



**TOLL ROAD**

**PROPERTY  
DEVELOPMENT**

**CONSTRUCTION**

**CONSTRUCTION  
MATERIALS**

**QUARRYING**



# Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

*ANNUAL REPORT 2014*

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# Financial Highlights

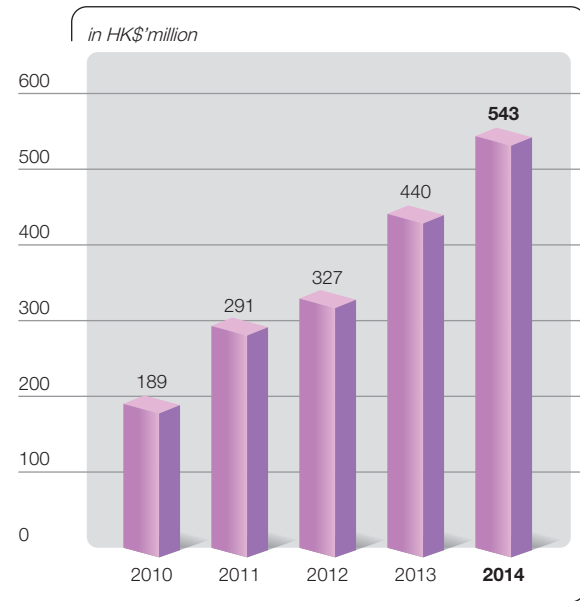
	Year ended 31st December,	
	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>
Revenue	<b>3,833</b>	2,546
Profit for the year	<b>567</b>	449
Profit attributable to owners of the Company	<b>543</b>	440
	<b><i>HK cents</i></b>	<i>HK cents</i>
Basic earnings per share	<b>68.42</b>	55.50
Dividend per share	<b>16.50</b>	14.50
Return on equity attributable to owners of the Company	<b>9.7%</b>	8.5%

	At 31st December,	
	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>
Total assets	<b>7,834</b>	7,035
Total liabilities	<b>(2,054)</b>	(1,693)
Non-controlling interests	<b>(160)</b>	(137)
Equity attributable to owners of the Company	<b>5,620</b>	5,205
	<b><i>HK\$</i></b>	<i>HK\$</i>
Equity attributable to owners of the Company per share	<b>7.09</b>	6.56

# Financial Highlights

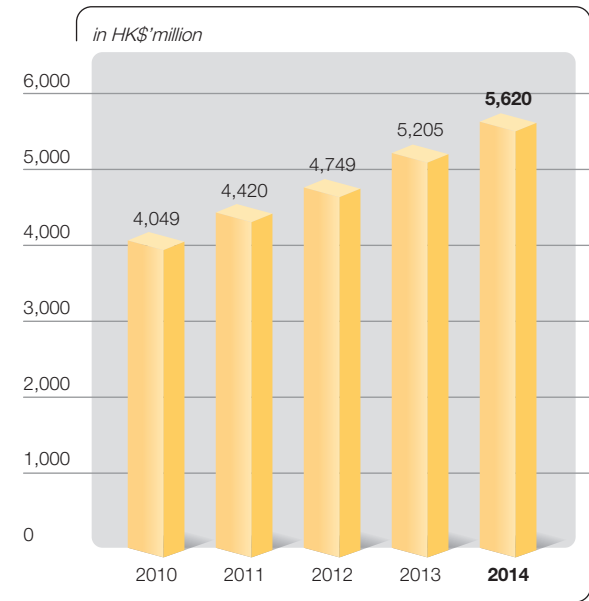
## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Year ended 31st December,



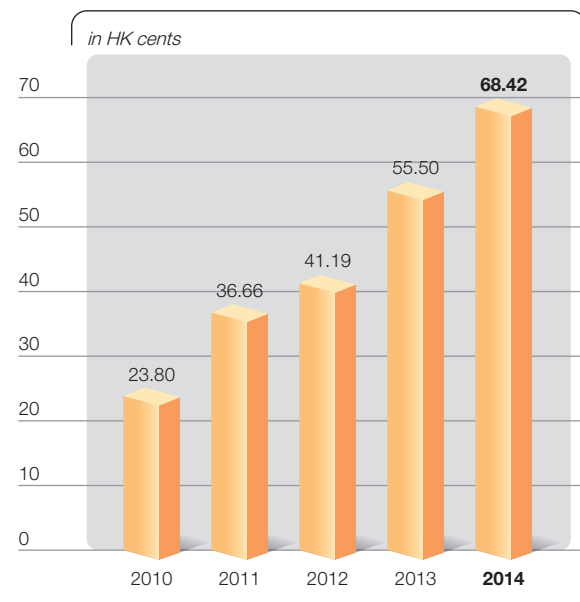
## EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

At 31st December,



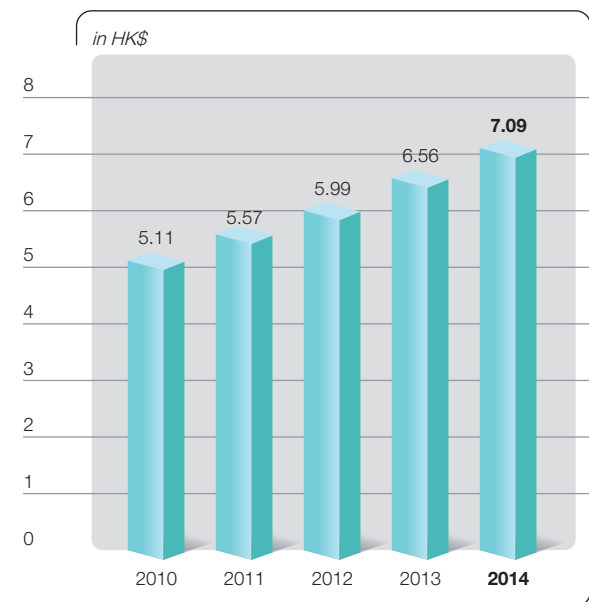
## BASIC EARNINGS PER SHARE

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, 2014 was HK\$3,833 million (2013: HK\$2,546 million), generating an audited consolidated profit attributable to owners of the Company of HK\$543 million (2013: HK\$440 million), an increase of 23% as compared with that of 2013.

At the forthcoming Annual General Meeting to be held on 15th May, 2015, the Board will recommend the payment of a final dividend of HK13.5 cents (2013: HK10.2 cents) per share.





**TOLL ROAD**

## BUSINESS REVIEW

### Toll Road and Property Development

For the year ended 31st December, 2014, the Group shared a profit of HK\$399 million (2013: HK\$387 million) from Road King Infrastructure Limited ("Road King"), an associate of the Group. As of the date of this report, the Group holds 39.82% interest in Road King.

During the year ended 31st December, 2014, Road King issued 155,000 (2013: 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\$1 million (2013: HK\$2 million) on deemed disposal of partial interest in Road King. On the other hand, the Group purchased 5,062,000 (2013: 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\$52 million (2013: HK\$19 million) on acquisition of additional interest in Road King. Furthermore, Road King repurchased and cancelled 5,637,000 (2013: 7,404,000) ordinary shares, resulting in an aggregate gain of HK\$34 million (2013: 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 0.99% (2013: 0.64%).

For the year ended 31st December, 2014, Road King recorded an audited profit attributable to its owners of HK\$1,005 million (2013: HK\$1,002 million), a slight increase of 0.3% as compared with that of 2013.

Road King's share of operating profits of toll road joint ventures declined from HK\$180 million in 2013 to HK\$157 million in 2014. This was mainly due to an increase in amortisation after the commencement of the operation of Machao Expressway and withholding tax provision.

In 2014, the total traffic volume and toll revenue of Road King's toll road projects were 72 million vehicles and RMB1,928 million respectively. Toll revenue contributed by expressway projects represented approximately 96% of that of Road King's toll road business.

Relevant documentations and approvals for the acquisition of 49% equity interests in Machao Expressway in Anhui Province were completed in the first half of 2014. The successful completion of the acquisition of Machao Expressway will uplift the results of toll road business.





# PROPERTY DEVELOPMENT





## **BUSINESS REVIEW (Cont'd)**

### **Toll Road and Property Development (Cont'd)**

Due to the tightening of monetary policies and ongoing macro-control implemented in the first half of 2014, the customers tended to be cautious on property purchase. Following the relaxation of "first home" criteria and interest cuts, the property market witnessed a slight return of growth in both sales volume and property prices during the second half of the year. Road King recorded the sales (including joint venture projects) of RMB10,411 million for 2014, with an average selling price of approximately RMB10,000 per sqm.

By steadily improving the turnover rate and further optimising product design and cost structure, Road King continued to record an increase in revenue and maintained reasonable growth in profit. Revenue in 2014 was HK\$12,730 million, representing a growth of about 11% from the previous year, and mainly contributed by the delivery of the projects in the Yangtze River Delta and the Bohai Rim regions. The total area delivered in 2014 was 976,000 sqm, with an average price of approximately RMB10,700 per sqm, representing a slight growth as compared with that in 2013. The segment profit of the property business increased to HK\$1,061 million.

At 31st December, 2014, Road King's land reserve was over 5,300,000 sqm.

For toll road business, Road King holds the view that it would provide long term steady cash flows and returns and will solicit 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 its shareholders continuously.

For the property business, with years of implementation, experience and efforts, Road King has developed a track record. In the following year, Road King will continue to adopt the strategy that maintains deeper exploitation, and balances profitability and sales volume. Road King will focus on providing residential properties and relevant amenities, enhancing the strategic cooperation with its partners, and further optimising its product quality and cost structure. In doing so, Road King aims to increase the profit margin of its products, establish long-standing brand recognition and further reinforce its position in the industry.



# CONSTRUCTION



## BUSINESS REVIEW (Cont'd)

### Construction

For the year ended 31st December, 2014, the Group shared a profit of HK\$28 million (2013: HK\$12 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, 2014, Build King recorded revenue of HK\$3,237 million (2013: HK\$2,193 million) and an audited profit attributable to its owners of HK\$55 million (2013: HK\$21 million), an increase of 162% as compared with that of 2013. This comprises profit of HK\$57 million (2013: HK\$14 million) from construction operation and loss of HK\$2 million (2013: profit of HK\$7 million) from investment in listed securities.

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

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

Overall, the results of major civil projects in progress were satisfactory except for one tunnel project where geotechnical difficulties continued to be encountered.

Build King's building division continues its expansion. The turnover for 2014 increased significantly from HK\$314 million for 2013 to HK\$624 million.

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





# CONSTRUCTION MATERIALS

# Chairman's Statement

## BUSINESS REVIEW (Cont'd)

### Construction Materials

For the year ended 31st December, 2014, the construction materials division recorded revenue of HK\$663 million (2013: HK\$362 million) and a net profit of HK\$38 million (2013: HK\$17 million).

The considerable improvement in the results as compared with that of last year was due to the previous secured orders reaching its peak demand stage in 2014. The division continues to focus on optimizing and coordinating customers' orders whilst maintaining good service and quality of product.

Management continues adopting prudent cost control measures with intention to alleviate the challenge of increase in raw materials costs and severe competition from the existing operators.

With some of the existing projects nearing completion later in 2015, we will continue to look for opportunities to sustain long term growth of the division.

### Quarrying

For the year ended 31st December, 2014, the quarrying division recorded revenue of HK\$171 million (2013: HK\$79 million) and a net loss of HK\$3 million (2013: net loss of HK\$8 million).

In 2014, despite the raise in costs for production of aggregates at Niu Tou Island has been eased up slightly under the cost control measure, the quarrying division was still suffering loss because the slim profit margin was insufficient to cover overheads in the island. Further to the perpetual exercise in the cost control measure in order to improve the profit margin, the management is also actively pursuing an additional source of aggregates of which its quality and stability are in compliance with the Hong Kong requirements and standards.

### Property Funds

Grand China Cayman Investors III, Limited ("Grand China Fund"), in which the Group holds 34.6% interest, indirectly holds 39.9% interest in a US company ("US Company I"). US Company I is now holding a property portfolio comprising of nine residential rental properties in Houston. In 2014, the occupancy rates of these nine properties were around 95% on average. During the year, the Group received dividends of US\$0.4 million (equivalent to HK\$3.0 million) from Grand China Fund.

The Group invested US\$7.5 million (equivalent to HK\$58.2 million) in Elite International Investment Fund I LP ("Elite Fund") in the first half year of 2014, representing 30% interest in Elite Fund which indirectly holds 75% interest in another US company ("US Company II"). It is expected that US Company II will complete the construction of a 7-storey complex on a land in Los Angeles in the second half of 2016.

In the fourth quarter of 2014, the Group invested another US\$5.5 million (equivalent to HK\$42.7 million) in Grand China Overseas Investment Fund, Ltd. and Grand China Overseas Investment Management Co., Ltd. (collectively "GCOI Fund"). It is a fund of funds which in turn invested in a number of sub-funds. Each sub-fund will focus on a unique property project in USA. Up to the end of 2014, GCOI Fund has targeted for three property development projects and one property re-development project in USA.





# QUARRYING



# Chairman's Statement

## FINANCIAL REVIEW

### Liquidity and Financial Resources

During the year, total borrowings increased from HK\$239 million to HK\$295 million with the maturity profile summarised as follows:

	31st December,	
	2014 HK\$'million	2013 HK\$'million
Within one year	227	166
In the second year	63	30
In the third to fifth year inclusive	5	43
	295	239
Classified under:		
Current liabilities ( <i>note</i> )	283	224
Non-current liabilities	12	15
	295	239

*Note:* At 31st December, 2014, bank loans that are repayable over one year after the end of the reporting period but contain a repayment on demand clause with an aggregate carrying amount of HK\$56 million (2013: HK\$58 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, 2014, total amount of the Group's bank balances and cash was HK\$453 million (2013: HK\$341 million), of which bank deposits amounting to HK\$0.06 million (2013: HK\$0.03 million) were pledged to banks to secure certain general banking facilities granted to the Group.

For the year ended 31st December, 2014, the Group recorded finance costs of HK\$9 million (2013: HK\$7 million).

At 31st December, 2014, a portfolio of held-for-trading investments were stated at their fair values in a total amount of HK\$26 million (2013: HK\$62 million), comprising equity securities listed in Hong Kong. Certain listed equity securities held by Build King with a market value of HK\$20 million (2013: HK\$22 million) were pledged to a bank to secure certain general banking facilities granted to Build King. For the year ended 31st December, 2014, the Group recorded a net loss (net amount of change in fair value, dividend and interest income) of HK\$1 million (2013: net profit of HK\$9 million) from these investments, of which net loss of HK\$2 million (2013: net profit of HK\$7 million) was derived from the securities invested by Build King.

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.

## FINANCIAL REVIEW (Cont'd)

### Capital Structure and Gearing Ratio

At 31st December, 2014, the equity attributable to owners of the Company amounted to HK\$5,620 million, representing HK\$7.09 per share (2013: HK\$5,205 million, representing HK\$6.56 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, 2014, the gearing ratio, representing the ratio of interest bearing borrowings to equity attributable to owners of the Company, was 5.3% (2013: 4.6%) 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 -2.8% (2013: -2.0%) as a result of total amount of bank balances and cash exceeded total amount of interest bearing borrowings.

### Pledge of Assets

At 31st December, 2014, 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\$6 million (2013: HK\$14 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.

### Capital Commitments

At 31st December, 2014, the Group has committed capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Group's consolidated financial statements amounting to HK\$6 million (2013: HK\$18 million) and has no committed capital expenditure authorised but not contracted for (2013: HK\$0.8 million).

### Contingent Liabilities

At 31st December, 2014, the Group had outstanding tender/performance/retention bonds in respect of construction contracts amounting to HK\$234 million (2013: HK\$248 million).

## FUTURE OUTLOOK

Benefiting from the buoyant construction industry in Hong Kong, the performance of the Group's construction division and construction materials division are considerable improved. However, increased in raw materials costs and labour costs continues eroding the profit margins of the Group. The Group would continue implementing measures to control costs.

The performance of the property funds in 2014 is in line with budget. The Group continues closely monitoring the performance of the property funds.

We will keep looking for investment opportunities that create synergy for the Group to enhance the growth of the Group. In making investment decision, we will continue to cautiously consider our financial capability.

# Chairman's Statement

## APPRECIATION

The Board would like to take this opportunity to extend its heartiest thanks to our shareholders, business partners, directors and our loyal and dedicated staff.

**Zen Wei Pao, William**

*Chairman*

Hong Kong, 12th March, 2015



# Directors and Senior Management

## EXECUTIVE DIRECTORS

**ZEN** Wei Pao, William, age 67, 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 62, is the Vice Chairman and Chief Executive Officer 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 was the Honorary Treasurer of Hong Kong Construction Association. 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 51, 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.

# Directors and Senior Management

## NON-EXECUTIVE DIRECTORS

**LAM** Wai Hon, Patrick, age 52, 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 member of the Asian advisory board of Richard Ivey School of Business, Western University, Canada. He is an Executive Director of NWS Holdings Limited ("NWS", which is a substantial shareholder of the Company) and the Vice Chairman and a Non-executive Director of Newton Resources Ltd, the shares of both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

**CHENG** Chi Ming, Brian, age 32, 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 a Non-executive Director of Integrated Waste Solutions 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, The Macao Water Supply Company Limited and a number of companies in Mainland China. 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 57, 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 Practising 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.

# Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**WONG** Che Ming, Steve, age 64, 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 63, 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 a Non-executive Director of Cinderella Media Group Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

**WONG** Man Chung, Francis, age 50, 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.

# Directors and Senior Management

## SENIOR MANAGEMENT

**CHANG** Kam Chuen, Desmond, age 49, 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 64, 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, 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 58, 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 53, is a Director and the General Manager of Kaden, as well as a Director of Leader Civil and WKC&T. He is a member of the Institution of Structural Engineers and a fellow member of the Hong Kong Institution of Engineer. He is also a Chartered Engineer of UK. He is Vice Chairman of Civil Engineering Committee of Hong Kong Construction Association. He is also a member of the Appeal Tribunal under the Buildings Ordinance, the Appeal Board Panel under the Construction Workers Registration Ordinance, the Committee on Technologist Training of Vocational Training Council and the Registered Contractors’ Disciplinary Board Panel under the Buildings Ordinance. He has over 30 years of experience in civil engineering and building construction. Mr. Liu is responsible for Build King’s civil engineering operation in Hong Kong.



# Directors and Senior Management

## SENIOR MANAGEMENT (Cont'd)

**LUI** Yau Chun, Paul, age 53, 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 40, 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 57, 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.

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

**WU** Siu Ho, age 62, 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 78, 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.

# Directors and Senior Management

## SENIOR MANAGEMENT (Cont'd)

John **LEICH**, age 64, 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 60, 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 59, 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 54, 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 Report

## CORPORATE GOVERNANCE CODE

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

Throughout the year of 2014, the Company has complied with the code provisions of Corporate Governance Code (the "Code") set out in Appendix 14 of the 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. Prior to 15th August, 2014, the Company did not 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".

On 15th August, 2014, Mr. Zen Wei Peu, Derek, the Vice Chairman, was appointed as the Chief Executive Officer of the Company.

## 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 ( <i>Chairman</i> )	Lam Wai Hon, Patrick	Wong Che Ming, Steve
Zen Wei Peu, Derek ( <i>Vice Chairman and Chief Executive Officer</i> )	Cheng Chi Ming, Brian	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.



# Corporate Governance Report

## 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 Chief Executive Officer 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 Chief Executive Officer.

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.

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, 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.

# Corporate Governance Report

## 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, and the annual general meeting held on 9th May, 2014 are set out below:

Name of Director	Meetings attended/held				
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting held on 9th May, 2014
<b>Executive Directors</b>					
Zen Wei Pao, William ( <i>Chairman</i> )	5/5	-	3/3	2/2	1
Zen Wei Peu, Derek ( <i>Vice Chairman and Chief Executive Officer</i> )	5/5	-	3/3	2/2	1
Chiu Wai Yee, Anriena	5/5	-	-	-	1
<b>Non-executive Directors</b>					
Lam Wai Hon, Patrick	5/5	-	-	-	1
Cheng Chi Ming, Brian	3/5	-	-	-	1
Cheng Chi Pang, Leslie	4/5	-	-	-	1
<b>Independent Non-executive Directors</b>					
Wong Che Ming, Steve	5/5	3/3	3/3	2/2	1
Wan Siu Kau, Samuel	5/5	3/3	3/3	2/2	1
Wong Man Chung, Francis	5/5	3/3	3/3	2/2	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.



# Corporate Governance Report

## 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, 2014, a seminar relating to the latest amendments to the Listing Rules as well as New Companies Ordinance was organised for the Directors.

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

<b>Name of Director</b>	<b>Type of continuous professional development</b>
<b>Executive Directors</b>	
Zen Wei Pao, William	A,B,C
Zen Wei Peu, Derek	B,C
Chiu Wai Yee, Anriena	B,C
<b>Non-executive Directors</b>	
Lam Wai Hon, Patrick	A,B,C
Cheng Chi Ming, Brian	B,C
Cheng Chi Pang, Leslie	B,C
<b>Independent Non-executive Directors</b>	
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 Chief Executive Officer

The Chairman is Mr. Zen Wei Pao, William. The Vice Chairman is Mr. Zen Wei Peu, Derek, who was appointed as the Chief Executive Officer of the Company on 15th August, 2014.

To ensure a balance of power and authority, the positions of the Chairman and the Chief Executive Officer are clearly set out in writing and are separate.

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 Chief Executive Officer 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 Chief Executive Officer 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.

# Corporate Governance Report

## 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, 2014 and up to the date of this report:

- Approval of remuneration and terms of engagement of the external auditor;
- Review of the annual results of the Group for the years ended 31st December, 2013 and 2014, and the interim results of the Group for the six months ended 30th June, 2014;
- Review of the Group's financial information, financial reporting procedures, internal control system, risk management, and financial and accounting policies and practices;
- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to supply non-audit services;
- Review of the audit plan for financial year ended 31st December, 2014;
- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation;
- Recommendation to the Board to re-appoint the external auditor at the 2014 and 2015 annual general meetings;



## **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 2015 internal audit plan;
- Review of the findings in the internal control reports;
- Review of reporting mechanism for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters related to the Company;
- Review of the continuing connected transactions of the Company; and
- Meetings with the external auditor, in the absence of Executive Directors and management.

### **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, 2014 and up to the date of this report:

- Review of the structure, size and composition (including but not limited to gender, age, cultural background, educational background, skills, knowledge, professional experience and/or length of service) of the Board;
- Review of its constitution and terms of reference;
- Assessment of the independence of the Independent Non-executive Directors;
- 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 2015.

#### *Nomination Procedures*

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

### 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.

# Corporate Governance Report

## 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, 2014 and up to the date of this report:

- Review and approval of the Company's remuneration policy for 2014 and 2015;
- Approval of year end bonus of Executive Directors for 2013 and 2014;
- 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 and 2015 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 for the year ended 31st December, 2014 are set out in note 12 to the consolidated financial statements of this annual report. The emoluments paid to senior management for the year ended 31st December, 2014 were within the following bands:

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	<b>Number of Senior Management</b>
Up to HK\$2,000,000	4
HK\$2,000,001 to HK\$3,000,000	10

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# Corporate Governance Report

## DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has also adopted a code of conduct governing securities transactions by employees who are likely to be in possession of unpublished 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 2014 until the conclusion of the next annual general meeting.

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

Type of services	Fee paid/ payable HK\$
Audit fee	2,593,000
Non-audit services	
Interim review fee	939,000
Other services	354,000
Total	3,886,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out on pages 51 and 52 in the Independent Auditor's Report forming part of this annual report.



# Corporate Governance 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, 2014. 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.

# Corporate Governance Report

## 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.

# Directors' Report

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

## 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 49, 21 and 22 to the consolidated financial statements respectively.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2014, the five largest customers of the Group together accounted for approximately 84% of the Group's revenue, with the largest customer accounted for approximately 44%, and the five largest suppliers of the Group together represented approximately 18% 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, 2014 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 53 and 54 respectively.

An interim dividend of HK3 cents per share was paid to shareholders during the year. The Directors recommend the payment of a final dividend of HK13.5 cents per share for the year ended 31st December, 2014 to shareholders whose names appear in the register of members of the Company on Friday, 22nd May, 2015. 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 Thursday, 18th June, 2015.

## CLOSURE OF REGISTER OF MEMBERS

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

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

## 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 57.

## 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 also 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, 2014 were HK\$672,174,000.

## 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 and Chief Executive Officer*)  
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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Zen Wei Pao, William, Mr. Lam Wai Hon, Patrick and Mr. Wong Man Chung, Francis 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, 2014, 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, 2014, 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		Percentage of the issued ordinary share capital
		Long position <i>(note)</i>	Short position	
				%
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		Percentage of the issued share capital
			Long position	Short position	
					%
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000 <i>(note 1)</i>	–	0.11 <i>(note 3)</i>
	Road King Infrastructure Limited	Personal	3,400,000 <i>(note 2)</i>	–	0.47 <i>(note 4)</i>
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 <i>(note 1)</i>	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000 <i>(note 1)</i>	–	37.50
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	117,475,228 <i>(note 1)</i>	–	9.46
	Road King Infrastructure Limited	Personal	10,416,000 <i>(note 1)</i>	–	1.43 <i>(note 4)</i>
		Personal	2,350,000 <i>(note 2)</i>	–	0.32
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 <i>(note 1)</i>	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000 <i>(note 1)</i>	–	37.50
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	1,116,000 <i>(note 1)</i>	–	0.09
	Road King Infrastructure Limited	Personal	205,000 <i>(note 1)</i>	–	0.03
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	186,666 <i>(note 1)</i>	–	0.02
	Road King Infrastructure Limited	Personal	150,000 <i>(note 2)</i>	–	0.02
Cheng Chi Pang, Leslie	Build King Holdings Limited	Personal	1,170,000 <i>(note 1)</i>	–	0.09
Wong Che Ming, Steve	Build King Holdings Limited	Personal	407,448 <i>(note 1)</i>	–	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, 2014, the issued share capital of Build King was 1,241,877,992 shares. Accordingly, the percentage has been adjusted.
4. As at 31st December, 2014, the issued share capital of Road King was 729,696,566 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 Finance (2012) Limited <i>(note 1)</i>	Personal	US\$350 million 9.875% Guaranteed Senior Notes due 2017	US\$4,300,000 <i>(note 2)</i>
	RKI Finance (2013) Limited <i>(note 1)</i>	Personal	RMB2,200 million 6% Guaranteed Senior Notes due 2016	RMB12,000,000 <i>(notes 2 and 3)</i>

Notes:

1. These companies are wholly owned subsidiaries of Road King.
2. Long position.
3. The principal amount of RMB12,000,000 is held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its 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.



# Directors' Report

## 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, 2014, 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:

Name of Director	Date of grant	Exercisable period	Exercise price	Number of share options			
				Balance at 1.1.2014	Granted during the year	Exercised during the year	Balance at 31.12.2014
			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
<b>Total</b>				<b>5,900,000</b>	<b>-</b>	<b>-</b>	<b>5,900,000</b>

Save as disclosed above, none of the Directors nor 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.

# Directors' Report

## 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:

<b>Name of Director</b>	<b>Name of entity</b>	<b>Competing business</b>	<b>Nature of interest</b>
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	NWS Holdings Limited group of companies	Construction, toll road and infrastructure	Director

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2014, 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		Percentage of the issued ordinary share capital
		Long position <i>(note 1)</i>	Short position	
				%
Cheng Yu Tung Family (Holdings) Limited <i>(note 2)</i>	Corporate	213,868,000	–	26.97
Cheng Yu Tung Family (Holdings II) Limited <i>(note 3)</i>	Corporate	213,868,000	–	26.97
Chow Tai Fook Capital Limited <i>(note 4)</i>	Corporate	213,868,000	–	26.97
Chow Tai Fook (Holding) Limited <i>(note 5)</i>	Corporate	213,868,000	–	26.97
Chow Tai Fook Enterprises Limited <i>(note 6)</i>	Corporate	213,868,000	–	26.97
New World Development Company Limited <i>(note 7)</i>	Corporate	213,868,000	–	26.97
NWS Holdings Limited <i>(note 8)</i>	Corporate	213,868,000	–	26.97
NWS Service Management Limited (incorporated in the Cayman Islands) <i>(note 9)</i>	Corporate	213,868,000	–	26.97
NWS Service Management Limited (incorporated in the British Virgin Islands) <i>(note 10)</i>	Corporate	213,868,000	–	26.97
Vast Earn Group Limited <i>(note 11)</i>	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.
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\$45 million, as well as extended to 15th December, 2015.

- (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, 2014, the Company did not have other disclosure obligations under Rules 13.17, 13.18 and 13.21 of the Listing Rules.



# Directors' Report

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

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

<b>Name of Director</b>	<b>Details of changes</b>
Zen Wei Pao, William	Mr. Zen's annual salary has been revised from HK\$347,000 to HK\$365,000 with effect from 1st April, 2015.
Zen Wei Peu, Derek	Mr. Zen's annual salary has been revised from HK\$5,933,000 to HK\$6,230,000 with effect from 1st April, 2015.
Chiu Wai Yee, Anriena	Miss Chiu's annual salary has been revised from HK\$1,885,000 to HK\$1,980,000 with effect from 1st April, 2015.
Lam Wai Hon, Patrick	On 28th February, 2015, Mr. Lam entered into a Letter of Appointment with the Company for the period of three years from 1st March, 2015 to 28th February, 2018, subject to re-election.
Cheng Chi Ming, Brian	On 28th February, 2015, Mr. Cheng entered into a Letter of Appointment with the Company for the period of three years from 1st March, 2015 to 28th February, 2018, subject to re-election.
Cheng Chi Pang, Leslie	On 28th February, 2015, Dr. Cheng entered into a Letter of Appointment with the Company for the period of three years from 1st March, 2015 to 28th February, 2018, subject to re-election.
Wong Che Ming, Steve	On 28th February, 2015, Dr. Wong entered into a Letter of Appointment with the Company for the period of three years from 1st March, 2015 to 28th February, 2018, subject to re-election.
Wan Siu Kau, Samuel	On 28th February, 2015, Mr. Wan entered into a Letter of Appointment with the Company for the period of three years from 1st March, 2015 to 28th February, 2018, subject to re-election.
Wong Man Chung, Francis	On 28th February, 2015, Mr. Wong entered into a Letter of Appointment with the Company for the period of three years from 1st March, 2015 to 28th February, 2018, subject to re-election.

## 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
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Annual caps	130	390	340

For the financial year ended 31st December, 2014, the relevant maximum aggregate value of the transactions was HK\$149,453,000.

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, 2014.

## 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\$112,000.

## EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2014, the Group had 1,600 employees (2013: 1,288 employees), of which 1,484 (2013: 1,165) were located in Hong Kong, 112 (2013: 114) were located in the PRC and 4 (2013: 9) were located in UAE. For the year ended 31st December, 2014, the Group's total staff costs were HK\$637 million (2013: HK\$509 million).

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, 12th March, 2015



## **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 53 to 130, which comprise the consolidated statement of financial position as at 31st December, 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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



# Independent Auditor's Report

## 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, 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

12th March, 2015

# Consolidated Statement of Profit or Loss

For the year ended 31st December, 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Revenue	5	<b>3,832,509</b>	2,545,909
Cost of sales		<b>(3,455,944)</b>	(2,305,488)
Gross profit		<b>376,565</b>	240,421
Other income	7	<b>44,928</b>	44,211
Investment income, gains and losses	8	<b>(1,460)</b>	9,107
Selling and distribution costs		<b>(74,878)</b>	(55,652)
Administrative expenses		<b>(259,567)</b>	(210,798)
Finance costs	9	<b>(9,078)</b>	(6,836)
Share of results of associates		<b>406,697</b>	387,825
Other gains and losses	10	<b>85,579</b>	42,236
Profit before tax	11	<b>568,786</b>	450,514
Income tax expense	14	<b>(1,907)</b>	(1,495)
<b>Profit for the year</b>		<b>566,879</b>	449,019
Profit for the year attributable to:			
Owners of the Company		<b>542,649</b>	440,205
Non-controlling interests		<b>24,230</b>	8,814
		<b>566,879</b>	449,019
		<b>HK cents</b>	<i>HK cents</i>
<b>Earnings per share</b>	16		
– Basic		<b>68.42</b>	55.50
– Diluted		<b>68.40</b>	55.39

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2014

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Profit for the year	<b>566,879</b>	449,019
<b>Other comprehensive (expense) income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising on translation of foreign operations	<b>(2,557)</b>	2,542
Share of translation reserves of associates	<b>(21,027)</b>	108,801
Other comprehensive (expense) income for the year	<b>(23,584)</b>	111,343
<b>Total comprehensive income for the year</b>	<b>543,295</b>	560,362
Total comprehensive income for the year attributable to:		
Owners of the Company	<b>520,360</b>	550,249
Non-controlling interests	<b>22,935</b>	10,113
	<b>543,295</b>	560,362

# Consolidated Statement of Financial Position

At 31st December, 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	17	155,466	124,541
Intangible assets	18	68,632	71,110
Goodwill	19	29,838	29,838
Interests in associates	21	5,399,526	4,991,653
Interest in a joint venture	22	–	–
Available-for-sale investments	24	42,676	–
Other financial asset	25	49,421	52,390
Loan and other receivables	26	4,470	8,733
		<b>5,750,029</b>	5,278,265
<b>Current assets</b>			
Inventories	27	24,338	12,458
Amounts due from customers for contract work	28	461,531	325,487
Debtors, deposits and prepayments	29	967,373	936,275
Amounts due from associates	30	10,815	11,384
Amount due from a joint venture	30	321	321
Amounts due from other partners of joint operations	30	139,840	66,601
Tax recoverable		148	1,482
Held-for-trading investments	31	26,246	61,717
Pledged bank deposits	32	60	30
Bank balances and cash	32	453,200	341,129
		<b>2,083,872</b>	1,756,884
<b>Current liabilities</b>			
Amounts due to customers for contract work	28	648,641	643,952
Creditors and accrued charges	33	923,469	692,938
Amount due to an associate	34	13,264	12,159
Amount due to a joint venture	34	1,142	1,142
Amounts due to other partners of joint operations	34	138,304	69,849
Amounts due to non-controlling shareholders	34	3,359	3,359
Tax liabilities		2,694	1,073
Bank loans	35	283,258	224,407
		<b>2,014,131</b>	1,648,879
<b>Net current assets</b>		<b>69,741</b>	108,005
<b>Total assets less current liabilities</b>		<b>5,819,770</b>	5,386,270

# Consolidated Statement of Financial Position

At 31st December, 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred tax liabilities	36	5,750	5,750
Obligations in excess of interests in associates	21	16,546	17,432
Amount due to an associate	37	5,406	6,041
Bank loans	35	12,000	15,000
		<b>39,702</b>	44,223
<b>Net assets</b>		<b>5,780,068</b>	5,342,047
<b>Capital and reserves</b>			
Share capital	38	79,312	79,312
Share premium and reserves		5,540,951	5,125,333
Equity attributable to owners of the Company		<b>5,620,263</b>	5,204,645
Non-controlling interests	39	159,805	137,402
<b>Total equity</b>		<b>5,780,068</b>	5,342,047

The consolidated financial statements on pages 53 to 130 were approved and authorised for issue by the Board of Directors on 12th March, 2015 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, 2014

	Equity attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000 (note 39)	Total equity HK\$'000
	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			
At 1st January, 2013	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
Profit for the year	-	-	-	-	-	-	542,649	542,649	24,230	566,879
Other comprehensive expense for the year	-	-	(22,289)	-	-	-	-	(22,289)	(1,295)	(23,584)
Total comprehensive (expense) income for the year	-	-	(22,289)	-	-	-	542,649	520,360	22,935	543,295
Sub-total	79,312	731,906	892,558	(29,530)	2,319	(7,285)	4,055,725	5,725,005	160,337	5,885,342
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	2,450	2,450
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	(3,032)	(3,032)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	(50)	-	(50)	50	-
Dividends paid (note 15)	-	-	-	-	-	-	(104,692)	(104,692)	-	(104,692)
<b>At 31st December, 2014</b>	<b>79,312</b>	<b>731,906</b>	<b>892,558</b>	<b>(29,530)</b>	<b>2,319</b>	<b>(7,335)</b>	<b>3,951,033</b>	<b>5,620,263</b>	<b>159,805</b>	<b>5,780,068</b>

## 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, 2014

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Operating activities</b>		
Profit before tax	<b>568,786</b>	450,514
Adjustments for:		
Finance costs	<b>9,078</b>	6,836
Share of results of associates	<b>(406,697)</b>	(387,825)
Interest on bank deposits	<b>(141)</b>	(276)
Interest on amount due from an associate	<b>(180)</b>	(187)
Interest on other financial asset	<b>(1,347)</b>	(1,430)
Imputed interest on loan and other receivables	<b>(473)</b>	(632)
Loss (gain) on change in fair value of held-for-trading investments, net	<b>4,216</b>	(4,450)
Dividend income from held-for-trading investments	<b>(1,949)</b>	(1,698)
Interest income from held-for-trading investments	<b>(807)</b>	(2,959)
Discount on acquisition of additional interest in an associate	<b>(51,992)</b>	(18,853)
Gain on deemed acquisition of additional interest in an associate	<b>(34,222)</b>	(25,246)
Loss on deemed disposal of partial interest in an associate	<b>915</b>	2,160
Gain on disposal of property, plant and equipment, net	<b>(280)</b>	(297)
Allowance for doubtful debts	<b>3,043</b>	–
Amortisation of intangible assets	<b>1,519</b>	1,342
Depreciation of property, plant and equipment	<b>45,745</b>	40,647
Goodwill written off	<b>2,177</b>	–
Impairment loss on property, plant and equipment	<b>–</b>	5,500
Operating cash flows before movements in working capital	<b>137,391</b>	63,146
Decrease (increase) in other financial asset	<b>2,969</b>	(95)
Increase in inventories	<b>(11,880)</b>	(1,235)
Increase in amounts due from customers for contract work	<b>(114,120)</b>	(55,108)
Increase in debtors, deposits and prepayments	<b>(33,238)</b>	(186,802)
Decrease in held-for-trading investments	<b>31,255</b>	4,149
Increase in amounts due to customers for contract work	<b>4,689</b>	351,964
Increase in creditors and accrued charges	<b>230,531</b>	80,749
Cash from operations	<b>247,597</b>	256,768
Income taxes refunded (paid)	<b>1,048</b>	(3,373)
<b>Net cash from operating activities</b>	<b>248,645</b>	253,395

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Investing activities</b>			
Interest received		<b>3,497</b>	4,638
Dividends received from held-for-trading investments		<b>1,949</b>	1,698
Dividends received from associates		<b>155,152</b>	136,442
Proceeds from disposal of property, plant and equipment		<b>953</b>	1,318
Purchase of property, plant and equipment		<b>(99,610)</b>	(53,299)
Additions of intangible assets		–	(6,478)
Acquisition of additional interest in a subsidiary		–	(11,771)
Acquisition of interests in associates		<b>(92,942)</b>	(92,724)
Acquisition of additional interest in a joint operation	48	<b>(8,000)</b>	–
Acquisition of available-for-sale investments		<b>(42,676)</b>	–
Settlement of loan and other receivables		<b>4,570</b>	4,570
Repayment from (advances to) associates		<b>749</b>	(770)
Advances to other partners of joint operations		<b>(73,239)</b>	(38,679)
Placement in pledged bank deposits		<b>(30)</b>	(20)
<b>Net cash used in investing activities</b>		<b>(149,627)</b>	(55,075)
<b>Financing activities</b>			
Interest paid		<b>(8,608)</b>	(6,401)
Dividends paid	15	<b>(104,692)</b>	(95,175)
Distribution to non-controlling shareholders		<b>(3,032)</b>	–
Capital contribution from a non-controlling shareholder of a subsidiary		<b>2,450</b>	4,900
Advances from other partners of joint operations		<b>72,679</b>	42,472
New bank loans raised		<b>165,820</b>	135,000
Repayment of bank loans		<b>(109,969)</b>	(114,589)
<b>Net cash from (used in) financing activities</b>		<b>14,648</b>	(33,793)
<b>Net increase in cash and cash equivalents</b>		<b>113,666</b>	164,527
Cash and cash equivalents at the beginning of the year		<b>341,129</b>	174,945
Effect of foreign exchange rate changes, net		<b>(1,595)</b>	1,657
<b>Cash and cash equivalents at the end of the year</b>		<b>453,200</b>	341,129
<b>Analysis of the balance of cash and cash equivalents</b>			
Bank balances and cash		<b>453,200</b>	341,129

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of 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 this 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 49, 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 amendments to HKFRSs and new interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

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

The application of the above amendments to HKFRSs and new interpretation 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.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

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

### HKFRS 15 “Revenue from Contracts with Customers”

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

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

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

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

Except as described above, the management anticipates that the application of the above new and revised HKFRSs will have no material effect on the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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”.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

### ***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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Basis of consolidation (Cont'd)

#### *Changes in the Group's ownership interests in existing subsidiaries (Cont'd)*

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

### 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Business combinations (Cont'd)

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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 customers 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Revenue recognition (Cont'd)

#### *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;
- 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 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 over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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 a 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.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Investments in associates and joint ventures (Cont'd)

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Investments in associates and joint ventures (Cont'd)

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### **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.

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).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Service concession arrangements (Cont'd)

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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

##### *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 other financial asset, loan and other receivables, debtors, amounts due from associates, a joint venture 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).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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 assets, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

##### *Impairment loss on financial assets (Cont'd)*

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

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

Impairment losses on available-for-sale equity investments will not be reversed 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, a joint venture, 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.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

#### *Financial liabilities and equity instruments (Cont'd)*

##### *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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 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).

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Taxation (Cont'd)

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the 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.

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, 2014 at HK\$32,858,000 (2013: 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, 2014, the carrying amount of goodwill is HK\$29,838,000 (2013: HK\$29,838,000). Details of the recoverable amount calculation are disclosed in note 20.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

### 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, 2014, the carrying amount of the Group's interest in Road King is HK\$5,259,843,000 (2013: HK\$4,914,003,000). Details of the recoverable amount calculation are disclosed in note 21.

### Income tax

At 31st December, 2014, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK\$423,574,000 (2013: HK\$535,572,000) (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.

### 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

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Revenue analysed by revenue from:		
Construction	<b>3,225,263</b>	2,193,098
Construction materials	<b>566,723</b>	335,843
Quarrying	<b>40,523</b>	16,968
	<b>3,832,509</b>	2,545,909

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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

### 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, 2014

	Segment revenue			Segment profit (loss) HK\$'000
	Gross HK\$'000	Inter-segment elimination HK\$'000	External HK\$'000	
Construction	3,237,341	(12,078)	3,225,263	28,248
Construction materials	662,917	(96,194)	566,723	38,030
Quarrying	171,202	(130,679)	40,523	(2,615)
Toll road and property development	–	–	–	398,988
Total	4,071,460	(238,951)	3,832,509	462,651



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 6. SEGMENT INFORMATION (Cont'd)

### Segment revenue and results (Cont'd)

Year ended 31st December, 2013

	Segment revenue			Segment profit (loss) HK\$'000
	Gross HK\$'000	Inter-segment elimination HK\$'000	External 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
<b>Total</b>	<b>2,634,046</b>	<b>(88,137)</b>	<b>2,545,909</b>	<b>408,175</b>

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 and finance costs), share of results of associates, discount on acquisition of additional interest in an associate, gain on deemed acquisition of additional interest in an associate and loss on deemed disposal of partial interest in an associate 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

	2014 HK\$'000	2013 HK\$'000
Total segment profit	<b>462,651</b>	408,175
Unallocated items		
Other income	<b>8,813</b>	9,514
Investment income, gains and losses	<b>351</b>	2,065
Administrative expenses	<b>(15,969)</b>	(19,126)
Finance costs	<b>(5,320)</b>	(2,360)
Share of results of associates	<b>6,824</b>	(2)
Discount on acquisition of additional interest in an associate	<b>51,992</b>	18,853
Gain on deemed acquisition of additional interest in an associate	<b>34,222</b>	25,246
Loss on deemed disposal of partial interest in an associate	<b>(915)</b>	(2,160)
<b>Profit attributable to owners of the Company</b>	<b>542,649</b>	440,205

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 6. SEGMENT INFORMATION (Cont'd)

### 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.

### Other segment information

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

#### Year ended 31st December, 2014

	Construction HK\$'000	Construction materials HK\$'000	Quarrying HK\$'000	Toll road and property development HK\$'000	Segment total HK\$'000	Adjustments HK\$'000 <i>(note)</i>	Intra-group elimination HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	(15,659)	(25,811)	(3,892)	-	(45,362)	(383)	-	(45,745)
Goodwill written off	(2,177)	-	-	-	(2,177)	-	-	(2,177)
Allowance for doubtful debts	-	(3,043)	-	-	(3,043)	-	-	(3,043)
Gain on disposal of property, plant and equipment, net	280	-	-	-	280	-	-	280
Interest income	1,443	-	517	-	1,960	3,949	(3,768)	2,141
Finance costs	(3,559)	(3,967)	-	-	(7,526)	(5,320)	3,768	(9,078)
Share of results of associates	619	-	266	398,988	399,873	6,824	-	406,697
Income tax expense	(1,907)	-	-	-	(1,907)	-	-	(1,907)

#### 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 <i>(note)</i>	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)

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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 (note) by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets (note)	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	3,810,095	2,518,010	5,473,357	5,094,059
The PRC	22,414	27,899	39,458	44,419
Middle East	–	–	1,019	1,074
Others	–	–	139,628	77,590
	<b>3,832,509</b>	2,545,909	<b>5,653,462</b>	5,217,142

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 (2013: two) customers of the construction segment located in Hong Kong individually contributing over 10% of the Group's revenue.

	2014 HK\$'000	2013 HK\$'000
Customer A	1,681,236	1,062,937
Customer B	969,298	711,608
	<b>2,650,534</b>	1,774,545

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 7. OTHER INCOME

	2014 HK\$'000	2013 HK\$'000
Other income includes:		
Interest on bank deposits	141	276
Interest on amount due from an associate	180	187
Interest on other financial asset	1,347	1,430
Imputed interest on loan and other receivables	473	632
Insurance claim on loss of plant and machinery	301	2,169
Operation fee income	20,942	16,919
Rental income from land and buildings	3,469	2,451
Rental income from plant and machinery	3,000	3,000
Service income from an associate	60	60

## 8. INVESTMENT INCOME, GAINS AND LOSSES

	2014 HK\$'000	2013 HK\$'000
(Loss) gain on change in fair value of held-for-trading investments, net	(4,216)	4,450
Dividend income from held-for-trading investments	1,949	1,698
Interest income from held-for-trading investments	807	2,959
	(1,460)	9,107

## 9. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on bank loans wholly repayable within five years	8,608	6,401
Imputed interest on non-current interest-free amount due to an associate	470	435
	9,078	6,836

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 10. OTHER GAINS AND LOSSES

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Discount on acquisition of additional interest in an associate ( <i>note a</i> )	<b>51,992</b>	18,853
Gain on deemed acquisition of additional interest in an associate ( <i>note b</i> )	<b>34,222</b>	25,246
Loss on deemed disposal of partial interest in an associate ( <i>note c</i> )	<b>(915)</b>	(2,160)
Gain on disposal of property, plant and equipment, net	<b>280</b>	297
	<b>85,579</b>	42,236

*Notes:*

- (a) During the year, the Group purchased 5,062,000 (2013: 2,155,000) ordinary shares in Road King at an aggregate consideration of HK\$34,708,000 (2013: 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 0.69% (2013: 0.29%) resulting in an aggregate discount of HK\$51,992,000 (2013: HK\$18,853,000) on acquisition of additional interest in Road King.
- (b) During the year, Road King repurchased and cancelled 5,637,000 (2013: 7,404,000) ordinary shares. As a result, the Group's interest in Road King increased in aggregate by 0.31% (2013: 0.39%) resulting in an aggregate gain of HK\$34,222,000 (2013: HK\$25,246,000) on deemed acquisition of additional interest in Road King.
- (c) During the year, Road King issued 155,000 (2013: 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 0.01% (2013: 0.04%). As the shares were issued at the exercise price of HK\$6.79 (2013: 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\$915,000 (2013: HK\$2,160,000) on deemed disposal of partial interest in Road King.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 11. PROFIT BEFORE TAX

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Auditor's remuneration:		
Current year	2,631	2,572
Underprovision in prior year	387	–
	<b>3,018</b>	2,572
Allowance for doubtful debts	3,043	–
Amortisation of intangible assets	1,519	1,342
Depreciation of property, plant and equipment	68,024	57,347
Less: Amount attributable to construction contracts	<b>(22,279)</b>	(16,700)
	<b>45,745</b>	40,647
Exchange loss, net	305	330
Goodwill written off	2,177	–
Hire charges for plant and machinery	133,577	93,092
Less: Amount attributable to construction contracts	<b>(133,577)</b>	(93,092)
	–	–
Impairment loss on property, plant and equipment	–	5,500
Operating lease rentals in respect of land and buildings	57,526	48,060
Less: Amount attributable to construction contracts	<b>(9,834)</b>	(2,178)
	<b>47,692</b>	45,882
Share of income tax expense of associates (included in share of results of associates)	<b>581,689</b>	578,715
Staff costs:		
Directors' remuneration ( <i>note 12</i> )	17,679	17,171
Other staff costs	598,577	476,017
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK\$562,000 (2013: HK\$603,000)	<b>20,663</b>	16,005
	<b>636,919</b>	509,193
Less: Amount attributable to construction contracts	<b>(442,108)</b>	(364,829)
	<b>194,811</b>	144,364

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the nine (2013: ten) directors included the chief executive were as follows:

### Year ended 31st December, 2014

	Fee HK\$'000	Salary and other benefits HK\$'000	Performance related incentive payments HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
Zen Wei Pao, William	-	347	543	35	925
Zen Wei Peu, Derek	-	1,902	9,986	643	12,531
Chiu Wai Yee, Anriena	-	1,882	314	186	2,382
	-	4,131	10,843	864	15,838
<b>Non-executive directors:</b>					
Lam Wai Hon, Patrick	200	-	-	-	200
Cheng Chi Ming, Brian	200	-	-	-	200
Cheng Chi Pang, Leslie ( <i>note</i> )	368	-	-	-	368
	768	-	-	-	768
<b>Independent non-executive directors:</b>					
Wong Che Ming, Steve	347	-	-	-	347
Wan Siu Kau, Samuel	364	-	-	-	364
Wong Man Chung, Francis	362	-	-	-	362
	1,073	-	-	-	1,073
	1,841	4,131	10,843	864	17,679

*Note:* Included HK\$168,000 fee as a director of Build King Holdings Limited ("Build King"), the Company's 51.17% (2013: 51.17%) subsidiary whose shares are listed on the Main Board of the Stock Exchange.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

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

Year ended 31st December, 2013

	Fee HK\$'000	Salary and other benefits HK\$'000	Performance related incentive payments HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
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
<b>Non-executive directors:</b>					
Lam Wai Hon, Patrick	199	-	-	-	199
Cheng Chi Ming, Brian ( <i>note a</i> )	50	-	-	-	50
Cheng Chi Pang, Leslie ( <i>note b</i> )	367	-	-	-	367
Chu Tat Chi ( <i>note c</i> )	149	-	-	-	149
	765	-	-	-	765
<b>Independent non-executive directors:</b>					
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.
- (c) Mr. Chu Tat Chi resigned as a non-executive director of the Company on 15th February, 2013.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 13. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals included one director (2013: one director) set out in note 12. The emoluments of the remaining four (2013: four) highest paid individuals are as follows:

	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Salary and other benefits	<b>9,751</b>	8,956
Retirement benefits scheme contributions	<b>696</b>	643
	<b>10,447</b>	9,599

The emoluments were within the following bands:

	<b>Number of employees</b>	
	<b>2014</b>	2013
HK\$2,000,001 to HK\$2,500,000	<b>2</b>	3
HK\$2,500,001 to HK\$3,000,000	<b>2</b>	1

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 14. INCOME TAX EXPENSE

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax		
The PRC	<b>1,690</b>	1,484
Under(over)provision in prior years		
Hong Kong	<b>204</b>	(6)
The PRC	<b>13</b>	17
	<b>217</b>	11
	<b>1,907</b>	1,495

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 have 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.

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit before tax	<b>568,786</b>	450,514
Income tax expense at the applicable rate of 16.5% (2013: 16.5%)	<b>93,850</b>	74,335
Tax effect of expenses not deductible for tax purpose	<b>18,775</b>	13,914
Tax effect of income not taxable for tax purpose	<b>(29,382)</b>	(17,053)
Underprovision in prior years	<b>217</b>	11
Tax effect of tax losses not recognised	<b>25,543</b>	10,134
Tax effect of utilisation of tax losses previously not recognised	<b>(44,023)</b>	(10,310)
Tax effect of share of results of associates	<b>(67,105)</b>	(63,991)
Effect of different rates for subsidiaries operating in other jurisdictions	<b>837</b>	622
Others	<b>3,195</b>	(6,167)
Income tax expense	<b>1,907</b>	1,495

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 15. DIVIDENDS

Dividends paid and recognised as distributions during the year:

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
2013 final dividend – HK10.2 cents per share (2013: 2012 final dividend – HK7.7 cents per share)	<b>80,899</b>	61,070
2014 interim dividend – HK3.0 cents per share (2013: 2013 interim dividend – HK4.3 cents per share)	<b>23,793</b>	34,105
	<b>104,692</b>	95,175

A final dividend for the year ended 31st December, 2014 of HK13.5 cents (2013: HK10.2 cents) per ordinary share amounting to HK\$107,072,000 (2013: HK\$80,899,000) 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:

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	<b>542,649</b>	440,205
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	<b>(182)</b>	(854)
Earnings for the purpose of diluted earnings per share	<b>542,467</b>	439,351
	<b>2014</b>	2013
Number of ordinary shares for the purposes of basic and diluted earnings per share	<b>793,124,034</b>	793,124,034

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 17. PROPERTY, PLANT AND EQUIPMENT

	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
<b>COST</b>							
At 1st January, 2013	20,918	9,977	184,759	31,200	40,129	70,189	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	37,144	42,805	72,924	372,301
Exchange realignment	-	-	-	(21)	(10)	-	(31)
Additions	-	27	84,701	2,854	11,696	332	99,610
Disposals	-	(33)	(1,827)	(8)	(266)	-	(2,134)
At 31st December, 2014	5,154	7,724	289,418	39,969	54,225	73,256	469,746
<b>DEPRECIATION AND IMPAIRMENT</b>							
At 1st January, 2013	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
Exchange realignment	-	-	-	(18)	(10)	-	(28)
Depreciation for the year	197	1,394	50,002	3,640	7,460	5,331	68,024
Eliminated on disposals	-	(33)	(1,202)	(8)	(233)	-	(1,476)
At 31st December, 2014	4,304	7,708	186,666	32,835	30,991	51,776	314,280
<b>CARRYING VALUES</b>							
<b>At 31st December, 2014</b>	<b>850</b>	<b>16</b>	<b>102,752</b>	<b>7,134</b>	<b>23,234</b>	<b>21,480</b>	<b>155,466</b>
At 31st December, 2013	1,047	1,383	68,678	7,923	19,031	26,479	124,541

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

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

The above items of property, plant and equipment 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 $\frac{1}{3}$ % 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 $\frac{2}{3}$ % – 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\$6,145,000 (2013: HK\$13,906,000) to secure a bank loan.

During the year ended 31st December, 2013, the management conducted an impairment assessment of the property, plant and equipment associated with the quarrying segment and the recoverable amount of the property, plant and equipment of the quarrying segment 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 was at 10%. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows included budgeted sales and gross margin. Such estimation was 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 was less than its carrying amount. Hence, an impairment loss of HK\$5,500,000 had 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 had been made against this category.

The management has also conducted an impairment assessment of the property, plant and equipment at 31st December, 2014 and concludes that no further impairment is required.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 18. INTANGIBLE ASSETS

	<b>Construction licenses HK\$'000 (note a)</b>	<b>Service concession arrangement HK\$'000 (note b)</b>	<b>Total HK\$'000</b>
<b>COST</b>			
At 1st January, 2013	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
Exchange realignment	–	(1,074)	(1,074)
At 31st December, 2014	32,858	41,765	74,623
<b>AMORTISATION</b>			
At 1st January, 2013	–	3,159	3,159
Exchange realignment	–	86	86
Charge for the year	–	1,342	1,342
At 31st December, 2013	–	4,587	4,587
Exchange realignment	–	(115)	(115)
Charge for the year	–	1,519	1,519
At 31st December, 2014	–	5,991	5,991
<b>CARRYING VALUES</b>			
<b>At 31st December, 2014</b>	<b>32,858</b>	<b>35,774</b>	<b>68,632</b>
At 31st December, 2013	32,858	38,252	71,110

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.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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. Details 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 had been further developed in second stage pursuant to the service concession arrangement contract which included purchase and installation of sewage treatment equipment and various construction works and which had been put into operation in 2013.

## 19. GOODWILL

The amount represents goodwill arising on the reverse acquisition of Build King and its subsidiaries in 2004. Details regarding the impairment testing on goodwill are disclosed in note 20.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

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

For the purpose of impairment testing of goodwill arising on the reverse acquisition of Build King and its subsidiaries in 2004 as set out in note 19, 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 of goodwill arising on the acquisition of additional interest in a joint operation during the year as set out in note 48, goodwill has been allocated to the underlying CGU and represents the control premium and the potential for revenue growth and future market development.

For the purpose of impairment testing, intangible assets with indefinite useful lives as 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.

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

During the year, the management of the Group has written off the goodwill arising on the acquisition of additional interest in a joint operation amounted to HK\$2,177,000.

Except as described above, at the end of the reporting period, the management of the Group determined that there is no impairment of any of its CGUs containing goodwill and intangible assets.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

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

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Cost of investments in associates		
Listed in Hong Kong ( <i>note a</i> )	<b>1,593,719</b>	1,559,011
Unlisted	<b>135,868</b>	77,634
	<b>1,729,587</b>	1,636,645
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	<b>3,653,393</b>	3,337,576
	<b>5,382,980</b>	4,974,221
Represented by:		
Interests in associates	<b>5,399,526</b>	4,991,653
Obligations in excess of interests in associates ( <i>note b</i> )	<b>(16,546)</b>	(17,432)
	<b>5,382,980</b>	4,974,221
Fair value of listed investments	<b>1,903,001</b>	2,118,205

*Notes:*

- (a) Included in the cost of investment in the associate listed in Hong Kong, there is goodwill of HK\$30,964,000 (2013: 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

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

Details of the Group's principal associates at 31st December, 2014 and 2013 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Effective interest held by the Company		Principal activities
			2014 %	2013 %	
Brilliant Trade Holdings Limited	Incorporated	Hong Kong	40	40	Transportation
Grand China Cayman Investors III, Limited	Incorporated	Cayman Islands	34.60	34.60 <i>(note a)</i>	Investment in rental properties in USA
Elite International Investment Fund I LP	Incorporated	Cayman Islands	30 <i>(note b)</i>	–	Investment in property development in USA
Hong Kong Landfill Restoration Group Limited	Incorporated	Hong Kong	17.65 <i>(note c)</i>	17.65 <i>(note c)</i>	Civil engineering
Road King Infrastructure Limited <i>(note d)</i>	Incorporated	Bermuda	39.82	38.83	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 a US company for acquiring residential rental properties in USA.
- (b) During the year, the Group invested US\$7,500,000 (equivalent to HK\$58,234,000) in 30% interest of Elite International Investment Fund I LP which has invested in a US company for property development in USA.
- (c) The Company holds the effective interest in the associate through Build King.
- (d) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

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

At 31st December, 2014, the carrying amount of the Group's interest in Road King of HK\$5,259,843,000 (2013: HK\$4,914,003,000) was more than its fair value of HK\$1,903,001,000 (2013: HK\$2,118,205,000). 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% (2013: 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.

### 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:

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Current assets	<b>35,306,391</b>	37,303,877
Non-current assets	<b>7,177,398</b>	6,125,586
Current liabilities	<b>(18,028,637)</b>	(21,555,269)
Non-current liabilities	<b>(10,402,600)</b>	(8,510,942)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	<b>2,851,433</b>	5,336,386
Current financial liabilities (excluding trade and other payables and provisions)	<b>(5,445,894)</b>	(6,164,441)
Non-current financial liabilities (excluding trade and other payables and provisions)	<b>(9,767,747)</b>	(7,927,650)

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

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

### Summarised financial information of material associate (Cont'd)

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	<b>12,730,104</b>	11,456,048
Profit for the year	<b>1,029,383</b>	1,023,367
Other comprehensive (expense) income for the year	<b>(54,217)</b>	290,954
Total comprehensive income for the year	<b>975,166</b>	1,314,321
Dividends received from the associate during the year	<b>152,128</b>	136,442
The above profit for the year includes the following income (expenses):		
Interest income	<b>48,569</b>	72,407
Depreciation	<b>(13,322)</b>	(11,536)
Finance costs	<b>(216,049)</b>	(257,128)
Income tax expense	<b>(1,471,272)</b>	(1,497,395)

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net assets attributable to owners of the associate	<b>13,207,891</b>	12,671,769
Proportion of the Group's ownership interest in the associate	<b>5,258,854</b>	4,920,448
Goodwill	<b>30,964</b>	30,964
Others	<b>(29,975)</b>	(37,409)
Carrying amount of the Group's interest in the associate	<b>5,259,843</b>	4,914,003

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

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

### Aggregate information of associates that are not individually material

	2014 HK\$'000	2013 HK\$'000
The Group's share of profit and total comprehensive income	7,709	337

## 22. INTEREST IN A JOINT VENTURE

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

Details of the Group's joint venture at 31st December, 2014 and 2013 are as follows:

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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.

	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Current liabilities	<b>(3,429)</b>	(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:

	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Net liabilities of the joint venture	<b>(3,429)</b>	(3,429)
Proportion of the Group's ownership interest in the joint venture	<b>17.04%</b>	17.04%
Carrying amount of the Group's interest in a joint venture	-	-



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 23. JOINT OPERATIONS

Details of the Group's principal joint operations at 31st December, 2014 and 2013 are as follows:

Name of joint operation	Form of business structure	Place of registration/operation	Effective interest held by the Company		Principal activities
			2014 %	2013 %	
ACC-Leader Joint Venture	Unincorporated	Middle East	<b>25.59</b> <i>(note)</i>	25.59 <i>(note)</i>	Civil engineering
China State-Leader Joint Venture	Unincorporated	Hong Kong	<b>25.07</b> <i>(note)</i>	25.07 <i>(note)</i>	Civil engineering
Chun Wo-Leader Joint Venture	Unincorporated	Hong Kong	<b>26.10</b> <i>(note)</i>	26.10 <i>(note)</i>	Civil engineering
CRBC-Kaden Joint Venture	Unincorporated	Hong Kong	<b>25.07</b> <i>(note)</i>	–	Civil engineering
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	<b>15.35</b> <i>(note)</i>	15.35 <i>(note)</i>	Civil engineering
Kaden-Chun Wo Joint Venture	Unincorporated	Hong Kong	<b>26.10</b> <i>(note)</i>	26.10 <i>(note)</i>	Civil engineering
Kaden-VSL Joint Venture	Unincorporated	Hong Kong	<b>28.14</b> <i>(note)</i>	28.14 <i>(note)</i>	Civil engineering
Kier-Kaden-OSSA Joint Venture	Unincorporated	Hong Kong	<b>17.91</b> <i>(note)</i>	17.91 <i>(note)</i>	Civil engineering
Kier-Laing O'Rourke-Kaden Joint Venture	Unincorporated	Hong Kong	<b>7.68</b> <i>(note)</i>	7.68 <i>(note)</i>	Civil engineering
McDow-Kaden Joint Venture	Unincorporated	Hong Kong	<b>25.59</b> <i>(note)</i>	25.59 <i>(note)</i>	Civil engineering
Sembawang-Leader Joint Venture	Unincorporated	Hong Kong	<b>23.03</b> <i>(note)</i>	23.03 <i>(note)</i>	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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 24. AVAILABLE-FOR-SALE INVESTMENTS

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Unlisted equity securities, at cost	<b>46,044</b>	3,368
Less: Impairment loss recognised	<b>(3,368)</b>	(3,368)
	<b>42,676</b>	–

The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC and Cayman Islands. The unlisted investments are measured at cost less impairment loss at the end of the reporting period.

During the year, the Group invested US\$5,500,000 (equivalent to HK\$42,676,000) in interests of private entities incorporated in Cayman Islands which have invested in the US companies for property development in USA.

## 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% (2013: 2.61%) per annum and recoverable over the service concession period of 30 years.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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, 2014, the amount of HK\$4,470,000 (2013: HK\$8,733,000) to be settled after twelve months from the end of the reporting period is shown under non-current assets while the amount of HK\$4,262,000 (2013: HK\$4,097,000) 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” as disclosed in note 29.

## 27. INVENTORIES

	2014 HK\$'000	2013 HK\$'000
Raw materials	3,198	3,803
Work-in-progress	11,761	1,978
Consumables	5,012	4,212
Finished goods	4,367	2,465
	<b>24,338</b>	12,458

The cost of inventories recognised as an expense during the year is HK\$439,847,000 (2013: HK\$238,193,000).

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 29. DEBTORS, DEPOSITS AND PREPAYMENTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade debtors	<b>621,864</b>	590,134
Less: Allowance for doubtful debts	<b>(3,666)</b>	(623)
	<b>618,198</b>	589,511
Retention receivables	<b>240,235</b>	195,401
Other debtors	<b>41,860</b>	66,153
Deposits and prepayments	<b>62,818</b>	81,113
Loan and other receivables ( <i>note 26</i> )	<b>4,262</b>	4,097
	<b>967,373</b>	936,275

The Group's other debtors included a carrying amount of HK\$2,439,000 (2013: HK\$8,391,000) 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade debtors		
0 to 60 days	<b>602,688</b>	580,599
61 to 90 days	<b>7,773</b>	8,404
Over 90 days	<b>7,737</b>	508
	<b>618,198</b>	589,511
Retention receivables		
Due within one year	<b>66,745</b>	109,220
Due after one year	<b>173,490</b>	86,181
	<b>240,235</b>	195,401

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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. 97% (2013: 98%) 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, 2014, the Group's trade debtors and retention receivables included amounts of HK\$22,341,000 (2013: HK\$1,495,000) and HK\$10,315,000 (2013: HK\$67,000) 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 a carrying amount of HK\$15,510,000 (2013: HK\$8,912,000) 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

	2014 HK\$'000	2013 HK\$'000
Overdue by:		
1 to 30 days	7,773	8,404
Over 30 days	7,737	508
	<b>15,510</b>	8,912

Included in the allowance for doubtful debts are individually impaired receivables due from certain trade debtors with an aggregate amount of HK\$3,666,000 (2013: HK\$623,000) which have either been placed under liquidation, are in financial difficulties or are past due beyond 120 days and estimated to be irrecoverable. The Group does not hold any collateral over these receivables.

### Movement in the allowance for doubtful debts

	2014 HK\$'000	2013 HK\$'000
Balance at the beginning of the year	623	623
Allowance recognised in profit or loss	3,043	–
Balance at the end of the year	<b>3,666</b>	623

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Held-for-trading investments at fair value		
Equity securities listed in Hong Kong	<b>26,246</b>	29,078
Debt securities listed in Singapore	-	32,639
	<b>26,246</b>	61,717

At 31st December, 2014, certain listed equity securities with a market value of HK\$19,650,000 (2013: HK\$22,260,000) 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\$60,000 (2013: HK\$30,000) were pledged to banks for securing certain banking facilities granted to the Group. The pledged bank deposits carry fixed interest rate at 0.01% (2013: 0.01%) per annum.

Bank balances with original maturity less than three months carry market interest rate ranging from 0.00% to 0.35% (2013: 0.00% to 0.35%) per annum.

The Group's bank balances included carrying amounts of HK\$13,710,000 (2013: HK\$7,974,000) and HK\$3,000 (2013: 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 33. CREDITORS AND ACCRUED CHARGES

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	<b>256,738</b>	128,615
61 to 90 days	<b>21,519</b>	21,556
Over 90 days	<b>38,267</b>	13,806
	<b>316,524</b>	163,977
Retention payables	<b>194,730</b>	133,432
Accrued project costs	<b>323,236</b>	317,085
Other creditors and accrued charges	<b>88,979</b>	78,444
	<b>923,469</b>	692,938
Retention payables		
Due within one year	<b>52,412</b>	70,148
Due after one year	<b>142,318</b>	63,284
	<b>194,730</b>	133,432

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 trade and other creditors included an aggregate carrying amount of HK\$1,455,000 (2013: HK\$6,865,000) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 35. BANK LOANS

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
The maturity of the bank loans is as follows:		
Within one year	<b>183,000</b>	128,580
In the second year	<b>12,000</b>	15,000
	<b>195,000</b>	143,580
Carrying amount of term loans which contain a repayment on demand clause (shown under current liabilities)		
– repayable within one year	<b>43,661</b>	37,218
– repayable in the second year	<b>51,403</b>	15,484
– repayable in the third to fifth year inclusive	<b>5,194</b>	43,125
	<b>100,258</b>	95,827
Total	<b>295,258</b>	239,407
Less: Amount shown under current liabilities	<b>(283,258)</b>	(224,407)
Amount shown under non-current liabilities	<b>12,000</b>	15,000
Secured	<b>62,000</b>	89,910
Unsecured	<b>233,258</b>	149,497
	<b>295,258</b>	239,407

At 31st December, 2014, all bank loans are variable-rate borrowings which carry interest ranging from 2.22% to 3.37% (2013: 2.22% to 3.39%) 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.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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 the balance during each of the two years ended 31st December, 2014.

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

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Tax losses to expire in:		
2014	–	1,584
Carried forward indefinitely	<b>423,574</b>	533,988
	<b>423,574</b>	535,572

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 term 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% (2013: 5.4%) per annum.

## 38. SHARE CAPITAL

	Number of shares		Share capital	
	<b>2014</b> <b>'000</b>	2013 '000	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At the beginning and the end of the year	<b>1,000,000</b>	1,000,000	<b>100,000</b>	100,000
Issued and fully paid:				
At the beginning and the end of the year	<b>793,124</b>	793,124	<b>79,312</b>	79,312

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 39. TRANSLATION RESERVE AND NON-CONTROLLING INTERESTS

	<b>Translation reserve HK\$'000</b>	<b>Non- controlling interests HK\$'000</b>
At 1st January, 2013	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
Profit for the year	–	24,230
Exchange differences arising on translation of foreign operations	(1,262)	(1,295)
Share of translation reserves of associates	(21,027)	–
Capital contribution from a non-controlling shareholder of a subsidiary	–	2,450
Distribution to non-controlling shareholders	–	(3,032)
Acquisition of additional interest in a subsidiary	–	50
<b>At 31st December, 2014</b>	<b>892,558</b>	<b>159,805</b>

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 41. 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 balances.

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.

## 42. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Financial assets		
Available-for-sale investments	42,676	–
Held-for-trading investments	26,246	61,717
Loans and receivables (including cash and cash equivalents)	1,561,419	1,335,167
	<b>1,630,341</b>	1,396,884
Financial liabilities		
Amortised cost	1,329,321	986,565

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

The Group's major financial instruments include available-for-sale investments, other financial asset, loan and other receivables, debtors, held-for-trading investments, pledged bank deposits, bank balances and cash, creditors, bank loans and amounts due from/to associates, a joint venture, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 42. FINANCIAL INSTRUMENTS (Cont'd)

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

#### Market risk

##### (i) Currency risk

Certain other debtors, bank balances and trade and other 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.

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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Renminbi	16,149	16,365	1,455	6,865
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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 42. FINANCIAL INSTRUMENTS (Cont'd)

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

#### **Market risk (Cont'd)**

##### *(ii) Interest rate risk (Cont'd)*

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 (2013: 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 (2013: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2014 would decrease/increase by HK\$2,465,000 (2013: HK\$1,999,000). This is mainly attributable to the Group's exposure to fluctuation in interest rates on its variable-rate bank loans.

##### *(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% (2013: 10%) higher/lower while all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2014 would increase/decrease by HK\$2,192,000 (2013: HK\$5,153,000) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 42. FINANCIAL INSTRUMENTS (Cont'd)

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

#### ***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 is arising 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.

#### ***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, 2014, the Group has available unutilised bank and other borrowings facilities of HK\$176,500,000 (2013: HK\$260,630,000) and HK\$23,898,000 (2013: HK\$27,275,000) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 42. FINANCIAL INSTRUMENTS (Cont'd)

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

#### Liquidity risk (Cont'd)

##### Liquidity tables (Cont'd)

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, 2014

	Weighted average effective interest rate %	Repayable on demand or 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
Financial liabilities								
Non-interest bearing		880,710	3,074	2,555	82,173	73,410	1,041,922	1,034,063
Variable interest rate	3.05	264,497	15,246	4,237	12,102	-	296,082	295,258
		1,145,207	18,320	6,792	94,275	73,410	1,338,004	1,329,321

#### At 31st December, 2013

	Weighted average effective interest rate %	Repayable on demand or 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
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



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 42. 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, 2014, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$100,258,000 (2013: HK\$95,827,000). 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, 2014	6,293	6,430	33,204	57,353	814	104,094	100,258
At 31st December, 2013	5,426	5,400	29,064	61,416	–	101,306	95,827

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 on a recurring basis, derived from quoted bid prices in active markets and classified as Level 1 of the fair value hierarchy.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 43. CAPITAL COMMITMENTS

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

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Contracted for but not provided in the consolidated financial statements	<b>5,988</b>	18,165
Authorised but not contracted for	-	756
	<b>5,988</b>	18,921

## 44. 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	
	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Within one year	<b>767</b>	2,123	<b>625</b>	3,000
In the second to fifth year inclusive	<b>227</b>	191	-	625
	<b>994</b>	2,314	<b>625</b>	3,625

### 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:

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Within one year	<b>21,312</b>	49,137
In the second to fifth year inclusive	<b>17,908</b>	11,697
	<b>39,220</b>	60,834

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 45. CONTINGENT LIABILITIES

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

## 46. 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\$21,527,000 (2013: HK\$16,831,000) represents the aggregate retirement benefits scheme contributions for the Group's employees, net of forfeited contributions.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 47. RELATED PARTY TRANSACTIONS

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

	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
<b>Associates</b>		
Interest income	<b>180</b>	187
Service income	<b>60</b>	60
Disposal of property, plant and equipment	<b>-</b>	8
<b>Joint operations</b>		
Sale of construction materials	<b>138,928</b>	-
<b>A related company (note)</b>		
Construction contract revenue	<b>138,212</b>	1,380
Project management fee income	<b>11,241</b>	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 and the related terms are set out in the consolidated statement of financial position and notes 29, 30, 34 and 37.

At 31st December, 2014, Mr. Zen Wei Peu, Derek, a director of the Company, provided a personal guarantee amounting to HK\$12,500,000 (2013: 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

	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Short-term employee benefits	<b>43,601</b>	39,341
Post-employment benefits	<b>2,627</b>	2,373
	<b>46,228</b>	41,714

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 48. ACQUISITION OF ADDITIONAL INTEREST IN A JOINT OPERATION

On 28th February, 2014, the Group acquired, through Build King, 60% interest in Honwin-Leader Marine Joint Venture ("Honwin-Leader") from an independent third party at a cash consideration of HK\$8,000,000. Prior to the acquisition, Build King held 40% interest in Honwin-Leader which is an unincorporated entity and has been accounted for as a joint operation of the Group. Immediately after the acquisition, Honwin-Leader becomes a 100% owned subsidiary of Build King and a 51.17% subsidiary of the Company. Honwin-Leader is engaged in marine engineering and provision of transportation services in Hong Kong. The acquisition is accounted for using the purchase method.

Acquisition-related costs are insignificant and recognised as an administrative expense in the year.

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

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

The management of the Group has assessed the fair values of Honwin-Leader's identifiable assets and liabilities and considered that the fair value of debtors, deposits and prepayments at the acquisition date amounting to HK\$2,665,000 approximated to gross contractual amounts of the corresponding balances acquired by Build King. At the acquisition date, the management of the Group considered that the contractual cash flows not expected to be collected was insignificant.

Goodwill arising on the acquisition represents the control premium and the potential for revenue growth and future market development. During the year, the management of the Group has written off the goodwill arising on the acquisition of Honwin-Leader and recognised a loss of HK\$2,177,000 which has been included in administrative expenses.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 49. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2014 and 2013 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		Principal activities
			2014 %	2013 %	
Archibuild Limited	Hong Kong	HK\$6,000 Ordinary shares	<b>51.17</b> <i>(note a)</i>	51.17 <i>(note a)</i>	Supply and provision of installation works of stone products
		HK\$4,000 Preferred shares <i>(note b)</i>	-	-	
Build King Holdings Limited <i>(note c)</i>	Bermuda/ Hong Kong	HK\$124,187,799	<b>51.17</b>	51.17	Investment holding
Excel Concrete Limited	Hong Kong	HK\$10,000,000	<b>94.05</b> <i>(note d)</i>	94.05 <i>(note d)</i>	Manufacturing, trading and delivery of concrete
Faith Oriental Investment Limited	Hong Kong	HK\$125,010,000	<b>100</b>	100	Investment holding and trading of construction materials
Grandeur Building Material (Holdings) Limited	Hong Kong	HK\$2	<b>100</b>	100	Trading of construction materials
Kaden Construction Limited	United Kingdom/ Hong Kong	GBP16,072,500	<b>51.17</b> <i>(note a)</i>	51.17 <i>(note a)</i>	Construction and civil engineering
Leader Civil Engineering Corporation Limited	Hong Kong	HK\$25,200,000 Ordinary shares	<b>51.17</b> <i>(note a)</i>	51.17 <i>(note a)</i>	Civil engineering
		HK\$24,000,000 Non-voting deferred shares	<b>51.17</b> <i>(note a)</i>	51.17 <i>(note a)</i>	
Leader Marine Contractors Limited	Hong Kong	HK\$200,000	<b>51.17</b> <i>(note a)</i>	51.17 <i>(note a)</i>	Marine engineering and provision of transportation services
Leader Marine Cont. L.L.C.	Sharjah, United Arab Emirates	Dh300,000	<b>51.17</b> <i>(note a)</i>	51.17 <i>(note a)</i>	First class contracting/ specialised in marine construction
Mega Yield International Holdings Limited ("Mega Yield")	Hong Kong	HK\$105,000,000	<b>94.05</b>	94.05	Investment holding

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 49. 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		Principal activities
			2014 %	2013 %	
Titan Foundation Limited	Hong Kong	HK\$20,000,000	<b>51.17</b> <i>(note a)</i>	51.17 <i>(note a)</i>	Civil engineering
Wai Hing Quarries (China) Limited	Hong Kong/The PRC	HK\$2 Ordinary shares HK\$1,200,000 Non-voting deferred shares	<b>100</b> <b>100</b>	100 100	Production of quarry products
Wai Kee China Construction Company Limited	Hong Kong/The PRC	HK\$10,000,000	<b>51.17</b> <i>(note a)</i>	51.17 <i>(note a)</i>	Civil engineering
Wai Kee Quarry Asia Limited	Hong Kong	HK\$2	<b>100</b>	100	Investment holding
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	HK\$25,000,002 Ordinary shares HK\$14,800,000 Non-voting deferred shares HK\$5,200,000 Non-voting deferred shares <i>(note e)</i>	<b>51.17</b> <i>(note a)</i> <b>51.17</b> <i>(note a)</i> —	51.17 <i>(note a)</i> 51.17 <i>(note a)</i> —	Civil engineering
Wai Kee (Zens) Holding Limited	British Virgin Islands	US\$50,000	<b>100</b>	100	Investment holding
Wuxi Qianhui Sewage Treatment Co., Ltd. <i>(note f)</i>	The PRC	US\$5,400,000*	<b>48.92</b> <i>(note a)</i>	48.92 <i>(note a)</i>	Sewage treatment
Yat Hing Decoration Works Limited	Hong Kong	HK\$1,000,000	<b>51.17</b> <i>(note a)</i>	35.82 <i>(note a)</i>	Fitting out, improvement and alternation works for buildings
Zhuhai Guishan Seawall Construction Company <i>(note f)</i>	The PRC	HK\$47,000,000*	<b>80</b>	80	Seawall construction and production of quarry products
惠記環保工程(上海)有限公司 <i>(note g)</i>	The PRC	US\$800,000*	<b>51.17</b> <i>(note a)</i>	51.17 <i>(note a)</i>	Environmental engineering

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 49. PRINCIPAL SUBSIDIARIES (Cont'd)

Notes:

- (a) The Company holds the effective interest in the subsidiary through Build King.
- (b) 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.
- (c) The shares of Build King are listed on the Main Board of the Stock Exchange.
- (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.

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Current assets	<b>1,827,700</b>	1,532,696
Non-current assets	<b>259,157</b>	230,365
Current liabilities	<b>(1,712,269)</b>	(1,431,067)
Non-current liabilities	<b>(27,689)</b>	(28,943)
Net assets	<b>346,899</b>	303,051
Equity attributable to owners of the company	<b>345,831</b>	299,812
Non-controlling interests	<b>1,068</b>	3,239
Total equity	<b>346,899</b>	303,051



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 49. PRINCIPAL SUBSIDIARIES (Cont'd)

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	<b>3,237,341</b>	2,193,098
Expenses, net	<b>(3,184,727)</b>	(2,172,884)
Profit for the year	<b>52,614</b>	20,214
Profit attributable to owners of the company	<b>55,203</b>	21,330
Loss attributable to non-controlling interests	<b>(2,589)</b>	(1,116)
Profit for the year	<b>52,614</b>	20,214
Other comprehensive (expense) income attributable to owners of the company	<b>(2,464)</b>	2,480
Other comprehensive (expense) income attributable to non-controlling interests	<b>(93)</b>	89
Other comprehensive (expense) income for the year	<b>(2,557)</b>	2,569
Total comprehensive income attributable to owners of the company	<b>52,739</b>	23,810
Total comprehensive expense attributable to non-controlling interests	<b>(2,682)</b>	(1,027)
Total comprehensive income for the year	<b>50,057</b>	22,783
Dividends paid to non-controlling shareholders	<b>3,032</b>	–
Net cash inflow from operating activities	<b>196,485</b>	222,965
Net cash outflow from investing activities	<b>(78,591)</b>	(56,681)
Net cash outflow from financing activities	<b>(4,508)</b>	(23,988)
Net cash inflow	<b>113,386</b>	142,296

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

## 50. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

### Statement of financial position

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Investments in subsidiaries	<b>123,915</b>	123,915
Amounts due from subsidiaries	<b>2,315,459</b>	2,264,763
Other current assets	<b>9,854</b>	25,251
Amounts due to subsidiaries	<b>(809,918)</b>	(893,300)
Other current liabilities	<b>(418)</b>	(395)
Bank loans	<b>(155,500)</b>	(105,000)
	<b>1,483,392</b>	1,415,234
Share capital (note 38)	<b>79,312</b>	79,312
Share premium and reserves	<b>1,404,080</b>	1,335,922
	<b>1,483,392</b>	1,415,234

### Statement of changes in equity

	<b>Share capital</b> <b>HK\$'000</b>	<b>Share premium</b> <b>HK\$'000</b>	<b>Contributed surplus</b> <b>HK\$'000</b>	<b>Retained profits</b> <b>HK\$'000</b>	<b>Total</b> <b>HK\$'000</b>
At 1st January, 2013	79,312	731,906	93,995	324,026	1,229,239
Profit and total comprehensive income for the year	–	–	–	281,170	281,170
Dividends paid (note 15)	–	–	–	(95,175)	(95,175)
At 31st December, 2013	79,312	731,906	93,995	510,021	1,415,234
Profit and total comprehensive income for the year	–	–	–	172,850	172,850
Dividends paid (note 15)	–	–	–	(104,692)	(104,692)
<b>At 31st December, 2014</b>	<b>79,312</b>	<b>731,906</b>	<b>93,995</b>	<b>578,179</b>	<b>1,483,392</b>

# Financial Summary

## RESULTS

	Year ended 31st December,				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	
Revenue	926,698	1,825,558	2,417,992	2,545,909	<b>3,832,509</b>
Profit (loss) before tax from operations:					
Company and subsidiaries	(31,717)	14,249	26,589	62,689	<b>162,089</b>
Share of results of associates	224,231	292,050	310,002	387,825	<b>406,697</b>
Profit before tax	192,514	306,299	336,591	450,514	<b>568,786</b>
Income tax expense	(322)	(5,074)	(261)	(1,495)	<b>(1,907)</b>
<b>Profit for the year</b>	192,192	301,225	336,330	449,019	<b>566,879</b>
Profit for the year attributable to:					
Owners of the Company	188,800	290,735	326,692	440,205	<b>542,649</b>
Non-controlling interests	3,392	10,490	9,638	8,814	<b>24,230</b>
	192,192	301,225	336,330	449,019	<b>566,879</b>

## FINANCIAL POSITION

	At 31st December,				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	
Total assets	4,864,419	5,573,897	6,082,131	7,035,149	<b>7,833,901</b>
Total liabilities	(712,017)	(1,029,135)	(1,198,400)	(1,693,102)	<b>(2,053,833)</b>
<b>Net assets</b>	4,152,402	4,544,762	4,883,731	5,342,047	<b>5,780,068</b>
Equity attributable to owners of the Company	4,049,072	4,419,925	4,748,520	5,204,645	<b>5,620,263</b>
Non-controlling interests	103,330	124,837	135,211	137,402	<b>159,805</b>
<b>Total equity</b>	4,152,402	4,544,762	4,883,731	5,342,047	<b>5,780,068</b>

# Corporate Information

## EXECUTIVE DIRECTORS

ZEN Wei Pao, William (*Chairman*)  
ZEN Wei Peu, Derek  
(*Vice Chairman and Chief Executive Officer*)  
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  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## STOCK CODE

The Stock Exchange of Hong Kong Limited – 610

## WEBSITE

[www.waikee.com](http://www.waikee.com)

