7,677	14,602	22,350	5,873	71,539	–	122,041
Exchange realignment	–	–	25	39	–	–	64
Provided for the year	613	5,149	652	159	7,889	–	14,462
Eliminated on disposals	(7,677)	–	(1)	(158)	(43)	–	(7,879)
At 31 December 2011	**613**	**19,751**	**23,026**	**5,913**	**79,385**	**–**	**128,688**
CARRYING VALUES							
At 31 December 2011	**3,403**	**8,642**	**2,348**	**371**	**20,101**	**13,069**	**47,934**
At 31 December 2010	–	6,791	1,170	351	20,136	–	28,448

Note: During the year, a non-controlling interest has injected machinery of HK$7,000,000 as part of the capital injection upon the formation of a new subsidiary.

The above items of property, plant and equipment (other than plan under construction) are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	33$\frac{1}{3}$% 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%

As at 31 December 2010, the Group pledged certain motor vehicles with a carrying value of HK$53,000 to secure bank loans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

15. INTANGIBLE ASSETS

	Construction licenses HK$'000 (Note a)	Service concession arrangement HK$'000 (Note b)	Total HK$'000
COST			
At 1 January 2010	32,858	–	32,858
Additions	–	33,567	33,567
At 31 December 2010	32,858	33,567	66,425
Exchange realignment	–	1,446	1,446
At 31 December 2011	**32,858**	**35,013**	**67,871**
AMORTISATION			
At 1 January 2010	–	–	–
Charge for the year	–	599	599
At 31 December 2010	–	599	599
Exchange realignment	–	26	26
Charge for the year	–	1,250	1,250
At 31 December 2011	**–**	**1,875**	**1,875**
CARRYING VALUES			
At 31 December 2011	**32,858**	**33,138**	**65,996**
At 31 December 2010	32,858	32,968	65,826

Notes:

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

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

Various studies including sensitivity analysis and market trends have been carried out by the management of the Group, which supports that the construction licenses have no foreseeable limit to the period over which the construction licenses are expected to generate net cash inflow for the Group. As a result, the construction licenses are considered by the management of the Group as having an indefinite useful life because it is expected to contribute net cash inflow indefinitely. The construction licenses will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars regarding the impairment testing on construction licenses are disclosed in note 17.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

15. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(b) A subsidiary of the Company, Wuxi Qianhui Sewage Treatment Co., Ltd. ("Wuxi Qianhui"), entered into a service concession arrangement with the local government whereby Wuxi Qianhui is required to build the infrastructure of a sewage treatment plant phase II (see note 20 for details of sewage treatment plant phase I) 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.

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

Wuxi Qianhui commenced the construction and finished in 2010. The sewage treatment plant phase II has been put into operation in 2010.

During the year ended 31 December 2010, the Group recognised revenue from construction of sewage treatment plant phase II of approximately HK$33,567,000.

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 group of 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, intangible asset with indefinite useful lives set out in note 15 have been allocated to a CGU, a subsidiary, acquired in 2005, which is 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 group of CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. All value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, and a discount rate of 10% (2010: 10%). Cash flow projections during the budget period for the CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2011 **HK$'000**	2010 HK$'000
Cost of investment in unlisted jointly controlled entities	**20,067**	20,067
Share of post-acquisition profits and other comprehensive income, net of dividends received	**20,555**	41,205
	40,622	61,272

At 31 December 2011 and 2010, 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 2011 %	2010 %	Principal activities
ACC-Leader Joint Venture	Unincorporated	Middle East	**50**	50	Civil engineering
Shanxi Jin Ya Road and Bridge Construction Co., Ltd.	Incorporated (note 1)	PRC	**51** (note 2)	51	Road construction
Chun Wo-Leader Joint Venture	Unincorporated	Hong Kong	**51** (note 2)	51	Civil engineering
Kaden-VSL Joint Venture	Unincorporated	Hong Kong	**55** (note 2)	55	Civil engineering
Kier-Kaden-OSSA Joint Venture	Unincorporated	Hong Kong	**35**	35	Civil engineering
Kier-Laing O'Rourke-Kaden Joint Venture	Unincorporated	Hong Kong	**15** (note 3)	–	Civil engineering

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 joint venture partner. Therefore, the entity is classified as jointly controlled entities.

3. The Group holds less than 20% interests in this entity. However, under the joint venture agreement, the entity is jointly controlled by the Group and the other significant joint venture partners. Therefore, the entity is classified as a jointly controlled entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

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.

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

	2011 **HK$'000**	2010 HK$'000
Revenue	**578,218**	192,572
Other income	**–**	46
Total revenue	**578,218**	192,618
Total expenses	**(575,010)**	(162,557)
Profit before tax	**3,208**	30,061
Income tax credit (expense)	**53**	(22)
Profit for the year	**3,261**	30,039

Share of assets and liabilities attributable to the Group

	2011 **HK$'000**	2010 HK$'000
Non-current assets	**21,245**	9,189
Current assets	**384,102**	219,844
Current liabilities	**(364,725)**	(167,761)
Net assets	**40,622**	61,272

19. AVAILABLE-FOR-SALE INVESTMENT

	2011 **HK$'000**	2010 HK$'000
Unlisted equity securities, at cost	**800**	800
Less: Impairment loss recognised	**(800)**	(800)
	–	–

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

20. OTHER FINANCIAL ASSET

Wuxi Qianhui, entered into a service concession arrangement with the local government whereby Wuxi Qianhui is required to build the infrastructure of a sewage treatment plant phase I and is granted 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 phase I had been put into operation commencing from 2007.

Under the service concession arrangement, the local government of Qian Qiao Zhen guarantees a minimum volume of sewage to be treated by the plant with a fixed predetermined rate per tons of sewage. The agreed price will be reviewed annually. Therefore, the service concession arrangement is classified as financial assets. The fair value of the consideration receivable for the construction services rendered under the service concession arrangement is recognised as other financial asset carrying effective interest rate of 2.61% (2010: 2.61%) per annum and repayable over the service concession period of 30 years.

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

	2011 **HK$'000**	2010 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**4,105,065**	3,364,371
Less: Progress billings	**(4,071,853)**	(3,328,251)
	33,212	36,120
Represented by:		
Due from customers included in current assets	**98,761**	66,493
Due to customers included in current liabilities	**(65,549)**	(30,373)
	33,212	36,120

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

22. DEBTORS, DEPOSITS AND PREPAYMENTS

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

	2011 **HK$'000**	2010 HK$'000
Trade receivables analysed by age:		
0 to 60 days	**221,091**	162,520
Over 90 days	**169**	1,090
	221,260	163,610
Retention receivables	**62,022**	52,193
Other debtors, deposits and prepayments	**26,160**	41,037
	309,442	256,840
Retention receivables:		
Due within one year	**52,888**	26,079
Due more than one year	**9,134**	26,114
	62,022	52,193

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

Included in the Group's trade receivables are debtors with a carrying amount of HK$169,000 (2010: HK$1,090,000) which are past due but not impaired as at the end of the reporting period. As there has not been a significant change in credit quality, the amounts are still considered recoverable.

Ageing of trade receivables which are past due but not impaired

	2011 **HK$'000**	2010 HK$'000
Over 90 days	**169**	1,090

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

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

23. AMOUNTS DUE FROM FELLOW SUBSIDIARIES/ASSOCIATES/JOINTLY CONTROLLED ENTITIES

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

24. HELD-FOR-TRADING INVESTMENTS

	2011 HK$'000	2010 HK$'000
Held-for-trading investments stated at fair value:		
– Equity securities listed in Hong Kong	**15,424**	24,874
– Equity securities listed in the United States of America	**270**	41
– Debt securities listed in Singapore	**13,872**	–
	29,566	24,915

At 31 December 2011, certain equity securities with market value of HK$13,350,000 (31 December 2010: HK$21,150,000) were pledged to a bank to secure general banking facilities granted to the Group. Although these equity securities were pledged to the bank, the Group is allowed to trade the pledged securities upon the repayment of respective bank borrowings. In relation to the pledge of equity securities, the bank also requires certain subsidiaries of the Company that are entitled to the bank facilities to provide cross guarantee to the bank.

25. PLEDGED BANK DEPOSIT/BANK BALANCES

Bank deposit of the Group amounting to HK$21,000 (2010: HK$19,000) was pledged to a bank for securing the banking facility granted to the Group. The pledged bank deposit carries fixed interest rate at 0.01% (2010: 0.01%) per annum.

Bank balances carry average market interest rate ranging from 0.01% to 0.25% (2010: 0.01% to 0.79%) per annum.

26. CREDITORS AND ACCRUED CHARGES

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

	2011 HK$'000	2010 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**78,681**	54,608
61 to 90 days	**876**	2,824
Over 90 days	**3,770**	4,745
	83,327	62,177
Retention payables	**58,084**	43,435
Accrued project costs	**203,307**	113,023
Other creditors and accrued charges	**34,509**	29,201
	379,227	247,836
Retention payables:		
Repayable within one year	**46,348**	38,835
Repayable more than one year	**11,736**	4,600
	58,084	43,435

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

27. AMOUNT(S) DUE TO AN INTERMEDIATE HOLDING COMPANY/JOINTLY CONTROLLED ENTITIES/NON-CONTROLLING INTERESTS

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

28. BANK LOANS

	2011	2010
	HK$'000	HK$'000
The maturity of bank loans is as follows:		
On demand or within one year	**16,418**	36,350
In the second year	**13,750**	12,595
In the third to fifth year inclusive	**–**	13,750
	30,168	62,695
Less: Amount due within one year shown under current liabilities	**(16,418)**	(36,350)
Amount due after one year	**13,750**	26,345
Secured	**22,500**	50,069
Unsecured	**7,668**	12,626
	30,168	62,695

At the end of the reporting period, all bank loans are variable rate borrowings which carry interest rate ranging from 2.15% to 3.75% (2010: 2.8% to 3.75%) per annum. Bank loans of HK$26,337,000 (2010: HK$32,738,000) carry an interest rate which is repriced every six months. The remaining bank loans carry interest rate which is repriced every month.

As at 31 December 2010, bank loans included HK$69,000 fixed rate borrowings which carried interest rate ranging from 8.25% to 9.39% per annum.

As at 31 December 2011, bank loan that is repayable more than one year after the end of the reporting period but contains a repayment on demand clause with the aggregate carrying amount of HK$2,637,000 (2010: HK$3,831,000) has been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK$99,650,000 (2010: HK$78,110,000).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

29. ORDINARY SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2010, 31 December 2010 and 2011	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2010	931,408,494	93,141
Issue of shares	310,469,498	31,047
At 31 December 2010 and 2011	1,241,877,992	124,188

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 of HK$0.1 each 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 were set out in the circular of the Company dated 18 January 2010.

30. CONVERTIBLE PREFERENCE SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Convertible preference shares of HK$0.01 each		
At 1 January 2010, 31 December 2010 and 2011	3,000,000,000	30,000
Issued and fully paid of HK$0.01 each:		
At 1 January 2010, 31 December 2010 and 2011	–	–

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

31. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group represent fair value of intangible assets arising from the acquisition of a subsidiary during the year ended 31 December 2005. There is no movement of balance during each of the two years ended 31 December 2011.

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:

	2011 **HK$'000**	2010 HK$'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**	1,584
Carried forward indefinitely	**202,509**	295,355
	210,746	303,592

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

32. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	2011 **HK$'000**	2010 HK$'000
Cost of investment in unlisted associates	**4**	4
Share of post-acquisition losses (note)	**(18,239)**	(18,936)
	(18,235)	(18,932)

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 2011 and 2010 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

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

	2011	2010
	HK$'000	HK$'000
Total assets	**78,594**	63,535
Total liabilities	**(115,064)**	(101,399)
Net liabilities	**(36,470)**	(37,864)
Group's share of net liabilities of associates	**(18,235)**	(18,932)
Revenue	**14,636**	16,637
Profit (loss) for the year	**1,394**	(376)
Group's share of results of associates for the year	**697**	(188)

33. AMOUNT DUE TO AN ASSOCIATE

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

The non-current amount due to an associate is unsecured, interest-free and has 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% (2010: 5.4%) per annum.

34. 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.

35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the bank loans disclosed in note 28 and equity attributable to equity holders of the Company, comprising issued capital and reserves.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Held-for-trading investments	**29,566**	24,915
Loans and receivables (including cash and cash equivalents)	**493,515**	348,891
Available-for-sale investment	**–**	–
	523,081	373,806
Financial liabilities		
Amortised cost	**456,477**	351,553

(b) Financial risk management objectives and policies

The Group's major financial instruments include other financial asset, debtors, amounts due from fellow subsidiaries, associates and jointly controlled entities, held-for-trading investments, pledged bank deposit, bank balances, creditors and accrued charges, amounts due to an intermediate holding company, an associate, jointly controlled entities and non-controlling interests and bank loans. 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$3,837,000 (2010: HK$7,738,000) are denominated in United States dollars which are different from the functional currency of the respective 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, the management considers the fair value interest rate risk is minimal as the amount of fixed rate bank loans were fully repaid during the year.

The Group is also exposed to cash flow interest rate risk in relation to variable rate bank loans (see note 28 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. 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.

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 2011 would decrease/increase by HK$302,000 (2010: HK$627,000). 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 risk

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

Other price sensitivity analysis

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

If the prices of the respective equity and debt instruments had been 5% higher/lower while all other variables were held constant, the profit for the year ended 31 December 2011 would increase/decrease by HK$1,478,000 (2010: HK$1,246,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

As at 31 December 2011, 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 receivables. The Group is exposed to concentration of credit risk as the major customers of the Group are the HKSAR Government and a reputable organisation. The directors of the Company consider that the HKSAR Government and the reputable organisation is financially sound and accordingly no provision is required.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

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.

Liquidity and interest risk tables

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

	Weighted average effective interest rate	Repayable on demand or 3 months or less	3-6 months	6-12 months	1-3 years	Over 3 years	Total undiscounted cash flows	Carrying amount at 31.12.2011
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011								
Non-interest bearing	–	366,336	18,309	18,689	14,213	18,170	435,717	426,309
Variable interest rate instruments	3.44	3,831	4,034	9,632	14,034	–	31,531	30,168
		370,167	22,343	28,321	28,247	18,170	467,248	456,477

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. 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 31.12.2010 HK$'000
2010								
Non-interest bearing	–	262,877	1,452	7,690	10,387	15,967	298,373	288,858
Fixed interest rate instruments	8.96	43	21	8	–	–	72	69
Variable interest rate instruments	3.17	30,513	625	5,202	26,514	–	62,854	62,626
		293,433	2,098	12,900	36,901	15,967	361,299	351,553

Bank loan with a repayment on demand clause is included in the "Repayable on demand or 3 months or less" time band in the above maturity analysis. As at 31 December 2011, the aggregate undiscounted principal amount of the bank loan amounted to HK$2,637,000 (2010: HK$3,831,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid during the "1 – 3 years" and "over 3 years" time bands after the reporting date in accordance with the scheduled repayment dates set out in the loan agreement. At that time, the aggregate principal and interest cash outflows will amount to HK$2,746,000 (2010: HK$4,063,000).

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

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).

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 that are measured at fair value at the end of the reporting period:

	Level 1	
	2011	2010
	HK$'000	HK$'000
Equity and debt securities, listed	**29,566**	24,915

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

37. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2010, the Group disposed of its subsidiary, Hsin Lung Construction Company Limited ("Hsin Lung"), to a third party at a consideration of HK$28. The net liabilities of Hsin Lung at the date of disposal were as follows:

The net liabilities of Hsin Lung over which control was lost at the date of disposal were as follows:

	HK$'000
Trade and other receivables	16
Trade and other payables	(9,378)
Net liabilities disposed of	(9,362)
Gain on disposal of a subsidiary:	
Consideration received	–
Net liabilities disposed of	(9,362)
Translation reserve released	3,439
Gain on disposal	(5,923)

The impact of Hsin Lung on the Group's results and cash flows in prior year was insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

38. CONTINGENT LIABILITIES

	2011	2010
	HK$'000	HK$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	**151,934**	201,429

39. COMMITMENTS

Operating lease commitments

The Group as lessee

At 31 December 2011, 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:

	2011	2010
	HK$'000	HK$'000
Within one year	**11,034**	9,568
In the second to fifth years inclusive	**11,692**	1,522
	22,726	11,090

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 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 income statement of HK$11,193,000 (2010: HK$9,258,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

41. RELATED PARTY TRANSACTIONS

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

	2011 **HK$'000**	2010 HK$'000
Immediate holding company		
Corporate guarantee fee expense	**359**	605
Fellow subsidiary		
Construction contract revenue	**952**	–
Purchase of construction materials	**3,552**	–
Associate		
Secretarial and management service income	**250**	–
Jointly controlled entities		
Service income	**28,707**	6,684
Construction contract revenue	**32,070**	–
Purchase of property, plant and equipment	**3,800**	–

During the year ended 31 December 2010, 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$21,723,000.

Details of the balances with associates, jointly controlled entities, an intermediate holding company, fellow subsidiaries and non-controlling interests are disclosed in the consolidated statement of financial position and respective notes.

Compensation of key management personnel

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

	2011 **HK$'000**	2010 HK$'000
Short-term benefits	**18,678**	13,378
Post-employment benefits	**816**	628
	19,494	14,006

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 2011, a director provided personal guarantees amounting to HK$12,500,000 (2010: HK$12,500,000) to a bank to secure the general banking facilities granted to the Group.

At 31 December 2011, Wai Kee provided corporate guarantees amounting to HK$25,000,000 (2010: HK$45,000,000) to a bank to secure the general banking facilities granted to the Group and charged corporate guarantee fee of HK$359,000 (2010: HK$605,000) to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

41. RELATED PARTY TRANSACTIONS (Continued)

At 31 December 2011 and 2010, 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 (the "JCE") with carrying value of HK$1,807,000 (2010: HK$1,807,000) for the site formation of Zhejiang Shenjiawan – Zhongmentong. 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

	2011 **HK$'000**	2010 HK$'000
Investment in a subsidiary	**60,000**	60,000
Amounts due from group companies	**28,912**	37,170
Other current assets	**6,772**	6,563
Amounts due to group companies	**(2,537)**	(4,480)
Other current liabilities	**(70)**	(163)
Bank loans	**(3,837)**	(7,738)
	89,240	91,352
Share capital	**124,188**	124,188
Reserves	**(34,948)**	(32,836)
	89,240	91,352

43. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2011 and 2010 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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
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
Wai Kee China Construction Company Limited	Hong Kong	PRC	HK$10,000,000	100	Civil engineering
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	Hong Kong	HK$25,000,002 (2010: 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 the company. On a winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the company only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the company.

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.

Financial Summary

RESULTS

	Year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Group revenue	798,475	751,130	822,072	722,396	**1,152,639**
Share of revenue of jointly controlled entities	486,452	214,412	213,071	192,572	**578,218**
	1,284,927	965,542	1,035,143	914,968	**1,730,857**
Group revenue	798,475	751,130	822,072	722,396	**1,152,639**
Operating profit (loss)					
Company and subsidiaries	4,889	(118,163)	32,511	(274)	**25,589**
Share of results of jointly controlled entities	29,045	26,572	37,869	30,039	**3,261**
Share of results of associates	134	1,457	1,709	(188)	**697**
Finance costs	(12,214)	(7,323)	(3,774)	(1,710)	**(2,122)**
Profit (loss) before tax	21,854	(97,457)	68,315	27,867	**27,425**
Income tax (expense) credit	(6,781)	142	(4,053)	(322)	**(332)**
Profit (loss) for the year	15,073	(97,315)	64,262	27,545	**27,093**

FINANCIAL POSITION

	As at 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	683,433	646,741	583,851	638,298	**816,768**
Total liabilities	(496,567)	(553,781)	(427,164)	(406,801)	**(546,011)**
Net assets	186,866	92,960	156,687	231,497	**270,757**

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Chang Kam Chuen, Desmond

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Progressive Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

00240

WEBSITE

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