WAI KEE
惠記
ZENS

Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNUAL REPORT 2013

CONTENTS

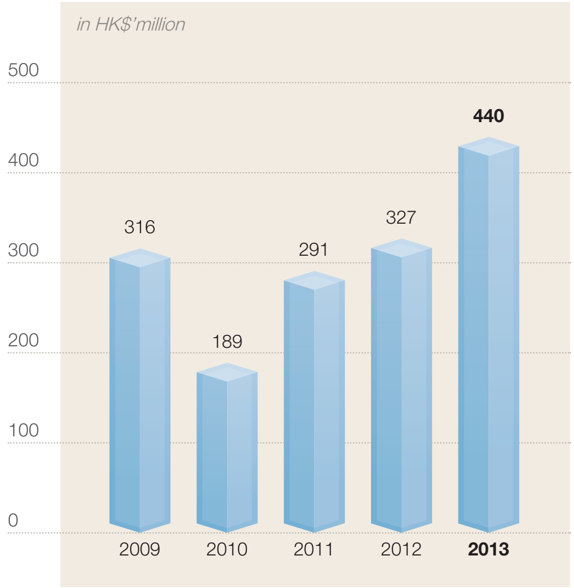
Financial Highlights

	Year ended 31st December,	
	2013	2012 (Restated)
	HK$'million	*HK$'million*
Revenue	**2,546**	2,418
Profit for the year	**449**	336
Profit attributable to owners of the Company	**440**	327
	HK cents	*HK cents*
Basic earnings per share	**55.50**	41.19
Dividend per share	**14.50**	11.20
Return on equity attributable to owners of the Company	**8.5%**	6.9%

	At 31st December,	
	2013	2012 (Restated)
	HK$'million	*HK$'million*
Total assets	**7,035**	6,082
Total liabilities	**(1,693)**	(1,198)
Non-controlling interests	**(137)**	(135)
Equity attributable to owners of the Company	**5,205**	4,749
	HK$	*HK$*
Equity attributable to owners of the Company per share	**6.56**	5.99

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Year ended 31st December,

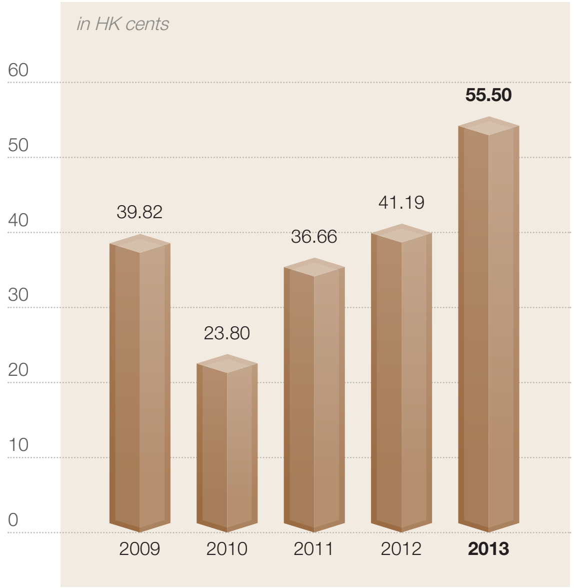


EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

At 31st December,

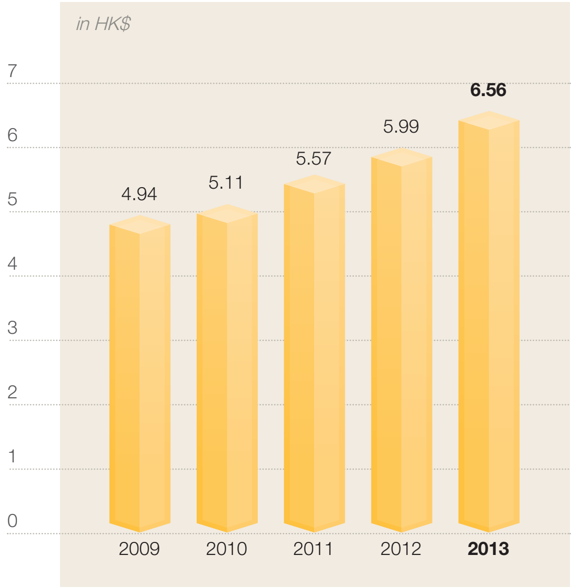
BASIC EARNINGS PER SHARE

Year ended 31st December,



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE

At 31st December,



Zen Wei Pao, William
Chairman

Dear shareholders,

The board of directors (the "Board") of the Company announces that the Group's audited revenue for the year ended 31st December, 2013 was HK$2,546 million (2012: HK$2,418 million (restated)), generating an audited consolidated profit attributable to owners of the Company of HK$440 million (2012: HK$327 million), an increase of 35% as compared with that of 2012.

At the forthcoming Annual General Meeting to be held on 9th May, 2014, the Board will recommend the payment of a final dividend of HK10.2 cents (2012: HK7.7 cents) per share.

TOLL ROAD

BUSINESS REVIEW

Toll Road and Property Development

For the year ended 31st December, 2013, the Group shared a profit of HK$387 million (2012: HK$312 million) from Road King Infrastructure Limited ("Road King"), an associate of the Group. As of the date of this report, the Group holds 38.90% interest in Road King.

During the year ended 31st December, 2013, Road King issued 648,000 ordinary shares upon exercise of share options granted to the employees of Road King under the share option scheme of Road King. As the shares were issued at an exercise price lower than the net assets value per share of Road King, the Group recorded an aggregate loss of HK$2 million on deemed disposal of partial interest in Road King. On the other hand, the Group purchased 2,155,000 ordinary shares in Road King at an aggregate consideration below the additional net assets value shared by the Group and hence recognised an aggregate discount of HK$19 million on acquisition of additional interest in Road King. Furthermore, Road King repurchased and cancelled 7,404,000 ordinary shares, resulting in an aggregate gain of HK$25 million recorded by the Group on deemed acquisition of additional interest in Road King. As a result, the net effect of these transactions increased the Group's interest in Road King by 0.64%.

For the year ended 31st December, 2013, Road King recorded an audited profit attributable to its owners of HK$1,002 million (2012: HK$818 million), an increase of 22% as compared with that of 2012.

Road King's share of operating profits of toll road joint ventures declined from HK$259 million in 2012 to HK$180 million in 2013, mainly due to the commencement of interest payment by Longcheng Expressway on a full-year basis, coupled with a decrease in the traffic volume of Tangjin Expressway due to the impact of a downturn in local industries in Hebei Province.

In 2013, the total traffic volume reached 68 million vehicles and toll revenue was RMB1,895 million. Toll revenue from expressway projects further increased from 87% of the entire road portfolio in 2012 to 94% in 2013. In line with its strategy to withdraw from Class I/II highway projects and expand the expressway portfolio, Road King disposed of Hehuai Highway and Hefei section of Heye Highway in Anhui Province, and cooperated with the local government to discontinue the Xiushui toll station of Yulin Highway in Guangxi Zhuang Autonomous Region in exchange for government compensation. In January 2014, Road King received the notice of being successfully tendered for 49% equity interest in Machao Expressway in Anhui Province which had just commenced operation recently. Approvals for relevant documentations of the project are being obtained and the whole process is expected to be completed within this year.

PROPERTY DEVELOPMENT

BUSINESS REVIEW (Cont'd)

Toll Road and Property Development (Cont'd)

The PRC property market continued to demonstrate a strong performance in 2013 despite the impact of government policies. By implementing the strategy of deeper exploitation and balancing high turnover and profitability, Road King achieved remarkable results in operation and development. Contracted sales in 2013 increased 28% as compared with those of 2012, while the average selling price was approximately RMB11,060 per sqm, representing a rise of 18% over that of 2012.

Road King has utilised resources effectively and enhanced its management continuously, driving up its sales. In the meantime, the increase in operating expenses remained at a relatively low level, further contributing to Road King's profitability. Revenue which mainly derived from the delivery of properties was HK$11,456 million in 2013, representing a growth of 23% from the previous year. The total area delivered in 2013 was 913,000 sqm, and the average price was approximately RMB10,430 per sqm, representing a growth of 17% as compared with that in 2012. Given the increase in the delivery of properties and strict control over expenses, the segment profit of the property business increased to HK$849 million.

At 31st December, 2013, Road King's land reserve had total saleable area of over 5,600,000 sqm.

For the toll road business, Road King believes that it can provide steady cash flows and returns over the long term. While continuing to dispose of the remaining highway projects, Road King will seek appropriate expressway projects by leveraging its reputation in the industry and management experience obtained over the past two decades, with a view to expanding its expressway portfolio further and creating solid returns for shareholders continuously.

For the property business, Road King believes that it is a livelihood industry in the PRC. It still has substantial growth potential on the back of China's economic development, and is worth for Road King to continue developing and expanding in this industry. After years of implementation and efforts, Road King will continue to adopt the strategy that balances deeper exploitation and profitability. On one hand, Road King is going to enhance the strategic cooperation with its partners and on the other hand, it will further refine and implement the products categorisation and standardisation, and optimise product quality and cost structure. In doing so, Road King aims to expand its size, establish long-standing brand recognition and increase return on operation.

CONSTRUCTION

BUSINESS REVIEW (Cont'd)

Construction

For the year ended 31st December, 2013, the Group shared a profit of HK$12 million (2012: HK$11 million) from Build King Holdings Limited ("Build King"), the construction arm of the Group. As of the date of this report, the Group holds 51.17% interest in Build King.

For the year ended 31st December, 2013, Build King recorded revenue of HK$2,193 million (2012: HK$2,142 million (restated)) and an audited profit attributable to its owners of HK$21 million (2012: HK$21 million), same as that of 2012. This comprises profit of HK$14 million (2012: HK$6 million) from construction operation and profit of HK$7 million (2012: HK$15 million) from investment in listed securities.

As reported in Build King Interim Report 2013, the profit for the first six months was worse than that for the corresponding period of 2012 because of cost overrun on two government projects. However, in the second half of 2013, a significant portion of cost overrun was recovered.

During the year, Build King was awarded six new projects with total value exceeding HK$3 billion. Since the year end, one major building project of about HK$900 million has been secured, bring the total value of the outstanding works to HK$8 billion at the date of this report.

In Hong Kong, during the year, as anticipated, Build King has been extremely busy with tenders for mega infrastructure projects. Build King was successful in winning work in line with its expectations. The first successful tender in 2013 was a joint venture project of contract sum of HK$3.3 billion, in which Build King has 49% interest.

For the third successive year, Build King has secured contracts worth more than HK$3 billion. Whilst Build King is still actively bidding new projects, it is continuing to be very selective and targeting only those projects that it believes the cashflow will be healthy and where it thinks it has edges.

The difficulties encountered as reported in Build King Interim Report 2013 were finally overcome and the final account agreed satisfactorily with the loss provision written back. Major projects in progress were also moving along satisfactorily.

The growth of the building division is also encouraging. The outstanding value of works for this division has been increased from HK$700 million last year to HK$1.9 billion at present. The profit contribution to Build King in 2013 was more than double that of 2012.

In the PRC, the sewage treatment plant in Wuxi City continued to provide a steady profit in line with budget during the year. The expansion of this plant was completed in the third quarter of 2013 and now is operated. This has increased the design capacity from 35,000 to 50,000 tonnes per day. Hence, Build King is optimistic that with steady growth of local population, the future revenue and profit will be satisfactory.

Leveraged on the experience of this project, the prospects of further investment in environmental projects in China is promising and Build King is actively seeking opportunities in this sector.

CONSTRUCTION MATERIALS

BUSINESS REVIEW (Cont'd)

Construction Materials

For the year ended 31st December, 2013, the construction materials division recorded revenue of HK$362 million (2012: HK$309 million) and a net profit of HK$17 million (2012: HK$7 million).

The pleasing improvement in the results as compared with that of last year was due to the previous secured orders now entering the high demand stage. It is anticipated that the orders will be further increased in 2014 to cope with the construction progress of various projects. The division continues to focus on optimising and coordinating customer orders to ensure maximum output whilst maintaining good service and quality of product.

To adopt prudent cost control measures is always the primary task of the management with intention to alleviate the challenge of increase in raw materials costs and severe competition from the existing operators.

With an expected increase in production volume in the coming months, it is anticipated that the division will yield improved performance in 2014. Also, we will continue to look for opportunities to sustain long term growth of the division.

Quarrying

For the year ended 31st December, 2013, the quarrying division recorded revenue of HK$79 million (2012: HK$70 million) and a net loss of HK$8 million (2012: HK$9 million).

In 2013, the quantity of aggregates sold was 800,000 tonnes, mainly as a result of increase in production volume of the Group's Aberdeen concrete batching plant. Even though the production of aggregates kept up with the increased demand, the comparatively high costs of production at Niu Tou Island resulted in the negative impact on the bottom line.

Investigations into the new source of aggregates continues and involves determining compliance with Hong Kong standards as well as ensuring stability of supply through well-established production process and thorough compliance testing.

Property Funds

In December 2013, the Group invested US$10 million (equivalent to HK$78 million) in 34.6% interest of a property fund, Grand China Cayman Investors III, Limited which in turn invested US$28.9 million for 40% interest in an US company for acquiring a property portfolio in Houston, USA. The property portfolio consists of nine residential rental properties with 2,594 apartment units in aggregate and of over 90% occupancy.

In January 2014, the Group has committed to invest US$7.8 million (equivalent to HK$61 million) in 30% interest of another property fund, Elite International Limited I LP ("Elite Fund") which in turn will invest US$24 million for 75% interest in an US company for acquiring two adjacent lands in Los Angeles, California, USA for developing a 7-storey complex project with 201 apartment units. In January 2014, the Group has already invested US$3.6 million (equivalent to HK$28 million) in Elite Fund.

QUARRYING

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, total borrowings increased from HK$219 million (restated) to HK$239 million with the maturity profile summarised as follows:

	31st December, 2013 HK$'million	2012 (Restated) HK$'million
Within one year	**166**	193
In the second year	**30**	16
In the third to fifth year inclusive	**43**	10
	239	219
Classified under:		
Current liabilities *(note)*	**224**	219
Non-current liabilities	**15**	–
	239	219

Note: At 31st December, 2013, bank loans that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause with the aggregate carrying amount of HK$58 million (2012: HK$26 million) have been classified as current liabilities.

During the year, the Group had no significant fixed-rate borrowings and had no financial instruments for hedging purpose.

At 31st December, 2013, total amount of the Group's bank balances and cash was HK$341 million (2012: HK$175 million (restated)), of which bank deposits amounting to HK$0.03 million (2012: HK$0.01 million) were pledged to banks to secure certain general banking facilities granted to the Group.

For the year ended 31st December, 2013, the Group recorded finance costs of HK$7 million (2012: HK$6 million (restated)).

At 31st December, 2013, a portfolio of held-for-trading investments were stated at their fair values in a total amount of HK$62 million (2012: HK$61 million), comprising equity securities listed in Hong Kong and debt securities listed in Singapore. Certain listed equity securities held by Build King with a market value of HK$22 million (2012: HK$20 million) were pledged to a bank to secure certain general banking facilities granted to Build King. For the year ended 31st December, 2013, the Group recorded a net profit (net amount of change in fair value, dividend income and interest income) of HK$9 million (2012: HK$21 million) from these investments, of which net profit of HK$7 million (2012: HK$15 million) was derived from the securities invested by Build King.

FINANCIAL REVIEW (Cont'd)

Liquidity and Financial Resources (Cont'd)

The Group's borrowings, investments and bank balances are principally denominated in Hong Kong dollar, Renminbi and United States dollar. However, as those amounts denominated in Renminbi and United States dollar are insignificant, there is no significant exposure to foreign exchange rate fluctuations.

Capital Structure and Gearing Ratio

At 31st December, 2013, the equity attributable to owners of the Company amounted to HK$5,205 million, representing HK$6.56 per share (2012: HK$4,749 million, representing HK$5.99 per share). Increase in equity attributable to owners of the Company was mainly attributable to the profit generated after deduction of dividends paid during the year.

At 31st December, 2013, the gearing ratio, representing the ratio of interest bearing borrowings to equity attributable to owners of the Company, was 4.6% (2012: 4.6% (restated)) and the net gearing ratio, representing the ratio of net borrowings (interest bearing borrowings less bank balances and cash) to equity attributable to owners of the Company, was –2.0% (2012: 0.9% (restated)) as a result of total amount of bank balances and cash exceeded total amount of interest bearing borrowings.

Pledge of Assets

At 31st December, 2013, apart from the bank deposits and certain listed equity securities pledged to banks to secure certain general banking facilities granted to the Group, certain motor vehicles with an aggregate carrying value of HK$14 million (2012: HK$18 million) were pledged to secure a bank loan granted to the Group. In addition, the share of a subsidiary of the Company was pledged to secure certain bank loans granted to the Group.

Contingent Liabilities

At 31st December, 2013, the Group had outstanding tender/performance/retention bonds for construction contracts amounting to HK$248 million (2012: HK$243 million).

Capital Commitments

At 31st December, 2013, the Group has committed capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Group's consolidated financial statements and authorised but not contracted for amounting to HK$18 million (2012: nil) and HK$0.8 million (2012: nil) respectively.

FUTURE OUTLOOK

To maintain stable profit for the Group, implementing tight cost control measures are always our primary and continuing tasks. In the same time, the Board always looks for long term investments opportunity to enhance the growth of the Group. Nevertheless, in making investment decision, we will continue to cautiously consider our financial capability.

The Board considers that the US property market has moved through bottom and continued to recover. Investing in the property funds is a long term investment with a view to set foot in US property market. The Board also considers that it is a good opportunity for the Group to capture the capital appreciation potential of US property market.

APPRECIATION

The Board would like to take this opportunity to extend its heartiest thanks to the entire loyal and dedicated staff.

Zen Wei Pao, William
Chairman

Hong Kong, 7th March, 2014

EXECUTIVE DIRECTORS

ZEN Wei Pao, William, age 66, is the Chairman of the Company and has been with the Group since 1971. He was appointed as an Executive Director in July 1992, a member of the Remuneration Committee of the Company in April 2005 and the Chairman of the Nomination Committee of the Company in February 2012. He is also the Chairman of Road King. He holds a Bachelor of Science Degree from The Chinese University of Hong Kong and a Master of Business Administration Degree from Asia International Open University (Macau). He also attended Executive Education Program at Harvard University and Stanford Executive Program at Stanford University. He is a member of both the Hong Kong Institution of Engineers and the Institute of Quarrying, the United Kingdom ("UK"). He has over 40 years of experience in civil engineering industry. Mr. Zen is responsible for the overall strategic planning and corporate marketing and development of the Group. He is the brother of Mr. Zen Wei Peu, Derek.

ZEN Wei Peu, Derek, age 61, is the Vice Chairman of the Company and has been with the Group for over 30 years. He was appointed as an Executive Director in July 1992, a member of the Remuneration Committee of the Company in April 2005 and a member of the Nomination Committee of the Company in February 2012. He is also the Chairman of Build King and an Executive Director of Road King. He was once the Chairman of Chai-Na-Ta Corp, up to his resignation in September 2012. He holds a Bachelor of Science Degree in Engineering from The University of Hong Kong and a Master Degree of Business Administration from The Chinese University of Hong Kong and is a member of both the Institution of Civil Engineers and the Hong Kong Institution of Engineers and a fellow member of the Institute of Quarrying, UK. He is also the Honorary Treasurer of Hong Kong Construction Association from 2013 to 2015. He has over 35 years of experience in civil engineering. Mr. Zen is responsible for the overall management of the Group and oversees the operations of the Group. He is the brother of Mr. Zen Wei Pao, William.

CHIU Wai Yee, Anriena, age 50, was appointed as an Executive Director in June 2005. She joined the Group in April 1995. She is the Company Secretary of the Company. She holds a Bachelor of Administrative Studies Degree and a Master Degree of Professional Accounting. Miss Chiu is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She has extensive experience in company secretarial field. Miss Chiu is responsible for the construction materials division of the Group, the personnel and administration department and secretarial department of the Company.

NON-EXECUTIVE DIRECTORS

LAM Wai Hon, Patrick, age 51, was appointed as a Non-executive Director in September 2000. He is also a Non-executive Director of Road King. Mr. Lam is a Chartered Accountant by training and holds a Master of Business Administration Degree from The University of Edinburgh, UK and a Bachelor Degree from The University of Essex, UK. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Lam is a Governor of the Canadian Chamber of Commerce in Hong Kong and a member of the Asian advisory board of Richard Ivey School of Business, the Western University, Ontario, Canada. Mr. Lam is presently the Assistant General Manager of New World Development Company Limited and an Executive Director of NWS Holdings Limited ("NWS"), both of which are the substantial shareholders of the Company and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also the Vice Chairman and Non-executive Director of Newton Resources Ltd. Mr. Lam was a Director of Guangdong Baolihua New Energy Stock Co., Ltd., a listed company in the PRC. Prior to joining the New World Group, Mr. Lam worked for an international accounting firm.

CHENG Chi Ming, Brian, age 31, was appointed as a Non-executive Director in February 2013. He holds a Bachelor of Science degree from Babson College in Massachusetts, U.S.A. Mr. Cheng is presently an Executive Director of NWS. He is also a Non-executive Director of Newton Resources Ltd., Haitong International Securities Group Limited and Beijing Capital International Airport Co., Ltd., and the Chairman and Non-executive Director of Integrated Waste Solutions Group Holdings Limited (formerly known as Fook Woo Group Holdings Limited), all of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also a director of Sino-French Holdings (Hong Kong) Limited, Sino-French Energy Development Company Limited, The Macao Water Supply Company Limited and a director of a number of companies in Mainland China. Mr. Cheng was a Non-executive Director of Freeman Financial Corporation Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to joining NWS, Mr. Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets.

CHENG Chi Pang, Leslie, age 56, was appointed as a Non-executive Director in September 2000. He is also a Non-executive Director of Build King. 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. He 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 and the Taxation Institute of Hong Kong, and a fellow member of Hong Kong Institute of Directors. He is a Certified Public Accountant practising 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. He is now the Senior Partner of Leslie Cheng & Co. and Chief Executive Officer of L & E Consultants Limited. Dr. Cheng is currently 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, all of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to joining the New World Group, he was a senior manager of an international accounting firm.

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Che Ming, Steve, age 63, was appointed as an Independent Non-executive Director in July 1992. He was appointed as a member of the Audit Committee of the Company in July 1998, a member of the Remuneration Committee of the Company in April 2005 and a member of the Nomination Committee of the Company in February 2012. During the period from September 2001 to the first quarter of 2005, he served as the Chairman of the Audit Committee of the Company. He is a solicitor, Notary Public, China Appointed Attesting Officer and a member of The Chartered Institute of Arbitrators. He holds a Bachelor of Social Science Degree in Economics from The Chinese University of Hong Kong and a Doctorate Degree in Civil Laws from The Renmin University of China.

WAN Siu Kau, Samuel, age 62, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in September 2001. He was appointed as the Chairman of the Remuneration Committee of the Company in April 2005 and a member of the Nomination Committee of the Company in February 2012. He holds a Master Degree of Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Business Administration and Accounting from The University of Hong Kong. He started his executive search career in 1988 and was previously Managing Partner and Vice Chairman of Amrop Hever, a global executive search firm. Prior to this, he was the Managing Director of Norman Broadbent's Hong Kong and China offices and was among the first generation of recruiters to establish a search practice in China. Earlier, he worked for Bank of America and Banque Nationale de Paris on both the human resources and business side. Mr. Wan is currently the Non-executive Chairman of Cinderella Media Group Limited (formerly known as Recruit Holdings Limited) whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

WONG Man Chung, Francis, age 49, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in August 2004. He was appointed as the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company in April 2005, as well as a member of the Nomination Committee of the Company in February 2012. Mr. Wong holds a Master Degree in Management conferred by Guangzhou Jinan University of China. He is a Certified Public Accountant (Practising) and has over 20 years of experience in the profession of accounting. He is a fellow member of the Association of Chartered Certified Accountants, UK and the Hong Kong Institute of Certified Public Accountants, a certified tax adviser of the Taxation Institute of Hong Kong, an associate member of the Institute of Chartered Accountants in England and Wales, and a member of the Society of Chinese Accountants and Auditors, Hong Kong. Mr. Wong is the Managing Director of Union Alpha CPA Limited and a Director of Union Alpha CAAP Certified Public Accountants Limited, which are professional accounting firms, and a Founding Director and member of Francis M. C. Wong Charitable Foundation Limited, a charitable institution. Prior to that, he worked for an international accounting firm for 6 years and The Hong Kong Securities Clearing Company Limited for 2 years. Mr. Wong is currently an Independent Non-executive Director and either the chairman or a member of the Audit Committee/Remuneration Committee of China Oriental Group Company Limited, Digital China Holdings Limited and Integrated Waste Solutions Group Holdings Limited, all of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Wong was an Independent Non-executive Director of eForce Holdings Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

CHANG Kam Chuen, Desmond, age 48, joined the Group in May 1997 and is now an Executive Director and the Company Secretary of Build King. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and an associate member of Chartered Institute of Management Accountants, UK. He has over 25 years of experience in accounting profession and financial management. Mr. Chang is responsible for the financial, human resources, administration and secretarial departments of Build King.

CHEUNG Siu Lun, age 63, joined the Group in 2006. He is a Director of Kaden Construction Limited ("Kaden"), Leader Civil Engineering Corporation Limited ("Leader Civil") and Wai Kee (Zens) Construction & Transportation Company Limited ("WKC&T"). He holds a Bachelor of Science Degree in Civil Engineering from The University of Hong Kong. He is a member of the Institution of Civil Engineers and a fellow of The Hong Kong Institution of Engineers. He is also a Chartered Engineer of UK. He is a member of the Contractors Registration Committee Panel, the Contractors Registration Committee, the Minor Works Contractors Registration Committee Panel and the Minor Works Contractors Registration Committee of Buildings Department, and the Faculty Advisory Committee of the Faculty of Science and Technology of the Technological and Higher Education Institute of Hong Kong. He has over 40 years of experience in both civil engineering and building construction. Mr. Cheung is responsible for Build King's business development.

KWOK Chi Ko, Enmale, age 57, is a Director of Kaden, Leader Civil and WKC&T. He holds an Engineering Doctorate Degree, a Master Degree in Arbitration & Dispute Resolution and a Master Degree in Laws. He is a Chartered Quantity Surveyor, a Registered Professional Surveyor (QS) and an Accredited Mediator and has been a Fellow Member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. He has had over 30 years of experience in building and construction industry. Mr. Kwok is responsible for Build King's contract administration and commercial management for all building and construction related businesses.

LIU Sing Pang, Simon, age 52, 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 UK. He is Vice Chairman of Civil Engineering Committee of Hong Kong Construction Association. He is also a member of Appeal Tribunal, Buildings Ordinance and the Committee on Technologist Training of Vocational Training Council. He has over 25 years of experience in civil engineering and building construction. Mr. Liu is responsible for Build King's civil engineering operation in Hong Kong.

LUI Yau Chun, Paul, age 52, has been working with the Group since 1998. He is a Director and the General Manager (Marine) of WKC&T, a Director of Kaden, Leader Civil and Leader Marine Contractors Limited, and the General Manager of Leader Marine Cont. L.L.C. which was registered in Sharjah, UAE. He is a member of the Institution of Structural Engineers, and of the Hong Kong Institution of Engineers. He has over 30 years of experience in civil and marine engineering. Mr. Lui is responsible for Build King's civil and marine engineering operation in Hong Kong.

SO Yiu Wing, Wilfred, age 39, is a Director of Kaden, Leader Civil and WKC&T. He holds a Bachelor degree in Civil Engineering from The University of Hong Kong. He is a member of The Hong Kong Institution of Engineers and a Registered Professional Engineer (CVL). He has over 15 years of experience in civil engineering construction. Mr. So is responsible for Build King's civil engineering operation in Hong Kong.

TSANG Wing Ho, Francis, age 56, is a Director of Kaden and Leader Civil. He holds a Bachelor of Science degree in Civil Engineering from The City University, UK and a Master degree in General Business Administration from The University of Hull, UK. He is a member of The Institution of Civil Engineers and The Hong Kong Institution of Engineers. He has over 30 years of experience in the construction industry including construction supervision, design and project management. Mr. Tsang is responsible for Build King's building operation.

SENIOR MANAGEMENT (Cont'd)

TSUI Wai Tim, age 51, is a Director of Kaden and Leader Civil. He holds a Bachelor of Science Degree in Civil Engineering and Management Studies and a Master of Science Degree in Transport Planning and Engineering, both from The University of Leeds, UK. He is a fellow of The Hong Kong Institution of Engineers, The Institution of Civil Engineers and The Hong Kong Institute of Construction Managers. He has over 25 years of experience in civil engineering, building and foundation projects. Mr. Tsui is responsible for Build King's civil engineering operation in Hong Kong.

WU Siu Ho, age 61, is a Director of Kaden and Leader Civil. He is also the project director of MTR Contract No. SCL 1108 Kai Tak Station and Associated Tunnels. He holds a Bachelor of Science Degree in Engineering from The University of Hong Kong. He is a member of The Institution of Mechanical Engineers and The Hong Kong Institution of Engineers. He is also a Chartered Engineer of UK. He has over 35 years of extensive experience in management of engineering companies. Mr. Wu is responsible for Build King's new business development.

YUE Pak Lim, age 77, is a Director of Kaden and Leader Civil. He has over 50 years of extensive experience in management and construction of a wide variety of civil engineering and building projects in Hong Kong. Prior to joining the Group, he had been a Director of several sizeable construction companies in Hong Kong. He was once an Executive Director of Wai Kee. Mr. Yue is responsible for Build King's civil engineering operation in Hong Kong.

John **LEICH**, age 63, joined the Group in November 2010 and is a Director of Excel Concrete Limited responsible for the construction materials division of the Group. He holds a Bachelor's degree in Civil Engineering from the University of Sydney and has completed studies for a Master's degree in Business Administration at the University of Technology, Sydney. He is a member of the Institute of Quarrying. Mr. Leich was an executive director of Shui On Building Materials Limited and Lamma Rock Products Limited. He has over 30 years of experience in the concrete, cement and quarrying industries.

HO Kin Kwok, William, age 59, joined the Group in March 2010 and is the General Manager of construction materials division of the Group. Mr. Ho holds a Bachelor Degree of Business Administration from Shenzhen University and a Diploma in Management for Executive Development from The Chinese University of Hong Kong. He is also a Registered Assessor for ISO Quality System. He has extensive experience in the construction materials industry.

CHEUNG Kwan Man, Edmond, age 58, joined the Group in August 1994 and is the Group Financial Controller responsible for the financial management and the accounting department of the Group. He is also a Director of Wai Hing Quarries (China) Limited and Grandeur Building Material (Holdings) Limited. Mr. Cheung holds a Master Degree of Business Administration from Heriot-Watt University, UK. He is a fellow member of the Association of Chartered Certified Accountants, UK, a member of the Certified General Accountants' Association of Canada, a full member of American Institute of Certified Public Accountants. He has extensive experience in auditing, accounting and financial management.

YAM Tin Chun, Martin, age 53, joined the Group in July 2007 as Internal Audit Manager of the Company and Build King. Mr. Yam holds a Master Degree of Business Administration from Manchester Business School and a Bachelor Degree in Laws from Peking University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a Certified Information System Auditor, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has over 20 years of experience in internal audit. Consistent with ensuring the independence and integrity of the internal audit functions, Mr. Yam directly reports to Mr. Zen Wei Pao, William, the Chairman of the Company, and the Audit Committee Chairmen of the Company and Build King.

CORPORATE GOVERNANCE CODE

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

Throughout the year of 2013, the Company has complied with the code provisions of Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for code provision A.2.1.

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The duties of the Chairman and the Vice Chairman of the Board are clearly set out in writing and are separate. The Company does not at present have any officer with the title "chief executive officer". Nevertheless, the Vice Chairman carries out the duties of the chief executive officer of the Company and had done so since 1992. He was formerly designated the "managing director" of the Company until 1998 when his title was changed to "Vice Chairman".

THE BOARD

Composition

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

Board of Directors		
Executive Directors	**Non-executive Directors**	**Independent Non-executive Directors**
Zen Wei Pao, William *(Chairman)*	Lam Wai Hon, Patrick	Wong Che Ming, Steve
Zen Wei Peu, Derek *(Vice Chairman)*	Cheng Chi Ming, Brian (appointed on 15th February, 2013)	Wan Siu Kau, Samuel
Chiu Wai Yee, Anriena	Cheng Chi Pang, Leslie	Wong Man Chung, Francis

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

THE BOARD (Cont'd)

Composition (Cont'd)

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

There is no financial, business and family relationship among members of the Board, other than the Chairman, Mr. Zen Wei Pao, William, and the Vice Chairman, Mr. Zen Wei Peu, Derek, who are brothers.

Appointment and Re-election

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

Non-executive Directors

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

Independence of Independent Non-executive Directors

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

Role and Delegation

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

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

THE BOARD (Cont'd)

Role and Delegation (Cont'd)

In order to enhance efficiency, the Board has delegated the Vice Chairman the day-to-day leadership and management of the Group. Management of the Group, on the other hand, is responsible for day-to-day operations of the Group under the supervision of the Vice Chairman.

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

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

During the year ended 31st December, 2013, the Board has adopted a Board Diversity Policy to comply with a new code provision on board diversity effective from 1st September, 2013 and approved the amendments to the terms of reference of the Nomination Committee to align the board diversity. The internal audit team has also carried out a compliance review on the Code and reported to the Board that the Group has properly followed the requirements of the Code.

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

THE BOARD (Cont'd)

Board Meetings

The Board meets regularly at least four times each year and additional meetings are arranged if and when required. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. During the year, the attendance records of individual Directors at the Board meetings, meetings of three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, the annual general meeting held on 8th May, 2013 and the special general meeting held on 13th September, 2013 are set out below:

	Meetings attended/held					
Name of Director	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting held on 8th May, 2013**	**Special General Meeting held on 13th September, 2013**
Executive Directors						
Zen Wei Pao, William *(Chairman)*	5/5	–	4/4	2/2	1	0
Zen Wei Peu, Derek *(Vice Chairman)*	5/5	–	4/4	2/2	1	1
Chiu Wai Yee, Anriena	5/5	–	–	–	1	1
Non-executive Directors						
Lam Wai Hon, Patrick	5/5	–	–	–	1	1
Cheng Chi Ming, Brian	4/5	–	–	–	0	0
Cheng Chi Pang, Leslie	5/5	–	–	–	1	1
Independent Non-executive Directors						
Wong Che Ming, Steve	5/5	2/3	4/4	2/2	1	1
Wan Siu Kau, Samuel	5/5	3/3	4/4	2/2	1	1
Wong Man Chung, Francis	5/5	3/3	4/4	2/2	1	1

Note:

"-" Not Applicable

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

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

THE BOARD (Cont'd)

Board Meetings (Cont'd)

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

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

Induction and Continuous Professional Development

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

During the year ended 31st December, 2013, briefing of the Group's business was given to the newly appointed Director and a comprehensive induction package on the directors' duties was provided to him.

All Directors are requested to provide the Company with their respective training records pursuant to the Code. Trainings received by each of the Directors during the period from 1st January, 2013 to 31st December, 2013 are summarized as follows:

Name of Director	Type of continuous professional development
Executive Directors	
Zen Wei Pao, William	A,B,C
Zen Wei Peu, Derek	B,C
Chiu Wai Yee, Anriena	B,C
Non-executive Directors	
Lam Wai Hon, Patrick	B,C
Cheng Chi Ming, Brian	B,C
Cheng Chi Pang, Leslie	B,C
Independent Non-executive Directors	
Wong Che Ming, Steve	B,C
Wan Siu Kau, Samuel	B,C
Wong Man Chung, Francis	B,C

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

THE BOARD (Cont'd)

Directors' and Officers' Liability Insurance and Indemnity

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

Chairman and Vice Chairman

The Chairman is Mr. Zen Wei Pao, William. The Vice Chairman is Mr. Zen Wei Peu, Derek.

To ensure a balance of power and authority, the positions of the Chairman and the Vice Chairman are clearly set out in writing and are separate. The Company does not at present have any officer with the title "chief executive officer". Nevertheless, the Vice Chairman carries out the duties of the chief executive officer of the Company and had done so since 1992. He was formerly designated the "managing director" of the Company until 1998 when his title was changed to "Vice Chairman".

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

The Vice Chairman is responsible for implementing the Board's approved strategies and policies, and supervising the day-to-day operations.

Detailed duties and responsibilities of the Chairman and the Vice Chairman are available on the website of the Company.

Board Diversity Policy

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

BOARD COMMITTEES

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

Audit Committee

Composition

The Audit Committee was formed in 1998 and currently comprises three members, namely Mr. Wong Man Chung, Francis (Chairman of the Audit Committee), Dr. Wong Che Ming, Steve and Mr. Wan Siu Kau, Samuel, all of whom are Independent Non-executive Directors.

Role and Function

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

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31st December, 2013 and up to the date of this report:

- Approval of remuneration and terms of engagement of the external auditor;
- Review of the annual results of the Group for the years ended 31st December, 2012 and 2013, and the interim results of the Group for the six months ended 30th June, 2013;
- Review of the Group's financial information, financial reporting procedures, internal control system, risk management, and financial and accounting policies and practices;
- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to supply non-audit services;
- Review of the audit plan for financial year ended 31st December, 2013;
- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation;
- Recommendation to the Board to re-appoint the external auditor at the 2013 and 2014 annual general meetings;

BOARD COMMITTEES (Cont'd)

Audit Committee (Cont'd)

Summary of Work Done (Cont'd)

- Review of the effectiveness of the internal audit function of the Company;
- Review of the 2014 internal audit plan;
- Review of the findings in the internal control reports;
- Review of reporting mechanism for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters related to the Company;
- Review of the continuing connected transactions of the Company; and
- Meetings with the external auditor, in the absence of Executive Directors and management.

Nomination Committee

Composition

The Nomination Committee was set up in February 2012 and currently comprises five members, namely, Mr. Zen Wei Pao, William (Chairman of the Nomination Committee), Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel, Mr. Wong Man Chung, Francis and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek, being Executive Directors, all other members are Independent Non-executive Directors.

Role and Function

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

BOARD COMMITTEES (Cont'd)

Nomination Committee (Cont'd)

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31st December, 2013 and up to the date of this report:

- Review of the structure, size and composition (including but not limited to gender, age, cultural background, educational background, skills, knowledge, professional experience and/or length of service) of the Board;
- Review of its constitution and terms of reference;
- Assessment of the independence of the Independent Non-executive Directors;
- Recommendation to the Board on the appointment of one nominated Non-executive Director;
- Review of the Board Diversity Policy and the measureable objectives for implementing diversity on the Board; and
- Determination of the rotation of the Directors for the annual general meeting to be held in May 2014.

Nomination Procedures

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

In February 2013, the Board approved the appointment of Mr. Cheng Chi Ming, Brian as a Non-executive Director of the Company who subsequently retired and was re-elected at the annual general meeting held in May 2013.

Remuneration Committee

Composition

The Remuneration Committee was formed in 2005 and currently comprises five members, namely Mr. Wan Siu Kau, Samuel (Chairman of the Remuneration Committee), Dr. Wong Che Ming, Steve, Mr. Wong Man Chung, Francis, Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek, being Executive Directors, all other members are Independent Non-executive Directors.

Role and Function

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

BOARD COMMITTEES (Cont'd)

Remuneration Committee (Cont'd)

Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31st December, 2013 and up to the date of this report:

- Review and approval of the Company's remuneration policy for 2013 and 2014;
- Approval of year end bonus of Executive Directors for 2012 and 2013;
- Approval of emoluments of Executive Directors (where Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek abstained from voting in determining their own remuneration) and senior management;
- Approval of 2014 salary adjustment; and
- Make recommendations on remuneration of Non-executive Directors.

Remuneration policy

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

The remuneration of a Director is determined with reference to his/her duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of Directors during the year ended 31st December, 2013 are set out in note 12 to the consolidated financial statements of this annual report. The emoluments paid to senior management during the year ended 31st December, 2013 were within the following bands:

	Number of Senior Management
Up to HK$1,000,000	1
HK$1,000,001 to HK$2,000,000	5
HK$2,000,001 to HK$3,000,000	8

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31st December, 2013.

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu has been re-appointed as the Company's external auditor at the annual general meeting of 2013 until the conclusion of the next annual general meeting.

The fees paid to external auditor for audit and non-audit services for the year ended 31st December, 2013 are as follows:

Type of services provided by external auditor	**Fee paid/ payable** HK$
Audit fee	2,570,000
Non-audit services	
Interim review fee	939,000
Other services	552,000
Total	4,061,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out on pages 49 and 50 in the Independent Auditor's Report forming part of this annual report.

INTERNAL CONTROL

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

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

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's internal control system put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31st December, 2013. The Audit Committee considered that the internal control system of the Company and its subsidiaries was effective and adequate.

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

INVESTOR RELATIONS

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

The Directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, principal associates and a joint venture are set out in notes 50, 21 and 22 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2013, the five largest customers of the Group together accounted for approximately 79% of the Group's revenue, with the largest customer accounted for approximately 42%, and the five largest suppliers of the Group together represented approximately 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 31st December, 2013 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 51 and 52 respectively.

An interim dividend of HK4.3 cents per share was paid to shareholders during the year. The Directors recommend the payment of a final dividend of HK10.2 cents per share for the year ended 31st December, 2013 to shareholders whose names appear in the register of members of the Company on Monday, 19th May, 2014. The amount of dividends paid for the year is set out in note 15 to the consolidated financial statements.

Subject to the approval of shareholders at the forthcoming Annual General Meeting, it is expected that the payment of final dividend will be made on or before Tuesday, 10th June, 2014.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 9th May, 2014, the register of members of the Company will be closed from Wednesday, 7th May, 2014 to Friday, 9th May, 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (to be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from Monday, 31st March, 2014) not later than 4:00 p.m. on Monday, 5th May, 2014.

CLOSURE OF REGISTER OF MEMBERS (Cont'd)

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is on Monday, 19th May, 2014. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 16th May, 2014 to Monday, 19th May, 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (to be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from Monday, 31st March, 2014) not later than 4:00 p.m. on Thursday, 15th May, 2014.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 55.

DISTRIBUTABLE RESERVES OF THE COMPANY

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus, if:

(a) it is, or would after the above payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than its liabilities.

The reserves of the Company which were available for distribution to the shareholders at 31st December, 2013 were HK$604,016,000.

FINANCIAL SUMMARY

A summary of the results and of the financial position of the Group for the past five financial years is set out on page 131.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 38 and 40 to the consolidated financial statements respectively.

During the year, there was no movement in the share capital and share options of the Company.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Zen Wei Pao, William *(Chairman)*
Zen Wei Peu, Derek *(Vice Chairman)*
Chiu Wai Yee, Anriena

Non-executive Directors:

Lam Wai Hon, Patrick	
Cheng Chi Ming, Brian	(appointed on 15th February, 2013)
Cheng Chi Pang, Leslie	
Chu Tat Chi	(resigned on 15th February, 2013)

Independent Non-executive Directors:

Wong Che Ming, Steve
Wan Siu Kau, Samuel
Wong Man Chung, Francis

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Zen Wei Peu, Derek, Miss Chiu Wai Yee, Anriena and Mr. Wan Siu Kau, Samuel shall retire from office 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).

The Company received confirmation of independence from Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel and Mr. Wong Man Chung, Francis, being the Independent Non-executive Directors in respect of the year ended 31st December, 2013, pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31st December, 2013, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are 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 and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(I) The Company

Interests in shares

Name of Director	Capacity/ Nature of interest	Number of shares held Long position *(note)*	Number of shares held Short position	Percentage of the issued ordinary share capital
				%
Zen Wei Pao, William	Personal	192,381,843	–	24.26
Zen Wei Peu, Derek	Personal	185,557,078	–	23.40
Lam Wai Hon, Patrick	Personal	300,000	–	0.04
Wong Che Ming, Steve	Personal	900,000	–	0.11

Note:

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

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations

Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long position		Number of shares held Short position	Percentage of the issued ordinary share capital	
						%	
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000	*(note 1)*	–	0.11	*(note 3)*
	Road King Infrastructure Limited	Personal	3,400,000	*(note 2)*	–	0.46	
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000	*(note 1)*	–	10.00	
	Wai Luen Stone Products Limited	Personal	30,000	*(note 1)*	–	37.50	
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	111,475,228	*(note 1)*	–	8.98	
	Road King Infrastructure Limited	Personal	9,096,000	*(note 1)*	–	1.24	*(note 4)*
		Personal	2,350,000	*(note 2)*	–	0.32	
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000	*(note 1)*	–	10.00	
	Wai Luen Stone Products Limited	Personal	30,000	*(note 1)*	–	37.50	
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	1,116,000	*(note 1)*	–	0.09	
	Road King Infrastructure Limited	Personal	205,000	*(note 1)*	–	0.03	
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	186,666	*(note 1)*	–	0.02	
	Road King Infrastructure Limited	Personal	150,000	*(note 2)*	–	0.02	
Cheng Chi Pang, Leslie	Build King Holdings Limited	Personal	1,170,000	*(note 1)*	–	0.09	
Wong Che Ming, Steve	Build King Holdings Limited	Personal	407,448	*(note 1)*	–	0.03	

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (Cont'd)

Interests in shares (Cont'd)

Notes:

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

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

3. As at 31st December, 2013, the issued share capital of Build King was 1,241,877,992 shares. Accordingly, the percentage has been adjusted.

4. As at 31st December, 2013, the issued share capital of Road King was 735,178,566 shares. Accordingly, the percentage has been adjusted.

Interests in debentures

Name of Director	Name of company	Capacity/Nature of interest	Type of debenture	Principal amount held
Zen Wei Peu, Derek	Road King Infrastructure Limited	Personal	US$350 million 9.5% Guaranteed Senior Notes due 2015	US$907,188 *(notes 1 and 2)*
		Personal	US$350 million 9.875% Guaranteed Senior Notes due 2017	US$4,300,000 *(note 1)*

Notes:

1. Long position.

2. Included in the balance of the debentures in the principal amount of US$171,630 is held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

Save as disclosed above, none of the Directors or their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTIONS

(I) The Company

A share option scheme (the "Share Option Scheme") was adopted by the Company at the annual general meeting held on 15th May, 2012. No options have been granted under the Share Option Scheme since its adoption.

(II) Associated Corporation

The share option schemes were adopted by Road King on 12th May, 2003 ("Road King Old Share Option Scheme") and 8th May, 2013 ("Road King New Share Option Scheme") respectively. As at 31st December, 2013, Road King has granted 22,200,000 share options under Road King Old Share Option Scheme to three Directors of the Company and 3,650,000 share options under Road King New Share Option Scheme to three Directors of the Company. 12,145,000 share options and 7,805,000 share options granted under Road King Old Share Option Scheme have been exercised and expired respectively.

Details of the share options granted under Road King Old Share Option Scheme and Road King New Share Option Scheme to the following Directors of the Company and a summary of the movements during the year are as follows:

				Number of share options			
Name of Director	Date of grant	Exercisable period	Exercise price	Balance at 1.1.2013	Granted during the year*	Exercised during the year	Balance at 31.12.2013
			HK$				
Zen Wei Pao, William	9th April, 2010	9th April, 2010 to 8th April, 2015	6.79	1,400,000	–	–	1,400,000
	28th May, 2013	29th May, 2013 to 28th May, 2018	7.13	–	2,000,000	–	2,000,000
Zen Wei Peu, Derek	9th April, 2010	9th April, 2010 to 8th April, 2015	6.79	850,000	–	–	850,000
	28th May, 2013	29th May, 2013 to 28th May, 2018	7.13	–	1,500,000	–	1,500,000
Lam Wai Hon, Patrick	28th May, 2013	29th May, 2013 to 28th May, 2018	7.13	–	150,000	–	150,000
Total				**2,250,000**	**3,650,000**	**–**	**5,900,000**

* The closing price of the shares of Road King immediately before the date of grant was HK$6.94.

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

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or 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 of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

During the year and up to the date of this report, the following Directors had interest in the business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed under the Listing Rules:

Name of Director	Name of entity	Competing business	Nature of interest
Zen Wei Pao, William	CMP Investment Group Limited	Property development in the PRC	Director and shareholder
Lam Wai Hon, Patrick	NWS Holdings Limited group of companies	Construction, toll road and infrastructure	Director
Cheng Chi Ming, Brian (appointed on 15th February, 2013)	NWS Holdings Limited group of companies	Construction, toll road and infrastructure	Director
Chu Tat Chi (resigned on 15th February, 2013)	NWS Service Management Limited group of companies	Building construction and civil engineering	Director

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2013, so far as is known to any Director of the Company, the following persons (other than Directors of the Company) have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares held Long position *(note 1)*	Short position	Percentage of the issued ordinary share capital
				%
Cheng Yu Tung Family (Holdings) Limited *(note 2)*	Corporate	213,868,000	–	26.97
Cheng Yu Tung Family (Holdings II) Limited *(note 3)*	Corporate	213,868,000	–	26.97
Chow Tai Fook Capital Limited *(note 4)*	Corporate	213,868,000	–	26.97
Chow Tai Fook (Holding) Limited *(note 5)*	Corporate	213,868,000	–	26.97
Chow Tai Fook Enterprises Limited *(note 6)*	Corporate	213,868,000	–	26.97
New World Development Company Limited *(note 7)*	Corporate	213,868,000	–	26.97
NWS Holdings Limited *(note 8)*	Corporate	213,868,000	–	26.97
NWS Service Management Limited (incorporated in the Cayman Islands) *(note 9)*	Corporate	213,868,000	–	26.97
NWS Service Management Limited (incorporated in the British Virgin Islands) *(note 10)*	Corporate	213,868,000	–	26.97
Vast Earn Group Limited *(note 11)*	Personal/ Beneficiary	213,868,000	–	26.97

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Cont'd)

Notes:

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

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. New World Development Company Limited is deemed to be interested in the shares through its interests in its subsidiary, namely NWS Holdings Limited. Mr. Lam Wai Hon, Patrick is the Assistant General Manager of New World Development Company Limited.

8. NWS Holdings Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the Cayman Islands). Both Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian are executive directors of NWS Holdings Limited.

9. 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). Both Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian are directors of NWS Service Management Limited (incorporated in the Cayman Islands).

10. 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. Both Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian are directors of NWS Service Management Limited (incorporated in the British Virgin Islands).

11. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands). Both Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian are directors of Vast Earn Group Limited.

Save as disclosed above, no other person (other than Directors of the Company) has 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.

DISCLOSURES PURSUANT TO RULES 13.17, 13.18 AND 13.21 OF THE LISTING RULES

(1) Wai Kee (Zens) Construction & Transportation Company Limited, Kaden Construction Limited and Leader Civil Engineering Corporation Limited (collectively the "Borrowers", all of which are wholly owned subsidiaries of Build King) and Mr. Zen Wei Peu, Derek ("Mr. Zen") signed a banking facility letter with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") on 29th December, 2009.

Mr. Zen agreed to charge his 11,000,000 shares of the Company (the "Share Charge", representing approximately 1.39% of the issued share capital of the Company) in favour of HSBC. The Share Charge is the security to secure the personal guarantee of HK$12.5 million provided by Mr. Zen in favour of HSBC in relation to the banking facilities in the amount of HK$62.3 million for a period up to 15th October, 2010 provided by HSBC to the Borrowers. Subsequently, the banking facilities were renewed and revised to HK$112 million, as well as extended to 15th October, 2014.

(2) On 27th November, 2013, the Company confirmed its acceptance of a facility letter (the "Facility Letter") issued by a bank (the "Bank"). Pursuant to the Facility Letter, the Bank agreed to grant the Company a term loan facility of up to HK$50 million (the "Banking Facility") with the final maturity date falling 3 years from the date of the Bank's receipt of the Company's acceptance of the Facility Letter. Throughout the life of the Banking Facility, Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek shall (i) collectively maintain not less than 43% shareholding interest in the Company; and (ii) maintain management control in the Company and remain as the Chairman and Vice Chairman of the Company respectively.

Save as disclosed above, as at 31st December, 2013, the Company did not have other disclosure obligations under Rules 13.17, 13.18 and 13.21 of the Listing Rules.

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
Chiu Wai Yee, Anriena	Miss Chiu's annual salary has been revised from HK$1,778,200 to HK$1,885,000 with effect from 1st April, 2014.
Cheng Chi Ming, Brian	Mr. Cheng has been appointed as a non-executive director of Beijing Capital International Airport Co., Ltd. (Stock Code: 694) with effect from 26th February, 2014.
Wong Man Chung, Francis	Mr. Wong resigned as an independent non-executive director of eForce Holdings Limited (Stock Code: 943) with effect from 19th April, 2013. He has been appointed as an independent non-executive director of Integrated Waste Solutions Group Holdings Limited (Stock Code: 923) with effect from 10th October, 2013.

CONTINUING CONNECTED TRANSACTIONS

On 23rd August, 2013, the Company entered into a business services agreement (the "Business Services Agreement") with New World Development Company Limited ("NWD", which is a connected person of the Company by virtue of its being a substantial shareholder of the Company) for provision of services covering construction, maintenance, and project management related services including provision of services as main contractor, project manager, consultant and sub-contractor for a variety of works including superstructure, foundation, civil engineering, port and infrastructure facilities, maintenance, construction and interior decoration and other related services which may from time to time be provided by the Company and its subsidiaries (collectively the "Group") to NWD and its subsidiaries during the term of the Business Services Agreement.

The Business Services Agreement would have an initial term of three years from 13th September, 2013, being the date of the special general meeting of the Company at which approval of the Business Services Agreement was granted by the independent shareholders of the Company, unless terminated earlier by the written agreement of the Company and NWD. Subject to re-compliance with the requirements of the applicable Listing Rules and other applicable laws and regulations at the relevant time or, alternatively, any waivers obtained from the strict compliance with such requirements, upon expiry of the initial term or subsequent renewal term, the Business Services Agreement is automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules) unless a party under the Business Services Agreement gives a 30 days' prior written notice to the other party to terminate the Business Services Agreement.

Annual caps, being the maximum aggregate value of transactions undertaken by members of the Group under the Business Services Agreement for each financial year, are as follows:

	Financial year ending 31st December,		
	2013	**2014**	**2015**
	HK$'million	*HK$'million*	*HK$'million*
Annual caps	130	390	340

For the financial year ended 31st December, 2013, the relevant maximum aggregate value of the transactions was HK$2,370,000.

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

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

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

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

(d) within the caps as disclosed in the relevant announcement.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

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

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 31st December, 2013.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$315,000.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2013, the Group had 1,288 employees (2012: 1,037 employees), of which 1,165 (2012: 915) were located in Hong Kong, 114 (2012: 108) were located in the PRC and 9 (2012: 14) were located in UAE. For the year ended 31st December, 2013, the Group's total staff costs were HK$509 million (2012: HK$330 million (restated)).

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as the performance of the individual.

The emoluments of Executive Directors and senior management are determined by the Remuneration Committee with reference to salaries paid by comparable companies, their time commitment and responsibilities, employment conditions and prevailing market conditions.

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 Pao, William
Chairman

Hong Kong, 7th March, 2014

Deloitte.
德勤

TO THE SHAREHOLDERS OF WAI KEE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wai Kee Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 130, which comprise the consolidated statement of financial position as at 31st December, 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 HKICPA. 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, 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 31st December, 2013 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
7th March, 2014

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2013

	Notes	2013 HK$'000	2012 (Restated) HK$'000
Revenue	5	**2,545,909**	2,417,992
Cost of sales		**(2,305,488)**	(2,223,867)
Gross profit		**240,421**	194,125
Other income	7	**44,211**	34,301
Investment income, gains and losses	8	**9,107**	20,864
Selling and distribution costs		**(55,652)**	(56,057)
Administrative expenses		**(210,798)**	(181,923)
Other expenses		**–**	(14,838)
Finance costs	9	**(6,836)**	(6,243)
Share of results of associates		**387,825**	310,002
Other gains and losses	10	**42,236**	36,360
Profit before tax	11	**450,514**	336,591
Income tax expense	14	**(1,495)**	(261)
Profit for the year		**449,019**	336,330
Profit for the year attributable to:			
Owners of the Company		**440,205**	326,692
Non-controlling interests		**8,814**	9,638
		449,019	336,330
		HK cents	*HK cents*
Earnings per share	16		
– Basic		**55.50**	41.19
– Diluted		**55.39**	41.19

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**449,019**	336,330
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**2,542**	886
Reclassification adjustment for translation reserve upon liquidation of an associate	**–**	(3,138)
Share of translation reserves of associates	**108,801**	76,765
Other comprehensive income for the year	**111,343**	74,513
Total comprehensive income for the year	**560,362**	410,843
Total comprehensive income for the year attributable to:		
Owners of the Company	**550,249**	400,769
Non-controlling interests	**10,113**	10,074
	560,362	410,843

Consolidated Statement of Financial Position

At 31st December, 2013

	Notes	31st December, 2013 HK$'000	2012 (Restated) HK$'000	1st January, 2012 (Restated) HK$'000
Non-current assets				
Property, plant and equipment	*17*	**124,541**	135,104	146,734
Intangible assets	*18*	**71,110**	65,095	65,996
Goodwill	*19*	**29,838**	29,838	29,838
Interests in associates	*21*	**4,991,653**	4,497,169	4,245,484
Interests in joint ventures	*22*	**–**	–	12,312
Available-for-sale investments	*24*	**–**	–	–
Other financial asset	*25*	**52,390**	52,295	53,400
Loan and other receivables	*26*	**8,733**	12,830	16,767
		5,278,265	4,792,331	4,570,531
Current assets				
Inventories	*27*	**12,458**	11,223	5,227
Amounts due from customers for contract work	*28*	**325,487**	253,679	164,779
Debtors, deposits and prepayments	*29*	**936,275**	749,287	539,981
Amounts due from associates	*30*	**11,384**	10,427	7,218
Amount due from a joint venture	*30*	**321**	321	321
Amounts due from other partners of joint operations	*30*	**66,601**	27,922	30,108
Tax recoverable		**1,482**	570	388
Held-for-trading investments	*31*	**61,717**	61,416	45,443
Pledged bank deposits	*32*	**30**	10	21
Bank balances and cash	*32*	**341,129**	174,945	209,880
		1,756,884	1,289,800	1,003,366
Current liabilities				
Amounts due to customers for contract work	*28*	**643,952**	291,988	242,529
Creditors and accrued charges	*33*	**692,938**	612,189	523,797
Amount due to an associate	*34*	**12,159**	11,052	9,947
Amounts due to joint ventures	*34*	**1,142**	1,142	1,825
Amounts due to other partners of joint operations	*34*	**69,849**	27,377	12,876
Amounts due to non-controlling shareholders	*34*	**3,359**	3,359	3,357
Tax liabilities		**1,073**	2,039	2,767
Other borrowings		**–**	–	25
Bank loans	*35*	**224,407**	218,996	183,033
		1,648,879	1,168,142	980,156
Net current assets		**108,005**	121,658	23,210
Total assets less current liabilities		**5,386,270**	4,913,989	4,593,741

	Notes	31st December, 2013 HK$'000	31st December, 2012 (Restated) HK$'000	1st January, 2012 (Restated) HK$'000
Non-current liabilities				
Deferred tax liabilities	*36*	**5,750**	5,750	5,750
Obligations in excess of interests in associates	*21*	**17,432**	17,795	18,235
Amount due to an associate	*37*	**6,041**	6,713	7,172
Amount due to a joint venture		**–**	–	4,067
Other borrowings		**–**	–	5
Bank loans	*35*	**15,000**	–	13,750
		44,223	30,258	48,979
Net assets		**5,342,047**	4,883,731	4,544,762
Capital and reserves				
Share capital	*38*	**79,312**	79,312	79,312
Share premium and reserves		**5,125,333**	4,669,208	4,340,613
Equity attributable to owners of the Company		**5,204,645**	4,748,520	4,419,925
Non-controlling interests	*39*	**137,402**	135,211	124,837
Total equity		**5,342,047**	4,883,731	4,544,762

The consolidated financial statements on pages 51 to 130 were approved and authorised for issue by the Board of Directors on 7th March, 2014 and are signed on its behalf by:

Zen Wei Pao, William
Chairman

Zen Wei Peu, Derek
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2013

	Equity attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000 (note 39)	Special reserve HK$'000 (note a)	Assets revaluation reserve HK$'000	Other reserve HK$'000 (note b)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000 (note 39)	Total equity HK$'000
At 1st January, 2012	79,312	731,906	730,726	(29,530)	2,319	(8,336)	2,913,528	4,419,925	124,837	4,544,762
Profit for the year	–	–	–	–	–	–	326,692	326,692	9,638	336,330
Other comprehensive income for the year	–	–	74,077	–	–	–	–	74,077	436	74,513
Total comprehensive income for the year	–	–	74,077	–	–	–	326,692	400,769	10,074	410,843
Sub-total	79,312	731,906	804,803	(29,530)	2,319	(8,336)	3,240,220	4,820,694	134,911	4,955,605
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	300	300
Dividends paid *(note 15)*	–	–	–	–	–	–	(72,174)	(72,174)	–	(72,174)
At 31st December, 2012	79,312	731,906	804,803	(29,530)	2,319	(8,336)	3,168,046	4,748,520	135,211	4,883,731
Profit for the year	–	–	–	–	–	–	440,205	440,205	8,814	449,019
Other comprehensive income for the year	–	–	110,044	–	–	–	–	110,044	1,299	111,343
Total comprehensive income for the year	–	–	110,044	–	–	–	440,205	550,249	10,113	560,362
Sub-total	79,312	731,906	914,847	(29,530)	2,319	(8,336)	3,608,251	5,298,769	145,324	5,444,093
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	4,900	4,900
Disposal of partial interest in a subsidiary	–	–	–	–	–	1,483	–	1,483	(1,483)	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	(432)	–	(432)	(11,339)	(11,771)
Dividends paid *(note 15)*	–	–	–	–	–	–	(95,175)	(95,175)	–	(95,175)
At 31st December, 2013	**79,312**	**731,906**	**914,847**	**(29,530)**	**2,319**	**(7,285)**	**3,513,076**	**5,204,645**	**137,402**	**5,342,047**

Notes:

(a) The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

(b) The other reserve represents the 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 regarding the changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2013

	2013 HK$'000	2012 (Restated) HK$'000
Operating activities		
Profit before tax	**450,514**	336,591
Adjustments for:		
Finance costs	**6,836**	6,243
Share of results of associates	**(387,825)**	(310,002)
Interest on bank deposits	**(276)**	(242)
Interest on amount due from an associate	**(187)**	–
Interest on other financial asset	**(1,430)**	(1,439)
Imputed interest on loan and other receivables	**(632)**	(785)
Gain on change in fair value and disposal of held-for-trading investments, net	**(4,450)**	(16,371)
Interest income from held-for-trading investments	**(2,959)**	(2,936)
Discount on acquisition of additional interest in an associate	**(18,853)**	–
Loss on deemed disposal of partial interest in an associate	**2,160**	–
Gain on deemed acquisition of additional interest in an associate	**(25,246)**	–
Gain on disposal of property, plant and equipment, net	**(297)**	(13,791)
Gain on liquidation of an associate	**–**	(18,489)
Gain on disposal of a subsidiary	**–**	(4,080)
Amortisation of intangible assets	**1,342**	1,264
Bad debts written off	**–**	57
Depreciation of property, plant and equipment	**40,647**	34,651
Impairment loss on property, plant and equipment	**5,500**	–
Operating cash flows before movements in working capital	**64,844**	10,671
(Increase) decrease in other financial asset	**(95)**	1,105
Increase in inventories	**(1,235)**	(5,996)
Increase in amounts due from customers for contract work	**(55,108)**	(79,352)
Increase in debtors, deposits and prepayments	**(186,802)**	(211,465)
Decrease in held-for-trading investments	**4,149**	398
Increase in amounts due to customers for contract work	**351,964**	49,459
Increase in creditors and accrued charges	**80,749**	88,392
Cash from (used in) operations	**258,466**	(146,788)
Income taxes paid	**(3,373)**	(1,171)
Net cash from (used in) operating activities	**255,093**	(147,959)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2013

	Notes	2013 HK$'000	2012 (Restated) HK$'000
Investing activities			
Interest received		**4,638**	4,588
Dividends received from an associate		**136,442**	113,327
Final distribution upon liquidation of an associate	*10(d)*	**–**	36,706
Proceeds from disposal of property, plant and equipment		**1,318**	16,767
Proceeds from disposal of a subsidiary	*41*	**–**	12,325
Purchase of property, plant and equipment		**(53,299)**	(35,539)
Additions of intangible assets		**(6,478)**	–
Acquisition of additional interest in a subsidiary		**(11,771)**	–
Acquisition of interests in associates		**(92,724)**	(40)
Settlement of loan and other receivables		**4,570**	6,853
Advances to associates		**(770)**	(2,959)
(Advances to) repayment from other partners of joint operations		**(38,679)**	2,186
(Placement) decrease in pledged bank deposits		**(20)**	11
Net cash (used in) from investing activities		**(56,773)**	154,225
Financing activities			
Interest paid		**(6,401)**	(5,847)
Dividends paid	*15*	**(95,175)**	(72,174)
Capital contribution from non-controlling shareholders of subsidiaries		**4,900**	300
Repayment to a joint venture		**–**	(683)
Advances from other partners of joint operations		**42,472**	14,501
New bank loans raised		**135,000**	99,980
Repayment of bank loans		**(114,589)**	(77,767)
Repayment of other borrowings		**–**	(30)
Advances from non-controlling shareholders of a subsidiary		**–**	2
Net cash used in financing activities		**(33,793)**	(41,718)
Net increase (decrease) in cash and cash equivalents		**164,527**	(35,452)
Cash and cash equivalents at the beginning of the year		**174,945**	209,880
Effect of foreign exchange rate changes, net		**1,657**	517
Cash and cash equivalents at the end of the year		**341,129**	174,945
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		**341,129**	174,945

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"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, principal associates and a joint venture are set out in notes 50, 21 and 22 respectively.

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

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments to HKAS 1
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the above new and revised HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 10 "Consolidated Financial Statements"

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 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in HKFRS 10 to illustrate when an investor has control over an investee. In particular, guidance in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group. In assessing whether or not an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly, the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at 1st January, 2013.

HKFRS 11 "Joint Arrangements"

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC)-Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 11 "Joint Arrangements" (Cont'd)

The initial and subsequent accounting of joint ventures and joint operations are different. Interests in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Interests in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenues (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that certain of the Group's joint arrangements, which were previously classified as jointly controlled entities under HKAS 31 and were accounted for using the equity method, should be classified as joint operations under HKFRS 11 taking into account the relevant joint arrangement agreements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements and accounted for the assets, liabilities, revenues and expenses relating to its interests in the joint operations.

The change in accounting of the Group's joint arrangements has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investments at 1st January, 2012 for the purposes of applying the joint operations are measured as the segregate of the carrying amounts of the assets and liabilities that the Group had previously netting off. Also, the directors of the Company performed an impairment assessment on the segregate assets at 1st January, 2012 and concluded that no impairment loss is required. To reflect the change in accounting of the Group's joint arrangements, comparative amounts for 2012 have been restated and a third statement of financial position at 1st January, 2012 has been presented without the related notes.

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the Group's consolidated financial statements for the prior years are as follows:

Impact on profit for the year ended 31st December, 2012 of the application of HKFRS 11

	HK$'000
Increase in revenue	459,923
Increase in cost of sales	(442,553)
Decrease in other income	(8,525)
Increase in finance costs	(774)
Decrease in share of results of joint ventures	(8,071)
Change in profit for the year	–

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 11 "Joint Arrangements" (Cont'd)

Summary of the effects of the above changes in accounting policies (Cont'd)

Impact on assets, liabilities and equity at 1st January, 2012 of the application of HKFRS 11

	At 1st January, 2012 (Originally stated)	Adjustments	At 1st January, 2012 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	130,882	15,852	146,734
Interests in joint ventures	38,815	(26,503)	12,312
Amounts due from customers for contract work	98,761	66,018	164,779
Debtors, deposits and prepayments	401,721	138,260	539,981
Amounts due from joint ventures	41,741	(41,420)	321
Amounts due from other partners of joint operations	–	30,108	30,108
Tax recoverable	–	388	388
Bank balances and cash	124,450	85,430	209,880
Amounts due to customers for contract work	(65,549)	(176,980)	(242,529)
Creditors and accrued charges	(440,927)	(82,870)	(523,797)
Amounts due to joint ventures	(6,418)	4,593	(1,825)
Amounts due to other partners of joint operations	–	(12,876)	(12,876)
Total effect on net assets		–	
Share premium and reserves	4,340,613	–	4,340,613
Non-controlling interests	124,837	–	124,837
Total effect on equity		–	

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 11 "Joint Arrangements" (Cont'd)

Summary of the effects of the above changes in accounting policies (Cont'd)

Impact on assets, liabilities and equity at 31st December, 2012 of the application of HKFRS 11

	At 31st December, 2012 (Originally stated)	Adjustments	At 31st December, 2012 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	113,430	21,674	135,104
Interests in joint ventures	26,156	(26,156)	–
Amounts due from customers for contract work	138,152	115,527	253,679
Debtors, deposits and prepayments	652,182	97,105	749,287
Amounts due from joint ventures	82,573	(82,252)	321
Amounts due from other partners of joint operations	–	27,922	27,922
Tax recoverable	–	570	570
Bank balances and cash	75,185	99,760	174,945
Amounts due to customers for contract work	(125,957)	(166,031)	(291,988)
Creditors and accrued charges	(580,414)	(31,775)	(612,189)
Amounts due to joint ventures	(12,465)	11,323	(1,142)
Amounts due to other partners of joint operations	–	(27,377)	(27,377)
Bank loans	(178,706)	(40,290)	(218,996)
Total effect on net assets		–	
Share premium and reserves	4,669,208	–	4,669,208
Non-controlling interests	135,211	–	135,211
Total effect on equity		–	

Impact on cash flows for the year ended 31st December, 2012 of the application of HKFRS 11

	HK$'000
Increase in net cash outflow from operating activities	(52,188)
Increase in net cash inflow from investing activities	13,184
Decrease in net cash outflow from financing activities	53,334
Net increase in cash and cash equivalents	14,330

The above changes in accounting policies do not have any impact on the Group's basic and diluted earnings per share for the prior year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (see notes 21, 22 and 50 for details).

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1st January, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in HKFRS 13 in comparative information provided for periods before the initial application of HKFRS 13. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (see notes 24 and 43(c) for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has had no material effect on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 introduce new terminology for income statement and statement of comprehensive income. Under the amendments to HKAS 1, an "income statement" is renamed as a "statement of profit or loss" and a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis while the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[5]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1st January, 2014.
2 Effective for annual periods beginning on or after 1st July, 2014.
3 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.
4 Effective for annual periods beginning on or after 1st January, 2016.
5 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

The directors of the Company are in the process of ascertaining the financial effect of the application of these new and revised HKFRSs on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

Non-controlling interests in subsidiaries are identified 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Changes in the Group's ownership interests in existing subsidiaries

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

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

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 values 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 (see the accounting policy below); 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations (Cont'd)

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 equity 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 at 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. An impairment loss 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.

Revenue recognition

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

Deposits and instalments received from purchasers prior to meeting the criteria below on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Construction contracts

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

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

Others

Revenue from sale of goods is recognised when goods are delivered and title has been passed. It is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Others (Cont'd)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income, including that from operating services 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 on initial recognition.

The accounting policy of recognition of revenue from operating lease is set out in "Leasing" below.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment (other than plant under construction) are stated at cost less 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) 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 in the course of 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. Such properties 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any 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.

Investments in associates and joint ventures

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates and joint ventures (Cont'd)

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

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

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

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

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

Interests in joint operations

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Interests in joint operations (Cont'd)

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

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

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

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Construction contracts

Where the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, contract costs are recognised in the consolidated statement of profit or loss by reference to the stage of completion of the contract activity at the end of the reporting period, except where this would not be representative of the stage of completion. 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.

Where 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Construction contracts (Cont'd)

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

Service concession arrangements

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

The Group, as an operator, recognises a financial asset as it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction services. The Group measures the financial asset at fair value on its initial recognition. At the end of the 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 above).

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".

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into financial assets at FVTPL, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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.

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL 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 FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes 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 loan and other receivables, other financial asset, debtors, amounts due from associates, joint ventures and other partners of joint operations, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment 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 FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments 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 each reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain financial assets, such as trade 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 trade 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 trade debt is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment loss on financial assets (Cont'd)

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in reserve.

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 after deducting all of its liabilities.

Financial liabilities

Financial liabilities (including creditors, amounts due to an associate, joint ventures, other partners of joint operations and non-controlling shareholders 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derecognition (Cont'd)

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.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 dollar) at the rate of exchange prevailing at the end of each 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 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary, loss of significant influence over an associate or loss of joint control over a joint venture that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, 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 profit 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group 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 they relate 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.

Retirement benefit costs

Payments to the Group's defined contribution retirement benefit plans, including state-managed retirement schemes and mandatory provident fund scheme ("MPF Scheme"), are charged as expenses when employees have rendered service entitling them to the contributions.

Share-based payment transactions

For the share options granted to directors and employees of the Company, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Impairment losses on tangible and intangible assets other than goodwill (see 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 with finite useful lives to determine whether there is any indication that those 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the amounts recognised in the consolidated financial statements 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgments in applying accounting policies

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

Classification of certain of the Group's joint arrangements as joint operations

With the adoption of HKFRS 11, the management reassesses the existing business structure and terms of contractual arrangement of the joint arrangement agreements. As most of the joint arrangements of the Group is conducted through unincorporated business structure and by reference to the contractual terms, the management has reclassified those joint arrangements, which are previously classified as jointly controlled entities, as joint operations (see note 23).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

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 the acquisition of a subsidiary

Determining the recoverable amount 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 31st December, 2013 at HK$32,858,000 (2012: HK$32,858,000) requires an estimation of the revenue to be generated in future periods from the acquired construction licenses (see note 18(a)). The construction 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 activities indicate 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 unit 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 unit and a suitable discount rate in order to calculate the present value. At 31st December, 2013, the carrying amount of goodwill is HK$29,838,000 (2012: HK$29,838,000). Details of the recoverable amount calculation are disclosed in note 20.

Estimated impairment of interest in an associate

Determining the recoverable amount of the Group's interest in Road King Infrastructure Limited ("Road King"), an associate of the Group, requires an estimation of the value in use of the investment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the operations of Road King and the proceeds on the ultimate disposal of the investment with assumptions of suitable growth rate and discount rate in order to calculate the present value. At 31st December, 2013, the carrying amount of the Group's interest in Road King is HK$4,914,003,000 (2012: HK$4,497,083,000). Details of the recoverable amount calculation are disclosed in note 21.

Income tax

At 31st December, 2013, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK$535,572,000 (2012: HK$538,210,000 (restated)) (see note 36) due to unpredictability of future profit streams. The realisability of the unrecognised deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Construction contracts

The Group recognised profits and losses from construction contracts, which were derived from the latest available budgets of those construction contracts based on the overall performance of each construction contract and the management's best estimates and judgments. Estimated construction contract revenue is determined in accordance with the terms set out in the relevant contracts. Estimated construction contract 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 contract revenue and costs.

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

5. REVENUE

	2013	2012
		(Restated)
	HK$'000	*HK$'000*
Revenue analysed by revenue from:		
Construction	**2,193,098**	2,142,042
Construction materials	**335,843**	256,476
Quarrying	**16,968**	19,474
	2,545,909	2,417,992

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. This is also the basis upon which the Group is organised. The Group's reportable and operating segments under HKFRS 8 are summarised as follows:

Construction
– construction of civil engineering and building projects

Construction materials
– production and sale of concrete

Quarrying
– production and sale of quarry products

Toll road and property development
– strategic investment in Road King, an associate of the Group

North American ginseng
– strategic investment in Chai-Na-Ta Corp. ("CNT"), an associate of the Group, which was dissolved during the year ended 31st December, 2012

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

The following is an analysis of the segment revenue and profit (loss) for each reportable and operating segment:

Year ended 31st December, 2013

	Segment revenue			
	Gross *HK$'000*	Inter-segment elimination *HK$'000*	External *HK$'000*	Segment profit (loss) *HK$'000*
Construction	**2,193,098**	**–**	**2,193,098**	**12,034**
Construction materials	**361,771**	**(25,928)**	**335,843**	**16,943**
Quarrying	**79,177**	**(62,209)**	**16,968**	**(8,290)**
Toll road and property development	**–**	**–**	**–**	**387,488**
Total	**2,634,046**	**(88,137)**	**2,545,909**	**408,175**

Year ended 31st December, 2012

	Segment revenue			
	Gross (Restated) *HK$'000*	Inter-segment elimination (Restated) *HK$'000*	External (Restated) *HK$'000*	Segment profit (loss) *HK$'000*
Construction	2,142,042	–	2,142,042	10,577
Construction materials	308,714	(52,238)	256,476	7,368
Quarrying	70,278	(50,804)	19,474	(8,953)
Toll road and property development	–	–	–	312,432
North American ginseng				
Share of results of CNT	–	–	–	(2,837)
Gain on liquidation of CNT	–	–	–	18,489
Total	2,521,034	(103,042)	2,417,992	337,076

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

Segment profit (loss) represents profit (loss) after tax and non-controlling interests for each reportable and operating segment and includes other income, investment income, gains and losses, share of results of associates and other gains and losses, but excluding corporate income and expenses (including staff costs, other administrative expenses, finance costs and income tax expense), share of losses of associates, discount on acquisition of additional interest in an associate, loss on deemed disposal of partial interest in an associate, gain on deemed acquisition of additional interest in an associate and gain on disposal of property, plant and equipment which are not attributable to any of the reportable and operating segments and are classified as unallocated items. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Reconciliation of total segment profit to profit attributable to owners of the Company

	2013	2012
	HK$'000	*HK$'000*
Total segment profit	**408,175**	337,076
Unallocated items		
Other income	**9,514**	9,359
Investment income, gains and losses	**2,065**	6,163
Administrative expenses	**(19,126)**	(22,695)
Finance costs	**(2,360)**	(3,196)
Share of losses of associates	**(2)**	(33)
Discount on acquisition of additional interest in an associate	**18,853**	–
Loss on deemed disposal of partial interest in an associate	**(2,160)**	–
Gain on deemed acquisition of additional interest in an associate	**25,246**	–
Gain on disposal of property, plant and equipment	**–**	19
Income tax expense	**–**	(1)
Profit attributable to owners of the Company	**440,205**	326,692

Segment assets and liabilities

As the Group's chief operating decision maker reviews the Group's assets and liabilities on a consolidated basis, no assets or liabilities are allocated to the reportable and operating segments. Therefore, no analysis of segment assets and liabilities is presented.

6. SEGMENT INFORMATION (Cont'd)

Other segment information

Amounts included in the measure of segment profit (loss):

Year ended 31st December, 2013

	Construction *HK$'000*	Construction materials *HK$'000*	Quarrying *HK$'000*	Toll road and property development *HK$'000*	Segment total *HK$'000*	Adjustments *HK$'000* *(note)*	Intra-group elimination *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	(15,224)	(21,472)	(3,382)	–	(40,078)	(569)	–	(40,647)
Impairment loss on property, plant and equipment	–	–	(5,500)	–	(5,500)	–	–	(5,500)
Gain (loss) on disposal of property, plant and equipment, net	91	(71)	277	–	297	–	–	297
Interest income	1,672	–	665	–	2,337	5,802	(5,614)	2,525
Finance costs	(4,324)	(5,766)	–	–	(10,090)	(2,360)	5,614	(6,836)
Share of results of associates	643	–	(304)	387,488	387,827	(2)	–	387,825
Income tax expense	(1,495)	–	–	–	(1,495)	–	–	(1,495)

Year ended 31st December, 2012

	Construction (Restated) *HK$'000*	Construction materials *HK$'000*	Quarrying *HK$'000*	Toll road and property development *HK$'000*	North American ginseng *HK$'000*	Segment total (Restated) *HK$'000*	Adjustments *HK$'000* *(note)*	Intra-group elimination *HK$'000*	Total (Restated) *HK$'000*
Depreciation of property, plant and equipment	(10,059)	(20,770)	(3,267)	–	–	(34,096)	(555)	–	(34,651)
Gain on disposal of property, plant and equipment, net	12,929	–	843	–	–	13,772	19	–	13,791
Interest income	1,657	–	809	–	–	2,466	5,859	(5,859)	2,466
Finance costs	(2,751)	(6,155)	–	–	–	(8,906)	(3,196)	5,859	(6,243)
Share of results of associates	440	–	–	312,432	(2,837)	310,035	(33)	–	310,002
Income tax (expense) credit	(1,822)	–	1,562	–	–	(260)	(1)	–	(261)

Note: Adjustments represent unallocated amounts related to head office and other minor operations.

6. SEGMENT INFORMATION (Cont'd)

Geographical information

The Group's operations are located in the Hong Kong Special Administrative Region ("Hong Kong") (country of domicile), other regions in the People's Republic of China (the "PRC") and Middle East.

The Group's revenue from external customers by geographical location of the customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets *(note)*	
	2013	2012 (Restated)	**2013**	2012 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**2,518,010**	2,394,769	**5,094,059**	4,678,409
The PRC	**27,899**	18,939	**44,419**	46,783
Middle East	**–**	4,284	**1,074**	2,014
Others	**–**	–	**77,590**	–
	2,545,909	2,417,992	**5,217,142**	4,727,206

Note: Non-current assets include all non-current assets except available-for-sale investments, other financial asset and loan and other receivables.

Information about customers

Two (2012: two (restated)) customers of the construction segment located in Hong Kong individually contributing over 10% of the Group's revenue.

	2013	2012 (Restated)
	HK$'000	*HK$'000*
Customer A	**1,062,937**	1,051,608
Customer B	**–**[1]	247,096
Customer C	**711,608**	–[1]
	1,774,545	1,298,704

1 The corresponding revenue did not contribute over 10% of the Group's revenue.

7. OTHER INCOME

	2013 **HK$'000**	2012 *HK$'000*
Other income includes:		
Interest on bank deposits	**276**	242
Interest on amount due from an associate	**187**	–
Interest on other financial asset	**1,430**	1,439
Imputed interest on loan and other receivables	**632**	785
Insurance claim on loss of plant and machinery	**2,169**	–
Operation fee income	**16,919**	22,459
Rental income from land and buildings	**2,451**	206
Rental income from plant and machinery	**3,000**	3,000
Service income from associates	**60**	174
Management fee income from a related company	**2,370**	–

8. INVESTMENT INCOME, GAINS AND LOSSES

	2013 **HK$'000**	2012 *HK$'000*
Gain on change in fair value and disposal of held-for-trading investments, net	**4,450**	16,371
Dividend income from held-for-trading investments	**1,698**	1,557
Interest income from held-for-trading investments	**2,959**	2,936
	9,107	20,864

9. FINANCE COSTS

	2013 **HK$'000**	2012 (Restated) *HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**6,401**	5,847
Imputed interest on non-current interest-free amount due to an associate	**435**	396
	6,836	6,243

10. OTHER GAINS AND LOSSES

	2013 HK$'000	2012 HK$'000
Discount on acquisition of additional interest in an associate *(note a)*	**18,853**	–
Loss on deemed disposal of partial interest in an associate *(note b)*	**(2,160)**	–
Gain on deemed acquisition of additional interest in an associate *(note c)*	**25,246**	–
Gain on disposal of property, plant and equipment, net	**297**	13,791
Gain on liquidation of an associate *(note d)*	**–**	18,489
Gain on disposal of a subsidiary *(note 41)*	**–**	4,080
	42,236	36,360

Notes:

(a) During the year, the Group purchased 2,155,000 ordinary shares in Road King at an aggregate consideration of HK$15,134,000 which was below the additional net assets value shared by the Group. As a result, the Group's interest in Road King increased in aggregate by 0.29% resulting in an aggregate discount of HK$18,853,000 on acquisition of additional interest in Road King.

(b) During the year, Road King issued 648,000 ordinary shares upon exercise of share options granted to the employees of Road King under the share option scheme of Road King. As a result, the Group's interest in Road King reduced in aggregate by 0.04%. As the shares were issued at the exercise price of HK$6.79 per share, which was lower than the net assets value per share of Road King, the Group recorded an aggregate loss of HK$2,160,000 on deemed disposal of partial interest in Road King.

(c) During the year, Road King repurchased and cancelled 7,404,000 ordinary shares. As a result, the Group's interest in Road King increased in aggregate by 0.39% resulting in an aggregate gain of HK$25,246,000 on deemed acquisition of additional interest in Road King.

(d) On 26th September, 2012, CNT completed the process of voluntary liquidation through realisation of all non-cash assets and making final liquidating distribution to its shareholders. As a result, the Group received a final distribution from CNT of HK$36,706,000 and recorded a gain of HK$18,489,000 on liquidation of CNT.

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2013	2012 (Restated)
	HK$'000	*HK$'000*
Auditor's remuneration	**2,572**	2,421
Amortisation of intangible assets	**1,342**	1,264
Bad debts written off	**–**	57
Depreciation of property, plant and equipment:		
Owned assets	**57,347**	44,192
Assets held under finance lease arrangement	**–**	7
	57,347	44,199
Less: Amount attributable to construction contracts	**(16,700)**	(9,548)
	40,647	34,651
Expenses incurred in towing certain vessels from Middle East to Hong Kong (classified as other expenses)	**–**	14,838
Exchange loss, net	**330**	177
Hire charges for plant and machinery	**93,092**	58,010
Less: Amount attributable to construction contracts	**(93,092)**	(58,010)
	–	–
Impairment loss on property, plant and equipment	**5,500**	–
Operating lease rentals in respect of land and buildings	**48,060**	45,820
Less: Amount attributable to construction contracts	**(2,178)**	(3,943)
	45,882	41,877
Share of income tax expense of associates (included in share of results of associates)	**578,715**	559,441
Staff costs:		
Directors' remuneration *(note 12)*	**17,171**	15,236
Other staff costs	**476,017**	300,605
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$603,000 (2012: HK$438,000)	**16,005**	14,009
	509,193	329,850
Less: Amount attributable to construction contracts	**(364,829)**	(196,515)
	144,364	133,335

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the ten (2012: nine) directors included the chief executive were as follows:

Year ended 31st December, 2013

	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Zen Wei Pao, William	–	343	440	35	818
Zen Wei Peu, Derek	–	1,876	9,876	616	12,368
Chiu Wai Yee, Anriena	–	1,775	235	175	2,185
	–	3,994	10,551	826	15,371
Non-executive directors:					
Lam Wai Hon, Patrick	199	–	–	–	199
Cheng Chi Ming, Brian *(note a)*	50	–	–	–	50
Cheng Chi Pang, Leslie *(note b)*	367	–	–	–	367
Chu Tat Chi *(note c)*	149	–	–	–	149
	765	–	–	–	765
Independent non-executive directors:					
Wong Che Ming, Steve	337	–	–	–	337
Wan Siu Kau, Samuel	349	–	–	–	349
Wong Man Chung, Francis	349	–	–	–	349
	1,035	–	–	–	1,035
	1,800	3,994	10,551	826	17,171

Notes:

(a) Mr. Cheng Chi Ming, Brian was appointed as a non-executive director of the Company on 15th February, 2013.

(b) Included HK$168,000 fee as a director of Build King Holdings Limited ("Build King"), the Company's 51.17% (2012: 51.17%) subsidiary whose shares are listed on the Main Board of the Stock Exchange.

(c) Mr. Chu Tat Chi resigned as a non-executive director of the Company on 15th February, 2013.

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Cont'd)

Year ended 31st December, 2012

	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Zen Wei Pao, William	–	327	327	33	687
Zen Wei Peu, Derek	–	1,799	8,406	545	10,750
Chiu Wai Yee, Anriena	–	1,677	254	165	2,096
	–	3,803	8,987	743	13,533
Non-executive directors:					
Lam Wai Hon, Patrick	189	–	–	–	189
Cheng Chi Pang, Leslie *(note)*	340	–	–	–	340
Chu Tat Chi	189	–	–	–	189
	718	–	–	–	718
Independent non-executive directors:					
Wong Che Ming, Steve	321	–	–	–	321
Wan Siu Kau, Samuel	332	–	–	–	332
Wong Man Chung, Francis	332	–	–	–	332
	985	–	–	–	985
	1,703	3,803	8,987	743	15,236

Note: Included HK$151,000 fee as a director of Build King.

The Vice Chairman, Mr. Zen Wei Peu, Derek, is also carrying out the duties of the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The performance related incentive payment is determined by reference to the profit of the Group or individual performance of the directors for the year.

There was no arrangement under which a director waived or agreed to waive any remuneration and no payment of inducement fee and compensation for loss of office as director during the current and prior years.

13. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals included one director (2012: two directors) set out in note 12. The emoluments of the remaining four (2012: three) highest paid individuals are as follows:

	2013	2012
	HK$'000	*HK$'000*
Salary and other benefits	**8,956**	5,800
Retirement benefits scheme contributions	**643**	507
	9,599	6,307

The emoluments were within the following bands:

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**3**	1
HK$2,500,001 to HK$3,000,000	**1**	–

14. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current tax		
The PRC	**1,484**	900
(Over) underprovision in prior years		
Hong Kong	**(6)**	923
The PRC	**17**	(1,562)
	11	(639)
	1,495	261

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been made for both years since the estimated assessable profits has been wholly offset by tax losses brought forward from prior years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25% for both years.

14. INCOME TAX EXPENSE (Cont'd)

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

	2013 *HK$'000*	2012 (Restated) *HK$'000*
Profit before tax	**450,514**	336,591
Income tax expense at the applicable rate of 16.5% (2012: 16.5%)	**74,335**	55,538
Tax effect of expenses not deductible for tax purpose	**13,914**	6,821
Tax effect of income not taxable for tax purpose	**(17,053)**	(10,666)
Under(over)provision in prior years	**11**	(639)
Tax effect of tax losses not recognised	**10,134**	10,925
Tax effect of utilisation of tax losses previously not recognised	**(10,310)**	(11,325)
Tax effect of share of results of associates	**(63,991)**	(51,150)
Effect of different rates for subsidiaries operating in other jurisdictions	**622**	(114)
Others	**(6,167)**	871
Income tax expense	**1,495**	261

15. DIVIDENDS

Dividends paid and recognised as distributions during the year:

	2013 *HK$'000*	2012 *HK$'000*
2012 final dividend – HK7.7 cents per share (2012: 2011 final dividend – HK5.6 cents per share)	**61,070**	44,415
2013 interim dividend – HK4.3 cents per share (2012: 2012 interim dividend – HK3.5 cents per share)	**34,105**	27,759
	95,175	72,174

A final dividend for the year ended 31st December, 2013 of HK10.2 cents (2012: HK7.7 cents) per ordinary share amounting to HK$80,899,000 (2012: HK$61,070,000) has been proposed by the board of directors (the "Board") of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

16. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**440,205**	326,692
Effect of dilutive potential ordinary shares:		
Decrease in share of profit of an associate arising from assumed exercise of share options issued by that associate *(note)*	**(854)**	–
Earnings for the purpose of diluted earnings per share	**439,351**	326,692

	2013	2012
Number of ordinary shares for the purposes of basic and diluted earnings per share	**793,124,034**	793,124,034

Note: The outstanding share options of Road King during the year ended 31st December, 2012 were anti-dilutive because the exercise prices of the share options were higher than the average market price of the shares of Road King during that year.

17. PROPERTY, PLANT AND EQUIPMENT

	Plant under construction *HK$'000*	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Vessels *HK$'000*	Total *HK$'000*
COST								
At 1st January, 2012 (restated)	13,611	20,918	8,533	159,639	31,288	39,608	100,991	374,588
Exchange realignment	–	–	–	1	11	27	–	39
Additions (restated)	3,614	–	1,444	25,938	620	1,149	2,774	35,539
Transfers	(17,225)	–	–	1,735	–	–	15,490	–
Disposals (restated)	–	–	–	(2,554)	(717)	(655)	(49,068)	(52,994)
At 31st December, 2012 (restated)	–	20,918	9,977	184,759	31,202	40,129	70,187	357,172
Exchange realignment	–	–	–	–	23	11	–	34
Additions	–	–	275	37,132	8,097	3,553	4,242	53,299
Disposals	–	(15,764)	(2,522)	(15,347)	(2,176)	(888)	(1,507)	(38,204)
At 31st December, 2013	–	5,154	7,730	206,544	37,146	42,805	72,922	372,301
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2012 (restated)	–	19,479	4,951	83,085	26,352	13,096	80,891	227,854
Exchange realignment	–	–	–	–	6	27	–	33
Depreciation for the year (restated)	–	196	1,601	29,633	1,889	6,092	4,788	44,199
Eliminated on disposals (restated)	–	–	–	(2,202)	(532)	(552)	(46,732)	(50,018)
At 31st December, 2012 (restated)	–	19,675	6,552	110,516	27,715	18,663	38,947	222,068
Exchange realignment	–	–	–	–	18	10	–	28
Depreciation for the year	–	196	2,279	36,607	3,316	5,945	9,004	57,347
Impairment for the year	–	–	–	5,500	–	–	–	5,500
Eliminated on disposals	–	(15,764)	(2,484)	(14,757)	(1,828)	(844)	(1,506)	(37,183)
At 31st December, 2013	–	4,107	6,347	137,866	29,221	23,774	46,445	247,760
CARRYING VALUES								
At 31st December, 2013	**–**	**1,047**	**1,383**	**68,678**	**7,925**	**19,031**	**26,477**	**124,541**
At 31st December, 2012 (restated)	–	1,243	3,425	74,243	3,487	21,466	31,240	135,104

17. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment (other than plant under construction) are depreciated on a straight-line basis and after taking into account of their estimated residual value at the following rates per annum:

Buildings	Over the shorter of the terms of the relevant leases or 20 – 30 years
Leasehold improvements	$33^1/_3$% or over the terms of the relevant leases, whichever is shorter
Plant and machinery	Over 8 months to 10 years
Furniture, fixtures and equipment	20% – 25%
Motor vehicles	$16^2/_3$% – 25%
Vessels	10% – 15%

The buildings are located in the PRC and held under lease term of 6 to 49 years.

The Group has pledged certain motor vehicles with an aggregate carrying value of HK$13,906,000 (2012: HK$18,499,000) to secure a bank loan.

During the year, the management conducted an impairment assessment of the property, plant and equipment associated with the quarrying segment.

The recoverable amount of the property, plant and equipment of the quarrying segment at 31st December, 2013 was determined based on value in use calculations and certain key assumptions. Value in use calculations use cash flow projections based on financial budgets approved by the management of the Group covering a three-year period. The discount rate used for the value in use calculations is at 10%. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows include budgeted sales and gross margin. Such estimation is based on the management's expectations for the market development. Based on the assessment, the recoverable amount of the property, plant and equipment of the quarrying segment is less than its carrying amount. Hence, an impairment loss of HK$5,500,000 has been recognised as an expense for the year ended 31st December, 2013. As more than 95% of the carrying value of the property, plant and equipment are plant and machinery, the impairment loss has been made against this category.

18. INTANGIBLE ASSETS

	Construction licenses HK$'000 (note a)	Service concession arrangement HK$'000 (note b)	Total HK$'000
COST			
At 1st January, 2012	32,858	35,013	67,871
Exchange realignment	–	383	383
At 31st December, 2012	32,858	35,396	68,254
Exchange realignment	–	965	965
Additions	–	6,478	6,478
At 31st December, 2013	32,858	42,839	75,697
AMORTISATION			
At 1st January, 2012	–	1,875	1,875
Exchange realignment	–	20	20
Charge for the year	–	1,264	1,264
At 31st December, 2012	–	3,159	3,159
Exchange realignment	–	86	86
Charge for the year	–	1,342	1,342
At 31st December, 2013	–	4,587	4,587
CARRYING VALUES			
At 31st December, 2013	**32,858**	**38,252**	**71,110**
At 31st December, 2012	32,858	32,237	65,095

Notes:

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

The construction licenses are granted by the Works Branch, Development Bureau of Hong Kong 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 Hong Kong throughout the relevant period.

18. INTANGIBLE ASSETS (Cont'd)

Notes: (Cont'd)

(a) (Cont'd)

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 indefinite useful lives because they are expected to contribute net cash inflow indefinitely. The construction licenses will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding the impairment testing on construction licenses are disclosed in note 20.

(b) Wuxi Qianhui Sewage Treatment Co., Ltd. ("Wuxi Qianhui"), a subsidiary of the Company 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 25 for details of sewage treatment plant phase I) and is granted an exclusive operating right for provision of sewage treatment services to the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province of the PRC for a term of 30 years.

Pursuant to the service concession arrangement contract, 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 an 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 of 30 years on a straight-line basis when the sewage treatment plant phase II commences its operation.

The sewage treatment plant phase II had been put into operation in 2010.

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

19. GOODWILL

The amount represents goodwill arising on the reverse acquisition of a subsidiary in 2004.

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

For the purpose of impairment testing, goodwill has been allocated to the group of underlying cash-generating unit ("CGU") which represents Build King and its subsidiaries in existence at the time of reverse acquisition of Build King and its subsidiaries in 2004 and is included in construction segment.

For the purpose of impairment testing, intangible assets with indefinite useful lives set out in note 18(a) have been allocated to a CGU, a subsidiary acquired in 2005, which is included in construction segment and holds the construction licenses granted by the Works Branch, Development Bureau of Hong Kong and through which it is eligible to undertake government construction contracts for all five categories of public works with no limitation in contract sum.

20. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Cont'd)

At the end of the reporting period, the management of the Group determined that there are no impairments of any of its CGUs containing goodwill and intangible assets.

The recoverable amounts of the above CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. For impairment testing purpose, 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% (2012: 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.

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	2013 ***HK$'000***	2012 *HK$'000*
Cost of investments in associates		
Listed in Hong Kong *(note a)*	**1,559,011**	1,543,877
Unlisted	**77,634**	44
	1,636,645	1,543,921
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	**3,337,576**	2,935,453
	4,974,221	4,479,374
Represented by:		
Interests in associates	**4,991,653**	4,497,169
Obligations in excess of interests in associates *(note b)*	**(17,432)**	(17,795)
	4,974,221	4,479,374
Fair value of listed investments	**2,118,205**	1,918,059

Notes:

(a) Included in the cost of investment in the associate listed in Hong Kong, there is goodwill of HK$30,964,000 (2012: HK$30,964,000) arising on acquisition of additional interest in the associate during the year ended 31st December, 2007.

(b) The Group has contractual obligations to share the net liabilities of certain associates.

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Cont'd)

Details of the Group's principal associates at 31st December, 2013 and 2012 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Effective interest held by the Company		Principal activities
			2013	2012	
			%	%	
Brilliant Trade Holdings Limited	Incorporated	Hong Kong	**40**	40	Transportation
Grand China Cayman Investors III, Limited	Incorporated	Cayman Islands	**34.60** *(note a)*	–	Investment in rental properties in USA
Hong Kong Landfill Restoration Group Limited	Incorporated	Hong Kong	**17.65** *(note b)*	17.65 *(note b)*	Civil engineering
Road King Infrastructure Limited *(note c)*	Incorporated	Bermuda	**38.83**	38.19	Investment in and development, operation and management of toll road, and property development

Notes:

(a) In December 2013, the Group invested US$10,000,000 (equivalent to HK$77,590,000) in 34.6% interest of Grand China Cayman Investors III, Limited which has invested in an US company for acquiring residential rental properties in USA.

(b) The Company holds the effective interest in the associate through Build King.

(c) The shares of Road King are listed on the Main Board of the Stock Exchange.

The above table lists the associates 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 associates would, in the opinion of the directors, result in particulars of excessive length.

At 31st December, 2013, the carrying amount of the Group's interest in Road King of HK$4,914,003,000 (2012: HK$4,497,083,000) was more than its fair value of HK$2,118,205,000 (2012: HK$1,918,059,000). The management of the Group carried out impairment review on the entire carrying amount of its interest in Road King (including goodwill) as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its entire carrying amount. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to arise from the operations of Road King and the proceeds on the ultimate disposal of the investment. The key assumptions included growth rate and use of 10% (2012: 10%) to discount the cash flow projections to net present values. Based on the assessments, the recoverable amount of the Group's interest in Road King exceeded its entire carrying amount. Hence, no impairment against the Group's interest in Road King is considered necessary.

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Cont'd)

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below.

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in the Group's consolidated financial statements.

Road King is engaged in investment in and development, operation and management of toll road, and property development:

	2013 ***HK$'000***	2012 *HK$'000*
Current assets	**37,303,877**	30,574,895
Non-current assets	**6,125,586**	6,700,446
Current liabilities	**(21,555,269)**	(16,322,548)
Non-current liabilities	**(8,510,942)**	(8,729,920)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**5,336,386**	3,755,365
Current financial liabilities (excluding trade and other payables and provisions)	**(6,164,441)**	(3,692,616)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(7,927,650)**	(8,088,286)

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Cont'd)

Summarised financial information of material associate (Cont'd)

	2013	2012
	HK$'000	*HK$'000*
Revenue	**11,456,048**	9,344,130
Profit for the year	**1,023,367**	852,734
Other comprehensive income for the year	**290,954**	206,023
Total comprehensive income for the year	**1,314,321**	1,058,757
Dividends received from the associate during the year	**136,442**	113,327
The above profit for the year includes the following income (expenses):		
Interest income	**72,407**	50,141
Depreciation and amortisation	**(11,536)**	(10,174)
Finance costs	**(257,128)**	(224,551)
Income tax expense	**(1,497,395)**	(1,465,003)

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

	2013	2012
	HK$'000	*HK$'000*
Net assets attributable to owners of the associate	**12,671,769**	11,793,131
Proportion of the Group's ownership interest in the associate	**4,920,448**	4,503,325
Goodwill	**30,964**	30,964
Others	**(37,409)**	(37,206)
Carrying amount of the Group's interest in the associate	**4,914,003**	4,497,083

21. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Cont'd)

Aggregate information of associates that are not individually material

	2013	2012
	HK$'000	*HK$'000*
The Group's share of profit (loss)	**337**	(2,430)
The Group's share of other comprehensive income	**–**	617
The Group's share of total comprehensive income (expense)	**337**	(1,813)

22. INTEREST IN A JOINT VENTURE

	2013	2012
		(Restated)
	HK$'000	*HK$'000*
Cost of investment in an unlisted joint venture	**–**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**–**	–
	–	–

At 31st December, 2013 and 2012, the Group had interest in the following joint venture:

Name of joint venture	**Form of business structure**	**Place of incorporation/ operation**	**Effective interest held by the Company** *%*	**Principal activity**
Hip Hing-Leader JV Limited	Incorporated	Hong Kong	17.04 *(note)*	Civil engineering

Note: The Company holds the effective interest in the joint venture through Build King. Under the joint venture agreement, the entity is jointly controlled by Build King and the other joint venture partner. Therefore, the entity is classified as a joint venture.

22. INTEREST IN A JOINT VENTURE (Cont'd)

The summarised financial information in respect of the Group's joint venture, Hip Hing-Leader JV Limited is set out below.

The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in the Group's consolidated financial statements.

	2013	2012
	HK$'000	*HK$'000*
Current liabilities	**(3,429)**	(3,429)

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

	2013	2012
	HK$'000	*HK$'000*
Net liabilities of the joint venture	**(3,429)**	(3,429)
Proportion of the Group's effective interest in the joint venture	**17.04%**	17.04%
Carrying amount of the Group's effective interest in a joint venture	**–**	–

23. JOINT OPERATIONS

Details of the Group's principal joint operations at 31st December, 2013 and 2012 are as follows:

Name of joint operation	Form of business structure	Place of registration/ operation	Effective interest held by the Company		Principal activities
			2013	2012	
			%	%	
ACC-Leader Joint Venture	Unincorporated	Middle East	**25.59** *(note)*	25.59 *(note)*	Civil engineering
China State-Leader Joint Venture	Unincorporated	Hong Kong	**25.07** *(note)*	–	Civil engineering
Chun Wo-Leader Joint Venture	Unincorporated	Hong Kong	**26.10** *(note)*	26.10 *(note)*	Civil engineering
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	**15.35** *(note)*	15.35 *(note)*	Civil engineering
Kaden-Chun Wo Joint Venture	Unincorporated	Hong Kong	**26.10** *(note)*	–	Civil engineering
Kaden-VSL Joint Venture	Unincorporated	Hong Kong	**28.14** *(note)*	28.14 *(note)*	Civil engineering
Kier-Kaden-OSSA Joint Venture	Unincorporated	Hong Kong	**17.91** *(note)*	17.91 *(note)*	Civil engineering
Kier-Laing O'Rourke-Kaden Joint Venture	Unincorporated	Hong Kong	**7.68** *(note)*	7.68 *(note)*	Civil engineering
McDow-Kaden Joint Venture	Unincorporated	Hong Kong	**25.59** *(note)*	25.59 *(note)*	Civil engineering
Sembawang-Leader Joint Venture	Unincorporated	Hong Kong	**23.03** *(note)*	23.03 *(note)*	Civil engineering

Note: The Company holds the effective interest in the joint operation through Build King. Under the joint arrangement agreement, the entity is jointly controlled by Build King and the other partners of the joint arrangement. Therefore, the entity is classified as a joint operation.

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

24. AVAILABLE-FOR-SALE INVESTMENTS

	2013	2012
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	**3,368**	3,368
Less: Impairment loss recognised	**(3,368)**	(3,368)
	–	–

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

25. 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 (see note 18(b) for details of sewage treatment plant phase II) and is granted an exclusive operating right for provision of sewage treatment services to the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province of the PRC for a term of 30 years.

At the end of the operating period, Wuxi Qianhui is required to transfer the sewage treatment plant phase I 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 in 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 ton of sewage. The agreed price will be reviewed annually. Therefore, the service concession arrangement is classified as financial asset. 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% (2012: 2.61%) per annum and recoverable over the service concession period of 30 years.

26. LOAN AND OTHER RECEIVABLES

Loan and other receivables represented the advances to and the cost of construction work to be recoverable from the local government of Wanshan in the PRC which will be settled by cash instalments semi-annually up to December 2016.

At 31st December, 2013, the amount of HK$8,733,000 (2012: HK$12,830,000) to be settled after twelve months from the end of the reporting period is shown under non-current assets while the amount of HK$4,097,000 (2012: HK$3,938,000) to be settled within twelve months from the end of the reporting period is shown under current assets and included in "Debtors, deposits and prepayments" in note 29.

27. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Raw materials	**3,803**	1,528
Work-in-progress	**1,978**	6,117
Consumables	**4,212**	2,896
Finished goods	**2,465**	682
	12,458	11,223

The cost of inventories recognised as an expense during the year is HK$238,193,000 (2012: HK$208,815,000).

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

	2013	2012
		(Restated)
	HK$'000	*HK$'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**9,379,923**	7,263,097
Less: Progress billings	**(9,698,388)**	(7,301,406)
	(318,465)	(38,309)
Represented by:		
Due from customers shown under current assets	**325,487**	253,679
Due to customers shown under current liabilities	**(643,952)**	(291,988)
	(318,465)	(38,309)

29. DEBTORS, DEPOSITS AND PREPAYMENTS

	2013	2012
		(Restated)
	HK$'000	*HK$'000*
Trade debtors	**590,134**	475,016
Less: Allowance for doubtful debts	**(623)**	(623)
	589,511	474,393
Retention receivables	**195,401**	141,420
Other debtors	**66,153**	33,015
Deposits and prepayments	**81,113**	96,521
Loan and other receivables *(note 26)*	**4,097**	3,938
	936,275	749,287

The Group's trade and other debtors included an aggregate carrying amount of HK$8,391,000 (2012: HK$4,095,000) which is denominated in Renminbi that is the currency other than the functional currencies of the relevant group entities.

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 works. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date:

	2013	2012
		(Restated)
	HK$'000	*HK$'000*
Trade debtors		
0 to 60 days	**580,599**	468,595
61 to 90 days	**8,404**	5,655
Over 90 days	**508**	143
	589,511	474,393
Retention receivables		
Due within one year	**109,220**	58,569
Due after one year	**86,181**	82,851
	195,401	141,420

29. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limit by customer. Limits and scores attributed to customers are reviewed periodically. 98% (2012: 99%) of the trade debtors that are neither past due nor impaired have good settlement repayment history. The Group has assessed the creditworthiness and historical default rates of these customers. Trade debtors that are past due but not impaired have the good quality with reference to respective settlement history.

In determining the recoverability of a trade debt, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to major customer of the Group is the Government of Hong Kong. Accordingly, the directors of the Company believe that there is no further provision required.

At 31st December, 2013, the Group's trade debtors and retention receivables included amounts of HK$1,495,000 (2012: HK$2,000,000) and HK$67,000 (2012: nil) respectively due from a related company which is an indirect wholly owned subsidiary of a substantial shareholder of the Company.

The Group's trade debtors included an aggregate carrying amount of HK$8,912,000 (2012: HK$5,798,000) which is past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been any significant change in credit quality and the amounts are still considered recoverable in full. The Group does not hold any collateral over these receivables.

Ageing of trade debtors past due but not impaired

	2013 ***HK$'000***	2012 *HK$'000*
Overdue by:		
1 to 30 days	**8,404**	5,655
Over 30 days	**508**	143
	8,912	5,798

Included in the allowance for doubtful debts are individually impaired receivables due from certain trade debtors with an aggregate amount of HK$623,000 (2012: HK$623,000) which have either been placed under liquidation or are in financial difficulties. The Group does not hold any collateral over these receivables.

Movement in the allowance for doubtful debts

	2013 ***HK$'000***	2012 *HK$'000*
Balance at the beginning and the end of the year	**623**	623

30. AMOUNTS DUE FROM ASSOCIATES/A JOINT VENTURE/OTHER PARTNERS OF JOINT OPERATIONS

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

31. HELD-FOR-TRADING INVESTMENTS

	2013	2012
	HK$'000	*HK$'000*
Held-for-trading investments at fair value		
Equity securities listed in Hong Kong	**29,078**	28,290
Debt securities listed in Singapore	**32,639**	33,126
	61,717	61,416

At 31st December, 2013, certain listed equity securities with a market value of HK$22,260,000 (2012: HK$20,310,000) were pledged to a bank to secure certain general banking facilities granted to the Group.

In relation to the pledge of the equity securities, the bank requires certain subsidiaries of the Company that are entitled to the banking facilities, to provide cross guarantees to the bank. 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.

32. PLEDGED BANK DEPOSITS AND BANK BALANCES

Bank deposits of the Group amounting to HK$30,000 (2012: HK$10,000) were pledged to banks for securing certain banking facilities granted to the Group. The pledged bank deposits carry fixed interest rate at 0.01% (2012: 0.01%) per annum.

Bank balances with original maturity less than three months carry market interest rate ranging from 0.00% to 0.35% (2012: 0.00% to 0.50%) per annum.

The Group's bank balances included carrying amounts of HK$7,974,000 (2012: HK$3,360,000) and HK$3,000 (2012: HK$3,000) which are denominated in Renminbi and United States dollar respectively that are the currencies other than the functional currencies of the relevant group entities.

33. CREDITORS AND ACCRUED CHARGES

	2013	2012 (Restated)
	HK$'000	*HK$'000*
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	**128,615**	111,110
61 to 90 days	**21,556**	5,950
Over 90 days	**13,806**	6,964
	163,977	124,024
Retention payables	**133,432**	124,134
Accrued project costs	**317,085**	295,449
Other creditors and accrued charges	**78,444**	68,582
	692,938	612,189
Retention payables		
Due within one year	**70,148**	46,546
Due after one year	**63,284**	77,588
	133,432	124,134

The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe. For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction works.

The Group's creditors and accrued charges included a carrying amount of HK$6,865,000 (2012: HK$3,695,000) which is denominated in Renminbi that is the currency other than the functional currencies of the relevant group entities.

34. AMOUNTS DUE TO AN ASSOCIATE/A JOINT VENTURE/OTHER PARTNERS OF JOINT OPERATIONS/NON-CONTROLLING SHAREHOLDERS

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

35. BANK LOANS

	2013	2012 (Restated)
	HK$'000	*HK$'000*
The maturity of the bank loans is as follows:		
Within one year	**128,580**	139,318
In the second year	**15,000**	–
	143,580	139,318
Carrying amount of term loans which contain a repayment on demand clause (shown under current liabilities)		
– repayable within one year	**37,218**	53,851
– repayable in the second year	**15,484**	15,718
– repayable in the third to fifth year inclusive	**43,125**	10,109
	95,827	79,678
Total	**239,407**	218,996
Less: Amount shown under current liabilities	**(224,407)**	(218,996)
Amount shown under non-current liabilities	**15,000**	–
Secured	**89,910**	78,069
Unsecured	**149,497**	140,927
	239,407	218,996

At 31st December, 2013, all bank loans are variable-rate borrowings which carry interest ranging from 2.22% to 3.39% (2012: 2.26% to 3.59%) per annum. Interest is repriced every one, two, three or six months.

The share of a subsidiary of the Company and certain motor vehicles are pledged to secure certain bank loans of the Group.

The bank loans granted to certain subsidiaries of Build King by a bank are secured by a personal guarantee given by Mr. Zen Wei Peu, Derek, a director of the Company.

36. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group represent tax effect of fair value of intangible assets arising from the acquisition of a subsidiary during the year ended 31st December, 2005. There is no movement of balance during each of the two years ended 31st December, 2013.

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:

	2013	2012 (Restated)
	HK$'000	*HK$'000*
Tax losses to expire in:		
2013	**–**	4,298
2014	**1,584**	1,584
Carried forward indefinitely	**533,988**	532,328
	535,572	538,210

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

37. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, interest-free and has an agreed repayment terms which is not repayable within twelve months from the end of the reporting period and the balance is therefore shown under non-current liabilities. The amount is carried at amortised cost using effective interest rate of 5.4% (2012: 5.4%) per annum.

38. SHARE CAPITAL

	Number of shares		**Share capital**	
	2013	2012	**2013**	2012
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning and end of the year	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning and end of the year	**793,124**	793,124	**79,312**	79,312

39. TRANSLATION RESERVE AND NON-CONTROLLING INTERESTS

	Translation reserve HK$'000	Non-controlling interests HK$'000
At 1st January, 2012	730,726	124,837
Profit for the year	–	9,638
Exchange differences arising on translation of foreign operations	450	436
Reclassification adjustment for translation reserve upon liquidation of an associate	(3,138)	–
Share of translation reserves of associates	76,765	–
Capital contribution from a non-controlling shareholder of a subsidiary	–	300
At 31st December, 2012	804,803	135,211
Profit for the year	–	8,814
Exchange differences arising on translation of foreign operations	1,243	1,299
Share of translation reserves of associates	108,801	–
Capital contribution from a non-controlling shareholder of a subsidiary	–	4,900
Disposal of partial interest in a subsidiary	–	(1,483)
Acquisition of additional interest in a subsidiary	–	(11,339)
At 31st December, 2013	**914,847**	**137,402**

40. SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting held on 15th May, 2012.

A summary of the Share Option Scheme is set out as follows:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and its shareholders as a whole.

(b) Participants of the Share Option Scheme

The participants include any executive or non-executive directors of the Group, any executives or officers and full-time employees of the Group who the Board or a committee thereof appointed for the purpose of administering the Share Option Scheme considers, in its sole discretion, have contributed or will contribute to the Group.

40. SHARE OPTION SCHEME (Cont'd)

(c) Total number of shares available for issue under the Share Option Scheme and percentage of the issued share capital at the date of this annual report

No share option of the Company has been granted under the Share Option Scheme since its adoption and up to the date of this annual report.

The total number of shares available for issue under the Share Option Scheme is 79,312,403 shares representing 10% of the Company's issued share capital at the date of this annual report.

(d) Maximum entitlement of each participant under the Share Option Scheme

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue unless the same is approved by the shareholders of the Company.

(e) The period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period commencing on the 1st anniversary of the date of its commencement (being the date upon which the option is deemed to be accepted pursuant to the Share Option Scheme) and expiring on the 4th anniversary of such date of commencement.

(f) The minimum period for which an option must be held before it can be exercised

An option must be held for a year before it can be exercised.

(g) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

HK$1 is to be paid as consideration for the grant of option on or before the date of acceptance (being a date not later than 30 days after the date of grant).

(h) The basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall be at least the highest of:

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day;

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and

(iii) the nominal value of the shares of the Company.

(i) The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 15th May, 2012.

41. DISPOSAL OF A SUBSIDIARY

On 5th March, 2012, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in a subsidiary incorporated in Hong Kong, Leader Construction Overseas Limited ("Leader Overseas") which holds 51% equity interest in a joint venture, Shanxi Jin Ya Road and Bridge Construction Co., Ltd., an entity registered in the PRC, to an independent third party at a consideration of RMB10,000,000 (equivalent to HK$12,325,000). The disposal enables the Group to realise its investment in the PRC construction business, so that it may focus on its civil engineering business in Hong Kong. The disposal was completed upon receipt of the full consideration, on which date the Group's control of Leader Overseas has passed.

The loss from Leader Overseas for the year ended 31st December, 2012 was HK$6,134,000.

The net assets of Leader Overseas at the date of disposal were as follows:

	HK$'000
Interest in a joint venture	12,312
Amount due to a joint venture	(4,067)
Net assets disposal of	8,245
Gain on disposal	4,080
Total cash consideration received	12,325

Leader Overseas did not contribute any significant cash flows to the Group during the prior year.

42. 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 debt and equity balance.

The capital structure of the Group consists of debts, which include bank loans as disclosed in note 35 and equity attributable to owners 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 takes into account the provision of funding. Based on the proposed annual budget, the management of the Group considers the cost of capital and the risks associated with the capital. The directors of the Company also balance its overall capital structure through payment of dividends, issue of new shares as well as raise of new debts or the redemption of existing debts.

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

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 HK$'000	2012 (Restated) HK$'000
Financial assets		
Held-for-trading investments	**61,717**	61,416
Loans and receivables (including cash and cash equivalents)	**1,335,167**	931,516
	1,396,884	992,932
Financial liabilities		
Amortised cost	**986,565**	851,896

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan and other receivables, other financial asset, debtors, held-for-trading investments, pledged bank deposits and bank balances, creditors, bank loans and amounts due from/to associates, joint ventures, other partners of joint operations and non-controlling shareholders. Details of the financial instruments are disclosed in the respective notes. 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 that appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain trade and other debtors, bank balances and creditors are denominated in foreign currencies which are different from the functional currency of the relevant group entities 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 currencies should the needs arise.

43. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(i) Currency risk (Cont'd)

The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are as follows:

	Assets		Liabilities	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**16,365**	7,455	**6,865**	3,695
United States dollar	**3**	3	**–**	–

Sensitivity analysis

The Group is mainly exposed to the currency risks for fluctuation in exchange rates of Renminbi and United States dollar.

As monetary assets and liabilities denominated in Renminbi and United States dollar are insignificant, no foreign currency sensitivity analysis in relation to Renminbi and United States dollar is disclosed.

(ii) Interest rate risk

The Group's exposure to cash flow interest rate risk relates primarily to bank loans (see note 35) which are at variable-rate and determined by reference to the prevailing market rate.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the needs arise.

The Group's exposure to interest rate risk for financial liabilities is detailed in the liquidity risk section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rate risk for non-derivative instruments at the end of the reporting period.

The analysis is prepared assuming the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2012: 100 basis points) 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 (2012: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2013 would decrease/increase by HK$1,999,000 (2012: HK$1,829,000 (restated)). This is mainly attributable to the Group's exposure to fluctuation in interest rates on its variable-rate bank loans.

43. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(iii) Other price risk

The Group is exposed to security price risk through its investments in listed held-for-trading investments. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to security price risks at the end of the reporting period.

If the prices of the respective instruments had been 10% (2012: 10%) higher/lower while all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2013 would increase/decrease by HK$5,153,000 (2012: HK$5,128,000) as a result of the changes in fair values of held-for-trading investments.

The other price sensitivity analysis above represents the exposure of the held-for-trading investments at the end of the reporting period only. It may not be representative of the exposure for the year.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amounts of respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade debtors and loan and other receivables. The Group is exposed to concentration of credit risk as the major customer of the Group is the Government of Hong Kong.

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 trade debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk for bank balances is limited because the counterparties are banks or financial institutions with high credit ratings.

43. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At 31st December, 2013, the Group has available unutilised bank and other borrowings facilities of HK$260,630,000 (2012: HK$196,833,000 (restated)) and HK$27,275,000 (2012: HK$25,114,000) respectively.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have 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 financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest cash flows are at floating rates, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

At 31st December, 2013

	Weighted average effective interest rate	**Repayable on demand or 3 months or less**	**4-6 months**	**7-12 months**	**2-3 years**	**Over 3 years**	**Total undiscounted cash flows**	**Carrying amount**
	%	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Financial liabilities								
– Non-interest bearing		**654,760**	**1,189**	**21,883**	**36,028**	**41,626**	**755,486**	**747,158**
– Variable interest rate	**3.11**	**214,625**	**5,190**	**5,309**	**15,231**	**–**	**240,355**	**239,407**
		869,385	**6,379**	**27,192**	**51,259**	**41,626**	**995,841**	**986,565**

At 31st December, 2012

	Weighted average effective interest rate	Repayable on demand or 3 months or less	4-6 months	7-12 months	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities								
– Non-interest bearing		525,656	21,982	960	60,041	33,022	641,661	632,900
– Variable interest rate	3.08	205,315	13,931	–	–	–	219,246	218,996
		730,971	35,913	960	60,041	33,022	860,907	851,896

43. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

Term loans with a repayment on demand clause are included in the "repayable on demand or 3 months or less" time band in the above tables. At 31st December, 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK$95,827,000 (2012: HK$79,678,000). Taking into account the Group's financial position, the directors do not believe that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates as set out in respective loan agreements as detailed below:

	3 months or less HK$'000	4-6 months HK$'000	7-12 months HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31st December, 2013	**5,426**	**5,400**	**29,064**	**61,416**	**–**	**101,306**	**95,827**
At 31st December, 2012	5,065	20,039	30,386	25,797	629	81,916	79,678

The amounts included above for variable interest rate financial liabilities are subject to change if actual interest rates differ from those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The Group's held-for-trading investments are measured at fair value at recurring basis, by reference to market bid prices in active markets and classified under Level 1.

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

44. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of property, plant and equipment:

	2013 ***HK$'000***	2012 *HK$'000*
Contracted for but not provided in the consolidated financial statements	**18,165**	–
Authorised but not contracted for	**756**	–
	18,921	–

45. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group has the following future minimum lease receipts under non-cancellable operating leases:

	Land and buildings		**Plant and machinery**	
	2013 ***HK$'000***	2012 *HK$'000*	**2013** ***HK$'000***	2012 *HK$'000*
Within one year	**2,123**	168	**3,000**	3,000
In the second to fifth year inclusive	**191**	128	**625**	3,625
	2,314	296	**3,625**	6,625

The Group as lessee

At the end of the reporting period, the Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Within one year	**49,137**	44,800
In the second to fifth year inclusive	**11,697**	47,506
	60,834	92,306

Leases are negotiated/tendered for terms ranging from 1 to 5 years and rentals are fixed at the time of entering respective leases.

46. CONTINGENT LIABILITIES

	2013 HK$'000	2012 HK$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	**248,288**	242,799

47. RETIREMENT BENEFITS SCHEMES

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

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

In addition to the mandatory contributions specified under the MPF Schemes Ordinance, the Group 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 the 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 employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year, the amount charged to profit or loss of HK$16,831,000 (2012: HK$14,752,000 (restated)) represents the aggregate retirement benefits scheme contributions for the Group's employees, net of forfeited contributions.

48. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2013	2012
	HK$'000	*HK$'000*
Associates		
Interest income	**187**	–
Service income	**60**	174
Disposal of property, plant and equipment	**8**	–
A related company *(note)*		
Construction contract revenue	**1,380**	2,000
Management fee income	**2,370**	–

Note: The related company is an indirect wholly owned subsidiary of a substantial shareholder of the Company.

The amounts due from/to related parties are set out in the consolidated statement of financial position and notes 29, 30, 34 and 37.

At 31st December, 2013, Mr. Zen Wei Peu, Derek, a director of the Company, provided a personal guarantee amounting to HK$12,500,000 (2012: HK$12,500,000) to a bank to secure the general banking facilities granted to certain subsidiaries of Build King.

Compensation of key management personnel

	2013	2012
	HK$'000	*HK$'000*
Short-term employee benefits	**39,341**	30,899
Post-employment benefits	**2,373**	1,968
	41,714	32,867

The emoluments of directors and senior management are determined by the Remuneration Committee with reference to salaries paid by comparable companies, time commitment, and responsibilities of the directors and senior management, employment conditions, and prevailing market conditions.

49. EVENT AFTER THE REPORTING PERIOD

In January, 2014, the Group has committed to invest US$7,800,000 (equivalent to approximately HK$60,840,000) in 30% interest of Elite International Limited I LP ("Elite") which will invest in an US company for property development in USA. In January 2014, the Group has already invested US$3,600,000 (equivalent to HK$27,938,000) in Elite.

50. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Effective interest held by the Company 2013 %	2012 %	Principal activities
Archibuild Limited	Hong Kong	HK$6,000 Ordinary shares	**51.17** *(note b)*	51.17 *(note b)*	Supply and provision of installation works of stone products
		HK$4,000 Preferred shares *(note c)*	**–**	–	
Build King Holdings Limited *(note a)*	Bermuda/ Hong Kong	HK$124,187,799	**51.17**	51.17	Investment holding
Titan Foundation Limited (formerly known as "Champ Foundation Limited")	Hong Kong	HK$20,000,000	**51.17** *(note b)*	26.10 *(note b)*	Civil engineering
Excel Concrete Limited	Hong Kong	HK$10,000,000	**94.05** *(note d)*	94.05 *(note d)*	Manufacturing, trading and delivery of concrete
Grandeur Building Material (Holdings) Limited	Hong Kong	HK$2	**100**	100	Trading of construction materials
Kaden Construction Limited	United Kingdom/ Hong Kong	GBP16,072,500	**51.17** *(note b)*	51.17 *(note b)*	Construction and civil engineering
Leader Civil Engineering Corporation Limited	Hong Kong	HK$25,200,000 Ordinary shares	**51.17** *(note b)*	51.17 *(note b)*	Civil engineering
		HK$24,000,000 Non-voting deferred shares	**51.17** *(note b)*	51.17 *(note b)*	
Leader Marine Contractors Limited	Hong Kong	HK$200,000	**51.17** *(note b)*	51.17 *(note b)*	Marine engineering and provision of transportation services
Leader Marine Cont. L.L.C.	Sharjah, United Arab Emirates	Dh300,000	**51.17** *(note b)*	51.17 *(note b)*	First class contracting/ specialised in marine construction

50. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Effective interest held by the Company 2013 %	2012 %	Principal activities
Mega Yield International Holdings Limited ("Mega Yield")	Hong Kong	HK$105,000,000	**94.05**	94.05	Investment holding
Wai Hing Quarries (China) Limited	Hong Kong/ The PRC	HK$2 Ordinary shares	**100**	100	Production of quarry products
		HK$1,200,000 Non-voting deferred shares	**100**	100	
Wai Kee China Construction Company Limited	Hong Kong/ The PRC	HK$10,000,000	**51.17** *(note b)*	51.17 *(note b)*	Civil engineering
Wai Kee Quarry Asia Limited	Hong Kong	HK$2	**100**	100	Investment holding
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	HK$25,000,002 Ordinary shares	**51.17** *(note b)*	51.17 *(note b)*	Civil engineering
		HK$14,800,000 Non-voting deferred shares	**51.17** *(note b)*	51.17 *(note b)*	
		HK$5,200,000 Non-voting deferred shares *(note e)*	**–**	–	
Wai Kee (Zens) Holding Limited	British Virgin Islands	US$50,000	**100**	100	Investment holding
Wuxi Qianhui Sewage Treatment Co., Ltd. *(note f)*	The PRC	US$5,400,000*	**48.92** *(note b)*	48.92 *(note b)*	Sewage treatment
Zhuhai Guishan Seawall Construction Company *(note f)*	The PRC	HK$47,000,000*	**80**	80	Seawall construction and production of quarry products
惠記環保工程(上海)有限公司 *(note g)*	The PRC	US$800,000*	**51.17** *(note b)*	51.17 *(note b)*	Environmental engineering

50. PRINCIPAL SUBSIDIARIES (Cont'd)

Notes:

(a) The shares of Build King are listed on the Main Board of the Stock Exchange.

(b) The Company holds the effective interest in the subsidiary through Build King.

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

(d) The Company holds the effective interest in the subsidiary through Mega Yield.

(e) 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 winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the company only after the distribution of substantial amounts as specified in the Articles of Association to the holders of the ordinary shares of the company.

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

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

Except for Wai Kee (Zens) Holding 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.

Summarised financial information in respect of Build King that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	2013 ***HK$'000***	2012 *HK$'000*
Current assets	**1,532,696**	1,112,431
Non-current assets	**230,365**	212,293
Current liabilities	**(1,431,067)**	(1,002,427)
Non-current liabilities	**(28,943)**	(30,258)
Net assets	**303,051**	292,039
Equity attributable to owners of the company	**299,812**	276,434
Non-controlling interests	**3,239**	15,605
Total equity	**303,051**	292,039

50. PRINCIPAL SUBSIDIARIES (Cont'd)

	2013 **HK$'000**	2012 HK$'000
Revenue	**2,193,098**	2,142,042
Expenses	**(2,172,884)**	(2,121,918)
Profit for the year	**20,214**	20,124
Profit attributable to owners of the company	**21,330**	20,669
Loss attributable to non-controlling interests	**(1,116)**	(545)
Profit for the year	**20,214**	20,124
Other comprehensive income attributable to owners of the company	**2,480**	825
Other comprehensive income attributable to non-controlling interests	**89**	33
Other comprehensive income for the year	**2,569**	858
Total comprehensive income attributable to owners of the company	**23,810**	21,494
Total comprehensive expense attributable to non-controlling interests	**(1,027)**	(512)
Total comprehensive income for the year	**22,783**	20,982
Dividends paid to non-controlling shareholders	**–**	–
Net cash inflow (outflow) from operating activities	**222,965**	(116,723)
Net cash (outflow) inflow from investing activities	**(56,681)**	23,047
Net cash (outflow) inflow from financing activities	**(23,988)**	71,554
Net cash inflow (outflow)	**142,296**	(22,122)

51. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

	2013 HK$'000	2012 HK$'000
Investments in subsidiaries	**123,915**	123,915
Amounts due from subsidiaries	**2,264,763**	2,011,481
Other current assets	**25,251**	3,231
Amounts due to subsidiaries	**(893,300)**	(869,241)
Other current liabilities	**(395)**	(147)
Bank loans	**(105,000)**	(40,000)
	1,415,234	1,229,239
Share capital *(note 38)*	**79,312**	79,312
Share premium and reserves	**1,335,922**	1,149,927
	1,415,234	1,229,239

Statement of changes in equity

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2012	79,312	731,906	93,995	270,104	1,175,317
Profit for the year	–	–	–	126,096	126,096
Sub-total	79,312	731,906	93,995	396,200	1,301,413
Dividends paid	–	–	–	(72,174)	(72,174)
At 31st December, 2012	79,312	731,906	93,995	324,026	1,229,239
Profit for the year	–	–	–	281,170	281,170
Sub-total	79,312	731,906	93,995	605,196	1,510,409
Dividends paid	–	–	–	(95,175)	(95,175)
At 31st December, 2013	**79,312**	**731,906**	**93,995**	**510,021**	**1,415,234**

Financial Summary

RESULTS

	Year ended 31st December,				
	2009 (Restated) *HK$'000*	2010 (Restated) *HK$'000*	2011 (Restated) *HK$'000*	2012 (Restated) *HK$'000*	**2013** ***HK$'000***
Group revenue	1,037,619	926,698	1,825,558	2,417,992	**2,545,909**
Share of revenue of joint ventures	19,765	–	–	–	**–**
Group revenue and share of revenue of joint ventures	1,057,384	926,698	1,825,558	2,417,992	**2,545,909**
Profit (loss) before tax from operations:					
Company and subsidiaries	71,443	(31,717)	14,249	26,589	**62,689**
Share of results of associates	280,586	224,231	292,050	310,002	**387,825**
Share of results of joint ventures	(610)	–	–	–	**–**
Profit before tax	351,419	192,514	306,299	336,591	**450,514**
Income tax expense	(4,499)	(322)	(5,074)	(261)	**(1,495)**
Profit for the year	346,920	192,192	301,225	336,330	**449,019**
Profit for the year attributable to:					
Owners of the Company	315,821	188,800	290,735	326,692	**440,205**
Non-controlling interests	31,099	3,392	10,490	9,638	**8,814**
	346,920	192,192	301,225	336,330	**449,019**

FINANCIAL POSITION

	At 31st December,				
	2009 (Restated) *HK$'000*	2010 (Restated) *HK$'000*	2011 (Restated) *HK$'000*	2012 (Restated) *HK$'000*	**2013** ***HK$'000***
Total assets	4,539,120	4,864,419	5,573,897	6,082,131	**7,035,149**
Total liabilities	(550,634)	(712,017)	(1,029,135)	(1,198,400)	**(1,693,102)**
Net assets	3,988,486	4,152,402	4,544,762	4,883,731	**5,342,047**
Equity attributable to owners of the Company	3,920,668	4,049,072	4,419,925	4,748,520	**5,204,645**
Non-controlling interests	67,818	103,330	124,837	135,211	**137,402**
Total equity	3,988,486	4,152,402	4,544,762	4,883,731	**5,342,047**

The information for the years ended 31st December, 2009, 31st December, 2010, 31st December, 2011 and 31st December, 2012 has been adjusted to reflect the change in accounting policy arising from the adoption of HKFRS 11 "Joint Arrangements" issued by the HKICPA as described in note 2 to the consolidated financial statements.

Corporate Information

EXECUTIVE DIRECTORS

ZEN Wei Pao, William *(Chairman)*
ZEN Wei Peu, Derek *(Vice Chairman)*
CHIU Wai Yee, Anriena

NON-EXECUTIVE DIRECTORS

LAM Wai Hon, Patrick
CHENG Chi Ming, Brian
CHENG Chi Pang, Leslie

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Che Ming, Steve
WAN Siu Kau, Samuel
WONG Man Chung, Francis

AUDIT COMMITTEE

WONG Man Chung, Francis *(Chairman)*
WONG Che Ming, Steve
WAN Siu Kau, Samuel

NOMINATION COMMITTEE

ZEN Wei Pao, William *(Chairman)*
WONG Che Ming, Steve
WAN Siu Kau, Samuel
WONG Man Chung, Francis
ZEN Wei Peu, Derek

REMUNERATION COMMITTEE

WAN Siu Kau, Samuel *(Chairman)*
WONG Che Ming, Steve
WONG Man Chung, Francis
ZEN Wei Pao, William
ZEN Wei Peu, Derek

COMPANY SECRETARY

CHIU Wai Yee, Anriena

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China CITIC Bank International Limited
The Bank of East Asia, Limited
DBS Bank Ltd., Hong Kong Branch

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 1103, 11th Floor
East Ocean Centre
98 Granville Road
Tsimshatsui
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong
(To be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31st March, 2014)

STOCK CODE

The Stock Exchange of Hong Kong Limited – 610

WEBSITE

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Wai Kee Holdings Limited