

**TOLL ROAD**

**PROPERTY  
DEVELOPMENT**

**CONSTRUCTION**

**CONSTRUCTION  
MATERIALS**

**QUARRYING**



# Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

*ANNUAL REPORT 2015*

## CONTENTS

	<i>Page</i>
Financial Highlights	2
Chairman's Statement	4
Directors and Senior Management	18
Corporate Governance Report	24
Directors' Report	37
Independent Auditor's Report	52
Consolidated Statement of Profit or Loss	54
Consolidated Statement of Profit or Loss and Other Comprehensive Income	55
Consolidated Statement of Financial Position	56
Consolidated Statement of Changes in Equity	58
Consolidated Statement of Cash Flows	59
Notes to the Consolidated Financial Statements	61
Financial Summary	139
Corporate Information	140

# Financial Highlights

	Year ended 31st December,	
	2015 <i>HK\$'million</i>	2014 <i>HK\$'million</i>
Revenue	5,019	3,833
Profit for the year	466	567
Profit attributable to owners of the Company	421	543
	<i>HK cents</i>	<i>HK cents</i>
Basic earnings per share	53.06	68.42
Dividends per share	12.80	16.50
Return on equity attributable to owners of the Company	7.4%	9.7%

	At 31st December,	
	2015 <i>HK\$'million</i>	2014 <i>HK\$'million</i>
Total assets	9,064	7,834
Total liabilities	(3,164)	(2,054)
Non-controlling interests	(201)	(160)
Equity attributable to owners of the Company	5,699	5,620
	<i>HK\$</i>	<i>HK\$</i>
Equity attributable to owners of the Company per share	7.19	7.09

# Financial Highlights

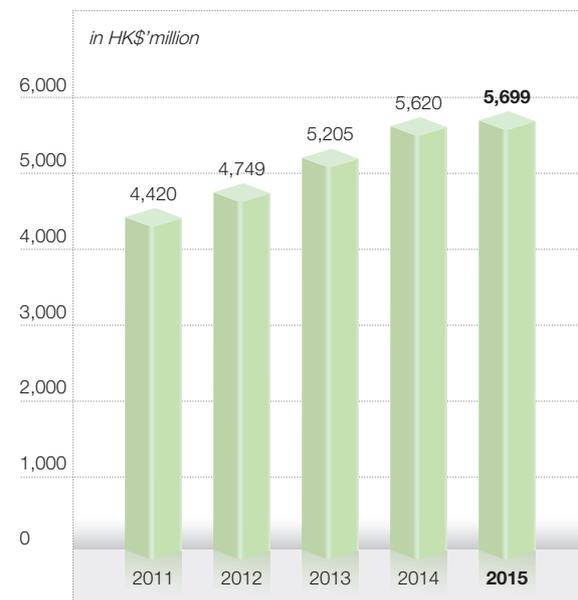
## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Year ended 31st December,



## EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

At 31st December,



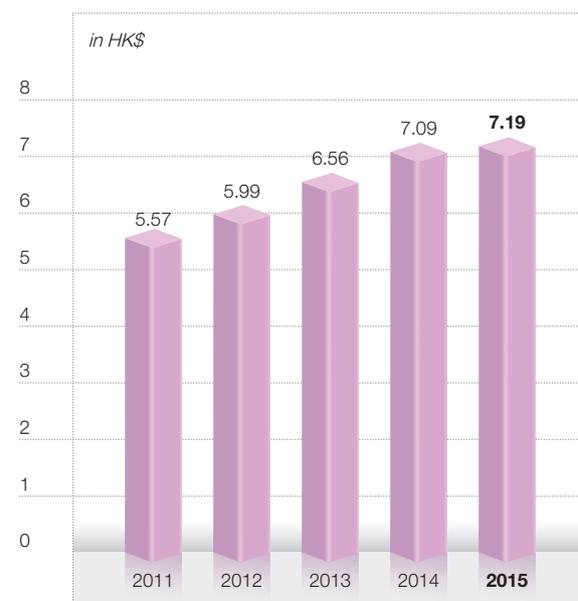
## BASIC EARNINGS PER SHARE

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, 2015 was HK\$5,019 million (2014: HK\$3,833 million), generating an audited consolidated profit attributable to owners of the Company of HK\$421 million (2014: HK\$543 million), a decrease of 22% as compared with that of 2014.

At the forthcoming Annual General Meeting to be held on 19th May, 2016, the Board will recommend the payment of a final dividend of HK9.5 cents (2014: HK13.5 cents) per share.



# TOLL ROAD

TANGS

唐  
TANGG

唐  
TANGS

# Chairman's Statement

## BUSINESS REVIEW

### Toll Road and Property Development

For the year ended 31st December, 2015, the Group shared a profit of HK\$328 million (2014: HK\$399 million) from Road King Infrastructure Limited ("Road King"), an associate of the Group. As of the date of this report, the Group holds 40.28% interest in Road King.

During the year ended 31st December, 2015, Road King issued 10,240,000 (2014: 155,000) ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option schemes of Road King. As the shares were issued at exercise prices lower than the net assets value per share of Road King, the Group recorded an aggregate loss of HK\$41 million (2014: HK\$1 million) on deemed disposal of partial interest in Road King. On the other hand, the Group purchased 6,031,000 (2014: 5,062,000) 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\$63 million (2014: HK\$52 million) on acquisition of additional interest in Road King. During the year ended 31st December, 2014, Road King repurchased and cancelled 5,637,000 ordinary shares, resulting in an aggregate gain of HK\$34 million recorded by the Group on deemed acquisition of additional interest in Road King but there was no repurchase and cancellation of shares by Road King during the year ended 31st December, 2015. As a result, the net effect of these transactions increased the Group's interest in Road King by 0.26% (2014: 0.99%).

For the year ended 31st December, 2015, Road King recorded an audited profit attributable to its owners of HK\$820 million (2014: HK\$1,005 million), a decrease of 18% as compared with that of 2014.

The total traffic volume reached 76 million vehicles and toll revenue was RMB2,187 million in 2015. Toll revenue from expressway projects further increased from 96% of the entire toll road portfolio in 2014 to 97% in 2015.

In 2015, Road King received cash distribution of HK\$530 million from the toll road joint ventures, including the repayment of shareholders' loans. Road King's share of operating profits of toll road joint ventures was increased from HK\$157 million in 2014 to HK\$250 million in 2015. This was benefited from the increase in traffic flow and the toll income as well as a result of a course of favorable actions taken out by its expressways.



# PROPERTY DEVELOPMENT

# Chairman's Statement

## BUSINESS REVIEW (Cont'd)

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

Adhering to the steady and consistent business strategy of deeper exploitation and balancing turnover and profitability, Road King achieved remarkable results in the property development business. Its property sales (including joint venture projects) increased to RMB11,649 million in 2015, including the contracted sales of RMB10,408 million and outstanding subscribed sales of RMB1,241 million.

In 2015, the revenue of Road King's property development business was mainly contributed by the delivery of properties in Yangtze River Delta region. The total area delivered in 2015 was 1,006,000 sqm, with an average price of approximately RMB10,300 per sqm. Operating profit after taxation of the property business was HK\$990 million. Taking into account the exchange loss of HK\$167 million due to RMB depreciation, the profit for the year was HK\$823 million.

For land reserve replenishment, Road King acquired three pieces of land in Luoyang, Langfang and Guangzhou through listing-for-sale and subscription for trust units of an investment fund in 2015, with an aggregate floor area of 1,002,000 sqm. At 31st December, 2015, Road King's land reserve was approximately 5,400,000 sqm.

For the toll road business, Road King believes that the toll road business would provide steady cash flows. By leveraging the experience obtained over the past two decades, Road King guarantees a sustainable and stable operation and development.

For the property development business, Road King is optimistic about the prospect of the property market. It will continue to adopt the strategy that maintains deeper exploitation, and balances profitability and sales volume, researching and developing market-oriented products, enhancing the value-added services of the property management services, and to continuously improve product and service quality and brand appeal. Together with its market position and a well-developed operation team, Road King has established a solid foundation for the continuous expansion in property business.



# CONSTRUCTION

# Chairman's Statement

## BUSINESS REVIEW (Cont'd)

### Construction

For the year ended 31st December, 2015, the Group shared a profit of HK\$48 million (2014: HK\$28 million) from Build King Holdings Limited ("Build King"), the construction arm of the Group. As of the date of this report, the Group holds 52.78% interest in Build King.

For the year ended 31st December, 2015, Build King recorded revenue of HK\$4,572 million (2014: HK\$3,237 million) and an audited profit attributable to its owners of HK\$94 million (2014: HK\$55 million), an increase of 71% as compared with that of 2014. This comprises profit of HK\$91 million (2014: HK\$57 million) from construction operation and gain of HK\$3 million (2014: loss of HK\$2 million) from investment in listed securities.

The significant improvement of the results was attributable to increasing turnover and the healthy margin of major projects awarded in past two years. Although Build King encountered difficulties in two railway projects, its gross profit margin was maintained as healthy and only dropped slightly from 6.8% to 6%. Despite the expansion of the operation, Build King's head quarter supporting departments took various measures to enhance the efficiency and controlled the increase of administrative expense at 11% only. Overall, the profit to turnover ratio was improved from 1.6% to 2.1%.

Build King secured 13 new projects during the year with a total contract sum of HK\$5 billion. As of the date of this report, the outstanding value of contracts on hand was HK\$11 billion.

The outlook of construction industry in the next few years is not too promising, as the amount in infrastructure will be reduced. With the gradual completion of many major ongoing projects, the industry is looking forward to the rolling out of new infrastructure projects. The earliest would be the third runway which is 3 years away.

Leveraged on outstanding contracts on hand which are sufficient for workload in 2016 and part of 2017, Build King will not relax its cautious attitude toward pricing tenders despite of the competitive market and continue to focus on only those projects that it has an edge and will be profitable with healthy cashflow. To face the many challenges ahead, Build King has been looking at lean construction for quite some time with a view to bring in new technology and at the same time encourage innovative ideas to enable it to remain competitive in the market. On current projects, overall progress was satisfactory. During the year, the building division successfully completed two projects.

In PRC, the sewage treatment plant at Wuxi City maintained treatment volume steadily increasing and recorded a mild increase of 7% of profit. During the year, Build King ventured into a new business – central heating in northern China, by acquiring 49% of equity interest in a company operating in Dezhou, Shan Dong Province at a price of RMB34.71 million. Build King expects the acquisition will complete in April 2016 and the new investment will provide a stable income stream to Build King.



# CONSTRUCTION MATERIALS

# Chairman's Statement

## BUSINESS REVIEW (Cont'd)

### Construction Materials

For the year ended 31st December, 2015, the construction materials division recorded revenue of HK\$582 million (2014: HK\$663 million) and a net profit of HK\$33 million (2014: HK\$38 million).

The Group has been awarded the tender for The Rehabilitation of Lam Tei Quarry – Extended Works in March 2015 and the handover of the site by Hong Kong Government was in October 2015.

Although part of pre-operating expenses incurred in 2015 for the establishment of the concrete batching and asphalt production facilities at Lam Tei site had partly offset the positive results of the division, the results for the division in 2015 was only slightly below that of 2014. With some of the existing projects near completion later in 2016, we will continue to look for opportunities to sustain long term growth of the division.

The construction of the concrete batching and asphalt production facilities at Lam Tei will be completed in the first half of 2016. With additional concrete batching facilities, it will assist the division in achieving better geographic coverage and access to more market in the long run.

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

### Quarrying

For the year ended 31st December, 2015, the quarrying division recorded revenue of HK\$172 million (2014: HK\$171 million) and a net loss of HK\$1 million (2014: HK\$3 million).

In 2015, the results of the quarrying division excluding Lam Tei Quarry recorded some profit due to slight improvement of profit margin as a result of perpetual cost control measures exercised for production of aggregates at Niu Tou Island and the positive impact of devaluation in Renminbi on costs incurred in China throughout the year.

As a substantial amount of pre-operating costs for setting up the crushing facilities at Lam Tei has been incurring until its completion before the commencement of crushing operation in the first half of 2016, the overall results of the quarrying division is therefore in a loss position in the current year. Lam Tei Quarry is located in Hong Kong and will have geographic and synergic advantages to the Group's construction and construction materials divisions in the coming years.



# QUARRYING

## BUSINESS REVIEW (Cont'd)

### Property Funds

The Group holds 34.6% interest in Grand China Cayman Investors III, Limited ("Grand China Fund") which 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. For the year ended 31st December, 2015, the occupancy rates of these nine properties maintained around 95% on average. During the year, the Group shared profit and received dividends of HK\$6.5 million and US\$0.63 million (equivalent to HK\$4.9 million) from Grand China Fund respectively. In the first quarter of 2016, US Company I is negotiating to dispose of two out of the nine properties held in order to maximize the return of the portfolio as a whole.

The Group holds 30% interest in Elite International Investment Fund I LP ("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. A potential buyer has signed the letter of intent to purchase the whole property held by US Company II and conducted the due diligence in January 2016. It is expected that the disposal transaction will be completed in the fourth quarter of 2016.

The Group holds 10% in Grand China Overseas Investment Fund, Ltd. and Grand China Overseas Investment Management Co., Ltd. (collectively "GCOI Fund"). GCOI Fund 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. In the first six months of 2015, GCOI Fund has successfully invested in three property development projects and one property re-development project in USA.

Talent Set Global Limited ("Talent Set"), a wholly owned subsidiary of the Company, entered into the Potential Investment Agreement with Landsea Green Properties Co., Ltd. and Landsea Holdings Corporation on 18th February, 2016 for the potential investment in Sunnyvale project. The project involves the development on the Sunnyvale Land of three-storeyed cluster townhouses, three-storeyed small townhouses and three-storeyed large townhouses respectively in three lots of land of 25.2 acres in total comprised in the Sunnyvale Land. Under the Potential Investment Agreement, an amount of US\$57 million (approximately HK\$447 million) was paid by Talent Set for capital contribution representing 30% effective interest in the Sunnyvale project subject to relevant parties entering into the definitive agreements. The acquisition of the Sunnyvale Land by the Project Company was completed on 22nd February, 2016. As of the date of this report, the definitive agreements have not yet been signed.

# Chairman's Statement

## FINANCIAL REVIEW

### Liquidity and Financial Resources

During the year, total borrowings increased from HK\$295 million to HK\$494 million with the maturity profile summarised as follows:

	31st December,	
	2015 HK\$'million	2014 HK\$'million
Within one year	243	227
In the second year	55	63
In the third to fifth year inclusive	159	5
Over five years	37	–
	<b>494</b>	295
Classified under:		
Current liabilities ( <i>note a</i> )	325	283
Non-current liabilities ( <i>note b</i> )	169	12
	<b>494</b>	295

*Notes:*

- (a) At 31st December, 2015, 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\$82 million (2014: HK\$56 million) have been classified as current liabilities.
- (b) At 31st December, 2015, the amount included bonds with carrying amounts of HK\$114 million (2014: nil) carrying fixed coupon interest of 7% per annum and HK\$37 million (2014: nil) carrying fixed coupon interest of 5% per annum respectively.

During the year, the Group had no financial instruments for hedging purpose. At 31st December, 2015, apart from the bonds described above, the Group had no fixed-rate borrowings.

At 31st December, 2015, total amount of the Group's bank balances and cash was HK\$882 million (2014: HK\$453 million), of which bank deposits amounting to HK\$0.08 million (2014: HK\$0.06 million) were pledged to banks to secure certain general banking facilities granted to the Group. In addition, the Group has available unutilised bank and other borrowings facilities of HK\$427 million (2014: HK\$177 million) and HK\$25 million (2014: HK\$24 million) respectively.

# Chairman's Statement

## FINANCIAL REVIEW (Cont'd)

### Liquidity and Financial Resources (Cont'd)

For the year ended 31st December, 2015, the Group recorded finance costs of HK\$22 million (2014: HK\$9 million).

At 31st December, 2015, a portfolio of held-for-trading investments were stated at their fair values in a total amount of HK\$27 million (2014: HK\$26 million), comprising equity securities listed in Hong Kong. For the year ended 31st December, 2015, the Group recorded a net gain (net amount of change in fair value, dividend and interest income) of HK\$3 million (2014: net loss of HK\$1 million) from these investments, of which net gain of HK\$3 million (2014: net loss of HK\$2 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. As a result, the Group is exposed to the currency risks for fluctuation in exchange rates of Renminbi and United States dollar. However, there is no significant exposure to foreign exchange rate fluctuations during the year. The Group will continue to monitor its exposure to the currency risks closely.

### Capital Structure and Gearing Ratio

At 31st December, 2015, the equity attributable to owners of the Company amounted to HK\$5,699 million, representing HK\$7.19 per share (2014: HK\$5,620 million, representing HK\$7.09 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, 2015, the gearing ratio, representing the ratio of interest bearing borrowings to equity attributable to owners of the Company, was 8.7% (2014: 5.3%) 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 -6.8% (2014: -2.8%) as a result of total amount of bank balances and cash exceeding total amount of interest bearing borrowings.

### Pledge of Assets

At 31st December, 2015, apart from the bank deposits pledged to secure certain general banking facilities granted to the Group, certain motor vehicles with an aggregate carrying value of HK\$5 million (2014: HK\$6 million) and the share of a subsidiary of the Company were pledged to secure certain bank loans granted to the Group.

### Capital Commitments

At 31st December, 2015, the Group committed capital expenditure in respect of acquisition of property, plant and equipment of which HK\$43 million (2014: HK\$6 million) was contracted for but not provided in the Group's consolidated financial statements and HK\$30 million (2014: nil) was authorised but not contracted for. In addition, the Group also authorised but not contracted for acquisition of 49% equity interest in a PRC company amounting to HK\$41 million (2014: nil).

# Chairman's Statement

## FINANCIAL REVIEW (Cont'd)

### Contingent Liabilities

At 31st December, 2015, the Group had outstanding tender/performance/retention bonds in respect of construction contracts amounting to HK\$309 million (2014: HK\$234 million).

## FUTURE OUTLOOK

Benefiting from the buoyant construction industry in 2015, the performance of the Group's construction division was substantially improved; however, the funding delays in approval of the government budget related to mega infrastructure projects hindered their roll out schedule. Therefore, the Group's construction division and construction materials division will face challenging time in the coming years. In order to face the coming challenges, the Group would continue implementing cost control measures to strengthen our competitiveness.

In addition to the site formation and quarrying operations, the contract of Lam Tei Quarry allows the operator to set up crushing facilities, concrete batching facilities and asphalt production facilities at the site. It is anticipated that the establishment of the processing plants will be completed in the second quarter of 2016. In view of the substantial part of the pre-operating costs of processing plants to be incurred in first half year of 2016, it is anticipated that the performance of the quarrying and construction materials divisions will be lower than that in 2015. The securing of the Lam Tei Quarry will complement the operations of the Group's quarrying, construction materials and construction divisions, which in the long run benefits the Group as a whole.

The performance of the property funds in 2015 is in line with budget and is anticipated to have some returns in 2016. 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 sustainable growth of the Group.

## 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, 18th March, 2016

# Directors and Senior Management

## EXECUTIVE DIRECTORS

**ZEN** Wei Pao, William, age 68, 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 63, 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 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 40 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 52, 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

**TSANG** Yam Pui, age 69, was appointed as a Non-executive Director in December 2015. He is an Executive Director and the Chief Executive Officer of NWS Holdings Limited (“NWS”, a substantial shareholder of the Company and the shares of whose are listed on the Main Board of The Stock Exchange of Hong Kong Limited), and is a director of certain subsidiaries of NWS. He is the Vice Chairman of New World First Bus Services Limited, Citybus Limited, New World First Bus Services (China) Limited and New World First Ferry Services Limited. He is also a director of GHK Hospital Limited which owns and operates Gleneagles Hong Kong Hospital. Mr. Tsang is a director of Mapletree Investments Pte Ltd in Singapore and is the Chairman and a non-executive director of Mapletree Commercial Trust Management Ltd. (as manager of Mapletree Commercial Trust which is listed on the Singapore Stock Exchange). Prior to joining NWS, Mr. Tsang had served with the Hong Kong Police Force for 38 years and retired from the Police Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr. Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen’s Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner’s Commendation, and the HKSAR Police Long Service Medal.

**CHENG** Chi Ming, Brian, age 33, 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 58, 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 and Tianjin Port Development Holdings Limited, all of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was an Independent Non-executive Director of Nine Dragons Paper (Holdings) Limited, the shares of which 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 65, 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 64, 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 was 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 51, 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, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, and the Society of Chinese Accountants and Auditors, Hong Kong as well as a certified tax adviser of the Taxation Institute of 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, Greenheart Group 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 50, 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 finance, human resources, information technology, administration and secretarial departments of Build King.

**CHEUNG** Siu Lun, age 65, joined the Group in 2006. He is a Director of Build King Construction Limited (“BKCL”, formerly known as Kaden Construction Limited), Build King Civil Engineering Limited (“Build King Civil”, formerly known as Leader Civil Engineering Corporation Limited) and Build King (Zens) Engineering Limited (“Build King (Zens) Engineering”, formerly known as Wai Kee (Zens) Construction & Transportation Company Limited). 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 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 59, is a Director of BKCL, Build King Civil and Build King (Zens) Engineering. 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.

**LEE** Man Wai, Mouse, age 54, was appointed as a Director of BKCL, Build King Civil and Build King (Zens) Engineering in March 2016. He has over 30 years of extensive experience in tendering and commercial management of civil engineering and building project in Hong Kong. Mr. Lee is responsible for Build King’s tendering activities.

**LIU** Sing Pang, Simon, age 54, is a Director of BKCL, Build King Civil and Build King (Zens) Engineering. He is a member of the Institution of Structural Engineers and a fellow member of the Hong Kong Institution of Engineer. He is also a Chartered Engineer of UK. He is Vice Chairman of Civil Engineering Committee of Hong Kong Construction Association. He is also a member of Appeal Tribunal Panel 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 54, has been working with the Group since 1998. He is a Director and the General Manager (Marine) of Build King (Zens) Engineering, a Director of BKCL, Build King 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 41, is a Director of BKCL, Build King Civil and Build King (Zens) Engineering. 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 is a council member of Hong Kong Construction Association. 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 58, is a Director of BKCL and Build King 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 53, is a Director of BKCL, Build King Civil and Build King (Zens) Engineering. 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, The Hong Kong Institution of Highways and Transportation, a member of The Hong Kong Institute of Real Estate Administrators. He is currently the Chairman of the Building Division of the Hong Kong Institution of Engineers, the Vice Chairman and Council Member of the Hong Kong Construction Association, a member of the Pneumoconiosis Compensation Fund Board 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 63, is a Director of BKCL and Build King Civil. He is also the project director of MTR Contract No. SCL 1108 Kai Tak Station and Associated Tunnels, and MTR Contract No. SCL 1106 Diamond Hill Station. 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.

**YIU** Cheuk Hung, Kenneth, age 50, was appointed as a Director of BKCL in August 2015. He holds a Master Degree of Project Management. He is a member of the Chartered Institute of Building (UK) and the Hong Kong Institute of Construction Managers. He is a Chartered Builder and registered Construction Manager. He has over 25 years of experience in the construction industry including design, construction and project management. Mr. Yiu is responsible for Build King's building operation in Hong Kong.

# Directors and Senior Management

## SENIOR MANAGEMENT (Cont'd)

**YUE** Pak Lim, age 79, is a Director of BKCL and Build King Civil. He is a Fellow of the Hong Kong Institution of Engineers and 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 Build King, he had been a Director of several sizeable construction companies in Hong Kong. He was once an Executive Director of the Company. Mr. Yue is responsible for Build King's civil engineering operation in Hong Kong.

John **LEICH**, age 65, 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 35 years of experience in the concrete, cement and quarrying industries.

**HO** Kin Kwok, William, age 61, 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 60, 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, Grandeur Building Material (Holdings) Limited and Faith Oriental Investment 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 Chartered Professional Accountants of Canada and the Certified General Accountants' Association of Canada, as well as 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 55, 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 2015, 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").

## 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> )	Tsang Yam Pui	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.

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.

## THE BOARD (Cont'd)

### 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, the annual general meeting held on 15th May, 2015 and the special general meeting held on 29th December, 2015 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 15th May, 2015	Special General Meeting held on 29th December, 2015
<b>Executive Directors</b>						
Zen Wei Pao, William ( <i>Chairman</i> )	5/5	-	2/2	3/3	1	1
Zen Wei Peu, Derek ( <i>Vice Chairman and Chief Executive Officer</i> )	5/5	-	2/2	3/3	1	1
Chiu Wai Yee, Anriena	5/5	-	-	-	1	1
<b>Non-executive Directors</b>						
Tsang Yam Pui (appointed on 30th December, 2015)	-	-	-	-	-	-
Cheng Chi Ming, Brian	2/5	-	-	-	0	1
Cheng Chi Pang, Leslie	3/5	-	-	-	1	1
Lam Wai Hon, Patrick (resigned on 30th December, 2015)	3/5	-	-	-	1	1
<b>Independent Non-executive Directors</b>						
Wong Che Ming, Steve	5/5	4/4	2/2	3/3	1	1
Wan Siu Kau, Samuel	5/5	4/4	2/2	3/3	1	0
Wong Man Chung, Francis	5/5	4/4	2/2	3/3	1	1

Note:

"-" Not Applicable

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

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

# 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 and up to the date of this report, briefing of the Group's business was given to the newly appointed Director and a comprehensive induction package on the directors' duties was provided to him.

All Directors are requested to provide the Company with their respective training records pursuant to the Code. Trainings received by each of the Directors during the period from 1st January, 2015 to 31st December, 2015 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>	
Tsang Yam Pui (appointed on 30th December, 2015)	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.

# Corporate Governance Report

## 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 Chief Executive Officer is Mr. Zen Wei Peu, Derek.

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

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

# 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 systems, 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, 2015 and up to the date of this report:

- Approval of remuneration and terms of engagement of the external auditor;
- Renew of its terms of reference;
- Review of the annual results of the Group for the years ended 31st December, 2014 and 2015, and the interim results of the Group for the six months ended 30th June, 2015;
- Review of the Group's financial information, financial reporting procedures, internal control systems, 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, 2015;
- 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 2015 and 2016 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 2016 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, 2015 and up to the date of this report:

- Review of the structure, size and composition (including but not limited to gender, age, cultural background, educational background, skills, knowledge, professional experience and/or length of service) of the Board;
- Review of its constitution and terms of reference;
- Recommendation to the Board on the appointment of the nominated Non-executive Director;
- Assessment of the independence of the Independent Non-executive Directors;
- Review of the Board Diversity Policy and the measurable 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 2016.

#### *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 as well as the diversity in the Board. The recommendations of this Committee are then put to the Board for consideration and approval. Thereafter, any Director appointed by the Board is subject to re-election at the general meeting after his/her appointment.

In November 2015, the Board approved the appointment of Mr. Tsang Yam Pui as a Non-executive Director of the Company, who will retire from office at the forthcoming annual general meeting and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

### 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.

# Corporate Governance Report

## BOARD COMMITTEES (Cont'd)

### Remuneration Committee (Cont'd)

#### *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 (including Independent Non-executive Directors).

#### *Summary of Work Done*

The following is a summary of the work performed by the Remuneration Committee during the year ended 31st December, 2015 and up to the date of this report:

- Review and approval of the Company's remuneration policy for 2015 and 2016;
- Approval of year end bonus of Executive Directors for 2014 and 2015;
- 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 2015 and 2016 salary adjustment; and
- Recommendations on remuneration of Non-executive Directors (including Independent 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, 2015 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, 2015 were within the following bands:

	<b>Number of Senior Management</b>
Up to HK\$2,000,000	5
HK\$2,000,001 to HK\$4,000,000	10

# 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, 2015.

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 2015 until the conclusion of the next annual general meeting.

The fees paid/payable to external auditor for audit and non-audit services for the year ended 31st December, 2015 are as follows:

Type of services	Fee paid/ payable HK\$
Audit	3,063,000
Non-audit services	
Interim review	959,000
Other services	431,000
Total	4,453,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out on pages 52 and 53 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, 2015. 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, 2015.

## 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 53, 21 and 22 to the consolidated financial statements respectively.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2015, the five largest customers of the Group together accounted for approximately 86% of the Group's revenue, with the largest customer accounted for approximately 52%, and the five largest suppliers of the Group together represented approximately 12% by value of the Group's total purchases.

Except a Director's associate had nominal beneficial interest in one of the Group's five largest customers as mentioned in the preceding paragraph, none of other 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, 2015 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 54 and 55 respectively.

An interim dividend of HK3.3 cents per share was paid to shareholders during the year.

The Directors recommend the payment of a final dividend of HK9.5 cents per share for the year ended 31st December, 2015 to shareholders whose names appear in the register of members of the Company on Friday, 27th May, 2016. 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 Friday, 24th June, 2016.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Thursday, 19th May, 2016, the register of members of the Company will be closed from Tuesday, 17th May, 2016 to Thursday, 19th May, 2016, 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 Monday, 16th May, 2016.

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, 27th May, 2016. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 26th May, 2016 to Friday, 27th May, 2016, 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, 25th May, 2016.

# Directors' Report

## BUSINESS REVIEW

The business review of the Group for the year ended 31st December, 2015 is set out in the sections headed "Financial Highlights" on pages 2 to 3, "Chairman's Statement" on pages 4 to 17, "Corporate Governance Report" on pages 24 to 36, "Consolidated Financial Statements" on pages 54 to 138 and "Financial Summary" on page 139. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 41 and 43 to the consolidated financial statements respectively.

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

## 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 58.

## 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, 2015 were approximately HK\$915,102,000.

## EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

## 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 139.

## 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.

# Directors' Report

## 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:

Tsang Yam Pui (appointed on 30th December, 2015)  
Cheng Chi Ming, Brian  
Cheng Chi Pang, Leslie  
Lam Wai Hon, Patrick (resigned on 30th December, 2015)

### Independent Non-executive Directors:

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

Pursuant to Bye-law 86(2) of the Company's Bye-laws, Mr. Tsang Yam Pui, appointed as a Director by the Board in December 2015, will retire from office at the forthcoming annual general meeting. He, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Cheng Chi Ming, Brian, Dr. Cheng Chi Pang, Leslie and Dr. Wong Che Ming, Steve shall retire from office by rotation at the forthcoming annual general meeting. Dr. Cheng Chi Pang, Leslie has informed the Company that he will not offer himself for re-election. Mr. Cheng Chi Ming, Brian and Dr. Wong Che Ming, Steve, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

The Company 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, 2015, pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

# Directors' Report

## DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31st December, 2015, 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
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' Report

## 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 (note 1)	–	0.11 (note 3)
	Road King Infrastructure Limited	Personal	224,000 (note 1)	–	0.03
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 (note 1)	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000 (note 1)	–	37.50
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	123,725,228 (note 1)	–	9.96
	Road King Infrastructure Limited	Personal	14,495,000 (note 1)	–	1.96
		Personal	1,500,000 (note 2)	–	0.20
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 (note 1)	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000 (note 1)	–	37.50
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	1,116,000 (note 1)	–	0.09
	Road King Infrastructure Limited	Personal	205,000 (note 1)	–	0.03
Cheng Chi Pang, Leslie	Build King Holdings Limited	Personal	1,170,000 (note 1)	–	0.09
Wong Che Ming, Steve	Build King Holdings Limited	Personal	407,448 (note 1)	–	0.03

#### 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, 2015, the issued share capital of Build King was 1,241,877,992 shares. Accordingly, the percentage has been adjusted.

# Directors' Report

## DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

### (II) Associated Corporations (Cont'd)

#### 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 (note 1)	Personal	US\$350 million 9.875% Guaranteed Senior Notes due 2017	US\$4,300,000 (note 2)
	RKI Finance (2013) Limited (note 1)	Personal	RMB2,200 million 6% Guaranteed Senior Notes due 2016	RMB14,500,000 (notes 2 and 3)
Tsang Yam Pui	Road King Infrastructure Finance (2012) Limited (note 1)	Personal	US\$350 million 9.875% Guaranteed Senior Notes due 2017	US\$500,000 (note 2)

#### Notes:

1. These companies are wholly owned subsidiaries of Road King.
2. Long position.
3. The principal amount of RMB14,500,000 of RMB2,200 million 6% Guaranteed Senior Notes due 2016 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, 2015, 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. 14,395,000 share options and 7,805,000 share options granted under Road King Old Share Option Scheme have been exercised and expired respectively. In addition, 2,100,000 share options granted under Road King New Share Option Scheme to those Directors have been exercised.

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				Weighted and closing price**	
				Balance at 1.1.2015	Granted during the year	Exercised during the year	Other*		Balance at 31.12.2015
			HK\$					HK\$	
Zen Wei Pao, William	9th April, 2010	9th April, 2010 to 8th April, 2015	6.79	1,400,000	-	(1,400,000)	-	-	7.13
	28th May, 2013	29th May, 2013 to 28th May, 2018	7.13	2,000,000	-	(2,000,000)	-	-	8.15
Zen Wei Peu, Derek	9th April, 2010	9th April, 2010 to 8th April, 2015	6.79	850,000	-	(850,000)	-	-	7.13
	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	-	(100,000)	(50,000)	-	7.99
<b>Total</b>				<b>5,900,000</b>	<b>-</b>	<b>(4,350,000)</b>	<b>(50,000)</b>	<b>1,500,000</b>	

\* 50,000 share options were held by Mr. Lam Wai Hon, Patrick who resigned as a Director of the Company on 30th December, 2015.

\*\* This represents the weighted average closing price of the shares of Road King immediately before the dates on which the share options were exercised.

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' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company and/or its subsidiaries from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has arranged appropriate directors and officers liability insurance coverage for its Directors and officers.

## 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
Tsang Yam Pui (appointed on 30th December, 2015)	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
Lam Wai Hon, Patrick (resigned on 30th December, 2015)	NWS Holdings Limited group of companies	Construction, toll road and infrastructure	Director

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2015, 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>	Beneficial owner	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. Tsang Yam Pui 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. Tsang Yam Pui 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. Tsang Yam Pui 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. Tsang Yam Pui 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 13.18 AND 13.21 OF THE LISTING RULES

- (1) 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.
  
- (2) On 15th February, 2016, Wai Kee Finance Limited, a wholly owned subsidiary of the Company, as borrower, the Company as guarantor and a bank as lender entered into a facility agreement in respect of HK\$380 million term loan facility (the "Facility") with final maturity date falling on 42 months from the first utilisation date of the Facility. Throughout the life of the Facility, (i) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek should be executive directors of the Company; and (ii) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek collectively own (directly or indirectly) at least 40% of beneficial shareholding interest in the issued share capital of the Company.

Save as disclosed above, as at 31st December, 2015 and up to the date of this report, the Company did not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

# Directors' Report

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

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

<b>Name of Director</b>	<b>Details of changes</b>
Chiu Wai Yee, Anriena	Miss Chiu's annual salary has been revised from HK\$1,980,000 to HK\$2,040,000 with effect from 1st April, 2016.
Lam Wai Hon, Patrick	Mr. Lam has resigned as a Non-executive Director of the Company with effect from 30th December, 2015.
Tsang Yam Pui	Mr. Tsang has been appointed as a Non-executive Director of the Company with effect from 30th December, 2015. In addition, he has entered into a Letter of Appointment with the Company for the initial period from 30th December, 2015 to the date of next annual general meeting to be held in 2016, subject to re-election.
Cheng Chi Pang, Leslie	<p>Dr. Cheng, as a certified public accountant (practising), and a firm of certified public accountants of which he is senior partner have been reprimanded by the disciplinary committee of the Hong Kong Institute of Certified Public Accountants (the "Institute"). Both Dr. Cheng and his firm have been required to pay penalty and costs. The disciplinary proceedings were brought on a complaint that they failed or neglected to observe, maintain or otherwise apply professional standards issued by the Institute, and involved a finding of multiple breaches of audit and accounting standards by the firm in relation to the audit of certain financial statements of a listed company, for which Dr. Cheng acted as the engagement quality control reviewer. However, there was no allegation or finding of fraud or dishonesty made against Dr. Cheng or his firm.</p> <p>He has resigned as an independent non-executive director of Nine Dragon Paper (Holdings) Limited (Stock Code: 2689) with effect from 3rd March, 2016.</p>
Wan Siu Kau	Mr. Wan has resigned as a non-executive director of Cinderella Media Group Limited (Stock Code: 550) with effect from 22nd September, 2015.

## 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, 2015, the relevant maximum aggregate value of the transactions was approximately HK\$74,721,000.

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)

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 (Revised) "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.56 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, 2015.

## 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\$64,000.

## EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2015, the Group had 1,929 employees (2014: 1,600 employees), of which 1,821 (2014: 1,484) were located in Hong Kong, 107 (2014: 112) were located in the PRC and 1 (2014: 4) was located in UAE. For the year ended 31st December, 2015, the Group's total staff costs were HK\$789 million (2014: HK\$637 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 responsibilities, employment conditions and prevailing market conditions.

## EVENT AFTER THE REPORTING PERIOD

Details of significant event occurring after the reporting period are set out in note 52 to the consolidated financial statements.

## AUDITOR

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

On behalf of the Board

**Zen Wei Pao, William**

*Chairman*

Hong Kong, 18th March, 2016



## **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 54 to 138, which comprise the consolidated statement of financial position as at 31st December, 2015, 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 financial position of the Group as at 31st December, 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

18th March, 2016

# Consolidated Statement of Profit or Loss

For the year ended 31st December, 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	5	5,019,483	3,832,509
Cost of sales		(4,578,043)	(3,455,944)
Gross profit		441,440	376,565
Other income	7	42,134	44,928
Investment income, gains and losses	8	3,448	(1,460)
Selling and distribution costs		(72,202)	(74,878)
Administrative expenses		(280,464)	(259,567)
Finance costs	9	(22,452)	(9,078)
Share of results of associates		334,839	406,697
Other gains and losses	10	22,384	85,579
Profit before tax	11	469,127	568,786
Income tax expense	14	(3,010)	(1,907)
<b>Profit for the year</b>		<b>466,117</b>	566,879
Profit for the year attributable to:			
Owners of the Company		420,865	542,649
Non-controlling interests		45,252	24,230
		466,117	566,879
		<b>HK cents</b>	<b>HK cents</b>
<b>Earnings per share</b>	16		
– Basic		53.06	68.42
– Diluted		53.06	68.40

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2015

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Profit for the year	<b>466,117</b>	566,879
<b>Other comprehensive expense</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising on translation of foreign operations	<b>(6,318)</b>	(2,557)
Share of translation reserves of associates	<b>(205,799)</b>	(21,027)
Other comprehensive expense for the year	<b>(212,117)</b>	(23,584)
<b>Total comprehensive income for the year</b>	<b>254,000</b>	543,295
Total comprehensive income for the year attributable to:		
Owners of the Company	<b>211,945</b>	520,360
Non-controlling interests	<b>42,055</b>	22,935
	<b>254,000</b>	543,295

# Consolidated Statement of Financial Position

At 31st December, 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	17	319,644	155,466
Intangible assets	18	615,349	68,632
Goodwill	19	29,838	29,838
Interests in associates	21	5,417,155	5,399,526
Interest in a joint venture	22	–	–
Available-for-sale investments	24	42,676	42,676
Other financial asset	25	44,624	49,421
Loan and other receivables	26	23,522	4,470
Deposits paid for acquisition of property, plant and equipment		410	–
		<b>6,493,218</b>	5,750,029
<b>Current assets</b>			
Inventories	27	45,801	24,338
Amounts due from customers for contract work	28	485,303	461,531
Debtors, deposits and prepayments	29	1,092,848	967,373
Amounts due from associates	30	10,210	10,815
Amount due from a joint venture	30	321	321
Amounts due from other partners of joint operations	30	24,366	139,840
Tax recoverable		2,682	148
Held-for-trading investments	31	27,430	26,246
Pledged bank deposits	32	80	60
Bank balances and cash	32	881,851	453,200
		<b>2,570,892</b>	2,083,872
<b>Current liabilities</b>			
Amounts due to customers for contract work	28	664,790	648,641
Creditors and accrued charges	33	1,445,797	923,469
Amount due to an associate	34	14,458	13,264
Amount due to a joint venture	34	1,142	1,142
Amounts due to other partners of joint operations	34	12,119	138,304
Amounts due to non-controlling shareholders	34	3,359	3,359
Tax liabilities		3,746	2,694
Bank loans	35	325,408	283,258
		<b>2,470,819</b>	2,014,131
<b>Net current assets</b>		<b>100,073</b>	69,741
<b>Total assets less current liabilities</b>		<b>6,593,291</b>	5,819,770

# Consolidated Statement of Financial Position

At 31st December, 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Non-current liabilities</b>			
Payable for extraction right	36	471,180	–
Provision for rehabilitation costs	37	26,889	–
Deferred tax liabilities	38	5,750	5,750
Obligations in excess of interests in associates	21	16,195	16,546
Amount due to an associate	39	4,807	5,406
Bank loans	35	18,000	12,000
Bonds	40	150,724	–
		<b>693,545</b>	39,702
<b>Net assets</b>			
		<b>5,899,746</b>	5,780,068
<b>Capital and reserves</b>			
Share capital	41	79,312	79,312
Share premium and reserves		5,619,522	5,540,951
Equity attributable to owners of the Company		<b>5,698,834</b>	5,620,263
Non-controlling interests	42	200,912	159,805
<b>Total equity</b>			
		<b>5,899,746</b>	5,780,068

The consolidated financial statements on pages 54 to 138 were approved and authorised for issue by the Board of Directors on 18th March, 2016 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, 2015

	Equity attributable to owners of the Company								Non-controlling interests HK\$'000 (note 42)	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000 (note 42)	Special reserve HK\$'000 (note a)	Assets revaluation reserve HK\$'000	Other reserve HK\$'000 (note b)	Retained profits HK\$'000	Total HK\$'000		
At 1st January, 2014	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	-	-	-	-	-	-	-	-	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)
At 31st December, 2014	79,312	731,906	892,558	(29,530)	2,319	(7,335)	3,951,033	5,620,263	159,805	5,780,068
Profit for the year	-	-	-	-	-	-	420,865	420,865	45,252	466,117
Other comprehensive expense for the year	-	-	(208,920)	-	-	-	-	(208,920)	(3,197)	(212,117)
Total comprehensive (expense) income for the year	-	-	(208,920)	-	-	-	420,865	211,945	42,055	254,000
Sub-total	79,312	731,906	683,638	(29,530)	2,319	(7,335)	4,371,898	5,832,208	201,860	6,034,068
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	6,370	6,370
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	(6,064)	(6,064)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	(129)	-	(129)	(1,254)	(1,383)
Dividends paid (note 15)	-	-	-	-	-	-	(133,245)	(133,245)	-	(133,245)
<b>At 31st December, 2015</b>	<b>79,312</b>	<b>731,906</b>	<b>683,638</b>	<b>(29,530)</b>	<b>2,319</b>	<b>(7,464)</b>	<b>4,238,653</b>	<b>5,698,834</b>	<b>200,912</b>	<b>5,899,746</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, 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Operating activities</b>		
Profit before tax	469,127	568,786
Adjustments for:		
Finance costs	22,452	9,078
Share of results of associates	(334,839)	(406,697)
Interest on bank deposits	(449)	(141)
Interest on amount due from an associate	(139)	(180)
Interest on other financial asset	(1,223)	(1,347)
Imputed interest on loan and other receivables	(307)	(473)
Gain on bargain purchase arising from acquisitions of subsidiaries	(233)	–
(Gain) loss on change in fair value of held-for-trading investments, net	(1,184)	4,216
Dividend income from held-for-trading investments	(2,264)	(1,949)
Interest income from held-for-trading investments	–	(807)
Discount on acquisition of additional interest in an associate	(63,210)	(51,992)
Gain on deemed acquisition of additional interest in an associate	–	(34,222)
Loss on deemed disposal of partial interest in an associate	41,291	915
Gain on disposal of property, plant and equipment, net	(465)	(280)
Allowance for doubtful debts	2,470	3,043
Amortisation of intangible assets	1,431	1,519
Depreciation of property, plant and equipment	50,071	45,745
Goodwill written off	–	2,177
Operating cash flows before movements in working capital	182,529	137,391
Decrease in other financial asset	4,797	2,969
Increase in inventories	(9,053)	(11,880)
Decrease (increase) in amounts due from customers for contract work	23,711	(114,120)
Increase in debtors, deposits and prepayments	(91,158)	(33,238)
Decrease in held-for-trading investments	–	31,255
(Decrease) increase in amounts due to customers for contract work	(42,441)	4,689
Increase in creditors and accrued charges	401,222	230,531
Cash from operations	469,607	247,597
Income taxes (paid) refunded	(4,492)	1,048
<b>Net cash from operating activities</b>	<b>465,115</b>	<b>248,645</b>

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Investing activities</b>			
Interest received		2,095	3,497
Dividends received from held-for-trading investments		2,264	1,949
Dividends received from associates		174,152	155,152
Proceeds from disposal of property, plant and equipment		1,894	953
Purchase of property, plant and equipment		(231,106)	(99,610)
Deposits paid for acquisition of property, plant and equipment		(410)	–
Acquisition of additional interest in a subsidiary		(1,383)	–
Acquisition of interests in associates		(43,529)	(92,942)
Proceeds from capital reduction of an associate		2,357	–
Net cash inflow arising on acquisition of a subsidiary	51	18,038	–
Acquisition of a subsidiary	51	–	(8,000)
Acquisition of available-for-sale investments		–	(42,676)
Settlement of loan and other receivables		4,570	4,570
Repayment from associates		744	749
Repayment from (advances to) other partners of joint operations		100,624	(73,239)
Placement in pledged bank deposits		(20)	(30)
<b>Net cash from (used in) investing activities</b>		<b>30,290</b>	<b>(149,627)</b>
<b>Financing activities</b>			
Interest paid		(13,940)	(8,608)
Dividends paid	15	(133,245)	(104,692)
Distributions to non-controlling shareholders		(6,064)	(3,032)
Capital contribution from a non-controlling shareholder		6,370	2,450
Advances from associates		89	–
(Repayment to) advances from other partners of joint operations		(114,314)	72,679
New bank loans raised		165,843	165,820
Repayment of bank loans		(117,693)	(109,969)
Bonds issued, net	40	150,430	–
<b>Net cash (used in) from financing activities</b>		<b>(62,524)</b>	<b>14,648</b>
<b>Net increase in cash and cash equivalents</b>		<b>432,881</b>	<b>113,666</b>
Cash and cash equivalents at the beginning of the year		453,200	341,129
Effect of foreign exchange rate changes, net		(4,230)	(1,595)
<b>Cash and cash equivalents at the end of the year</b>		<b>881,851</b>	<b>453,200</b>
<b>Analysis of the balance of cash and cash equivalents</b>			
Bank balances and cash		881,851	453,200

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 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 the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, principal associates and a joint venture are set out in notes 53, 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, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the 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>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 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 January, 2016.
- <sup>2</sup> Effective for first annual financial statements beginning on or after 1st January, 2016.
- <sup>3</sup> Effective for accounting periods beginning on or after 1st January, 2018.
- <sup>4</sup> Effective for accounting periods beginning on or after a date to be determined.

### 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 goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

### Amendments to HKFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 “Business Combinations”. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 12 “Income Taxes” regarding the recognition of deferred taxes at the time of acquisition and HKAS 36 “Impairment of Assets” regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1st January, 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 11 may have impact on the Group’s consolidated financial statements in future periods should such transactions arise.

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.

## 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 provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31st December, 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31st December, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31st December, 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or Listing Rules but not under the new Hong Kong Companies Ordinance or amended Listing Rules are not disclosed in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

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, 2015

## 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, 2015

## 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, 2015

## 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, 2015

## 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

### Revenue recognition (Cont'd)

#### *Construction contracts*

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

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

#### *Others*

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

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).

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.

### **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, 2015

## 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).

#### ***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at revalued amounts, being their fair values at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses.

Amortisation of intangible assets with finite useful lives is recognised on units of production method to reflect the expected pattern of production of the expected future economic benefits embodied in an intangible asset. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### ***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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

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

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 losses 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

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

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

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

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

### Interests in joint operations

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

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, 2015

## 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 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, 2015

## 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".

### Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

### Financial instruments (Cont'd)

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

##### *Effective interest method*

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

##### *Financial assets at fair value through profit or loss*

The Group's financial assets at FVTPL are the financial assets held for trading.

A financial asset is classified as held for trading if:

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

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

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including 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, 2015

## 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, 2015

## 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, bank loans and bonds) 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, 2015

## 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, 2015

## 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.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

### Taxation

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

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

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

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

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

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

### Retirement benefit costs

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

### Share-based payment transactions

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

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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, 2015

## 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 with indefinite useful lives (i.e. construction licenses) arising from the acquisition of a subsidiary, which is included in the consolidated statement of financial position at 31st December, 2015 at HK\$32,858,000 (2014: HK\$32,858,000) requires an estimation of the revenue to be generated in future periods from the acquired construction licenses (see note 18). 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.

### **Carrying amount of intangible assets with finite useful lives**

The carrying amounts of the extraction right of rock reserve and the rehabilitation costs for the quarry site (see note 18) amounted to HK\$523,911,000 and HK\$26,296,000 respectively at 31st December, 2015. Determining whether the carrying amounts of these assets can be recovered requires an estimation of the value in use of the cash-generating units and a suitable discount rate in order to calculate the present value. Any change in estimates or assumptions may result in decrease in recoverable amount and impairment of the extraction right of rock reserve and the rehabilitation costs for the quarry site being recognised in profit or loss. Management has evaluated these projections using assumptions on volume of rock reserve and costs of rehabilitation work of this cash-generating unit. During the year ended 31st December, 2015, no impairment on the extraction right of rock reserve and the rehabilitation costs for the quarry site has been recognised in the profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

### Estimated impairment of goodwill

Determining the recoverable amount of goodwill (see note 19) 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, 2015, the carrying amount of goodwill is HK\$29,838,000 (2014: HK\$29,838,000). Details of the recoverable amount calculation are disclosed in note 20.

### Estimated impairment of interest in an associate

Determining the recoverable amount of the Group's interest in Road King Infrastructure Limited ("Road King"), an associate of the Group, requires an estimation of the value in use of the investment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the operations of Road King and the proceeds on the ultimate disposal of the investment with assumptions of suitable growth rate and discount rate in order to calculate the present value. At 31st December, 2015, the carrying amount of the Group's interest in Road King is HK\$5,277,969,000 (2014: HK\$5,259,843,000). Details of the recoverable amount calculation are disclosed in note 21.

### Provision for rehabilitation costs

The provision for rehabilitation costs (see note 37) is based upon the management's estimate on the costs to be incurred for the drainage, landscaping, irrigation system and slope stabilization work on the quarry site before returning the quarry site to the Government of the Hong Kong Special Administrative Region ("Hong Kong") in ready-to-develop status. Where the actual future costs are substantially greater than the estimated costs, material additional rehabilitation costs may arise during the contract period ending in October 2022.

### Income tax

At 31st December, 2015, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK\$405,012,000 (2014: HK\$423,574,000 (see note 38) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

### Construction contracts

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

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

## 5. REVENUE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue analysed by revenue from:		
Construction	<b>4,539,851</b>	3,225,263
Construction materials	<b>450,861</b>	566,723
Quarrying	<b>28,771</b>	40,523
	<b>5,019,483</b>	3,832,509

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 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, 2015

	Segment revenue			Segment profit (loss) HK\$'000
	Gross HK\$'000	Inter-segment elimination HK\$'000	External HK\$'000	
Construction	4,571,629	(31,778)	4,539,851	48,257
Construction materials	582,114	(131,253)	450,861	33,271
Quarrying	172,239	(143,468)	28,771	(1,398)
Toll road and property development	–	–	–	328,022
Total	5,325,982	(306,499)	5,019,483	408,152

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 6. SEGMENT INFORMATION (Cont'd)

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

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
<b>Total</b>	<b>4,071,460</b>	<b>(238,951)</b>	<b>3,832,509</b>	<b>462,651</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, loss on deemed disposal of partial interest in an associate and gain on disposal of property, plant and equipment which are not attributable to any of the reportable and operating segments and are classified as unallocated items. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

	2015 HK\$'000	2014 HK\$'000
Total segment profit	<b>408,152</b>	462,651
Unallocated items		
Other income	<b>9,778</b>	8,813
Investment income, gains and losses	<b>394</b>	351
Administrative expenses	<b>(17,115)</b>	(15,969)
Finance costs	<b>(8,839)</b>	(5,320)
Share of results of associates	<b>6,466</b>	6,824
Discount on acquisition of additional interest in an associate	<b>63,210</b>	51,992
Gain on deemed acquisition of additional interest in an associate	–	34,222
Loss on deemed disposal of partial interest in an associate	<b>(41,291)</b>	(915)
Gain on disposal of property, plant and equipment	<b>110</b>	–
<b>Profit attributable to owners of the Company</b>	<b>420,865</b>	542,649

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 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, 2015

	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	(22,275)	(24,733)	(2,589)	-	(49,597)	(474)	-	(50,071)
Allowance for doubtful debts	-	(2,470)	-	-	(2,470)	-	-	(2,470)
Gain on disposal of property, plant and equipment, net	321	34	-	-	355	110	-	465
Interest income	1,649	-	409	-	2,058	4,985	(4,925)	2,118
Finance costs	(8,635)	(7,417)	(2,486)	-	(18,538)	(8,839)	4,925	(22,452)
Share of results of associates	360	-	(9)	328,022	328,373	6,466	-	334,839
Income tax expense	(2,884)	-	(126)	-	(3,010)	-	-	(3,010)

#### 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)

*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, 2015

## 6. SEGMENT INFORMATION (Cont'd)

### Geographical information

The Group's operations are located in 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)	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong	4,997,212	3,810,095	6,209,049	5,473,357
The PRC	22,271	22,414	33,491	39,458
Middle East	–	–	1,019	1,019
Others	–	–	138,837	139,628
	<b>5,019,483</b>	3,832,509	<b>6,382,396</b>	5,653,462

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 (2014: Two) customers of the construction segment located in Hong Kong individually contributing over 10% of the Group's revenue.

	2015 HK\$'000	2014 HK\$'000
Customer A	2,620,645	1,681,236
Customer B	1,316,847	969,298
	<b>3,937,492</b>	2,650,534

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 7. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other income includes:		
Interest on bank deposits	449	141
Interest on amount due from an associate	139	180
Interest on other financial asset	1,223	1,347
Imputed interest on loan and other receivables	307	473
Insurance claim on loss of plant and machinery	–	301
Gain on bargain purchase arising from acquisitions of subsidiaries	233	–
Government subsidy	3,045	–
Operation fee income	18,892	20,942
Rental income from land and buildings	3,364	3,469
Rental income from plant and machinery	625	3,000
Service income from an associate	70	60

## 8. INVESTMENT INCOME, GAINS AND LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gain (loss) on change in fair value of held-for-trading investments, net	1,184	(4,216)
Dividend income from held-for-trading investments	2,264	1,949
Interest income from held-for-trading investments	–	807
	<b>3,448</b>	<b>(1,460)</b>

## 9. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank loans	8,793	8,608
Interest on bonds	5,695	–
Imputed interest on payable for extraction right	6,987	–
Imputed interest on provision for rehabilitation costs	471	–
Imputed interest on non-current interest-free amount due to an associate	506	470
	<b>22,452</b>	<b>9,078</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 10. OTHER GAINS AND LOSSES

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Discount on acquisition of additional interest in an associate ( <i>note a</i> )	<b>63,210</b>	51,992
Gain on deemed acquisition of additional interest in an associate ( <i>note b</i> )	–	34,222
Loss on deemed disposal of partial interest in an associate ( <i>note c</i> )	<b>(41,291)</b>	(915)
Gain on disposal of property, plant and equipment, net	<b>465</b>	280
	<b>22,384</b>	85,579

*Notes:*

- (a) During the year, the Group purchased 6,031,000 (2014: 5,062,000) ordinary shares in Road King at an aggregate consideration of HK\$43,210,000 (2014: HK\$34,708,000) 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 0.81% (2014: 0.69%) resulting in an aggregate discount of HK\$63,210,000 (2014: HK\$51,992,000) on acquisition of additional interest in Road King.
- (b) During the year ended 31st December, 2014, Road King repurchased and cancelled 5,637,000 ordinary shares. As a result, the Group's interest in Road King increased in aggregate by 0.31% resulting in an aggregate gain of HK\$34,222,000 on deemed acquisition of additional interest in Road King.
- (c) During the year, Road King issued 10,240,000 (2014: 155,000) ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option schemes of Road King. As a result, the Group's interest in Road King reduced in aggregate by 0.55% (2014: 0.01%). As the shares were issued at the weighted average exercise price of HK\$6.96 (2014: 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\$41,291,000 (2014: HK\$915,000) on deemed disposal of partial interest in Road King.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 11. PROFIT BEFORE TAX

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditor's remuneration		
Current year	<b>3,063</b>	2,631
Underprovision in prior year	<b>343</b>	387
	<b>3,406</b>	3,018
Allowance for doubtful debts	<b>2,470</b>	3,043
Amortisation of intangible assets	<b>13,841</b>	1,519
Less: Amount capitalised in inventories	<b>(12,410)</b>	–
	<b>1,431</b>	1,519
Depreciation of property, plant and equipment	<b>67,413</b>	68,024
Less: Amount attributable to construction contracts	<b>(17,342)</b>	(22,279)
	<b>50,071</b>	45,745
Exchange loss, net	<b>887</b>	305
Goodwill written off	–	2,177
Hire charges for plant and machinery	<b>153,361</b>	133,577
Less: Amount attributable to construction contracts	<b>(153,361)</b>	(133,577)
	–	–
Operating lease rentals in respect of land and buildings	<b>61,333</b>	57,526
Less: Amount attributable to construction contracts	<b>(11,679)</b>	(9,834)
	<b>49,654</b>	47,692
Share of income tax expense of associates (included in share of results of associates)	<b>461,127</b>	581,689
Staff costs		
Directors' remuneration ( <i>note 12</i> )	<b>15,140</b>	17,679
Other staff costs	<b>748,122</b>	598,577
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK\$203,000 (2014: HK\$562,000)	<b>26,073</b>	20,663
	<b>789,335</b>	636,919
Less: Amount attributable to construction contracts	<b>(579,390)</b>	(442,108)
	<b>209,945</b>	194,811

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

The remuneration paid or payable to each of the ten (2014: nine) directors included the Chief Executive Officer were as follows:

### Year ended 31st December, 2015

	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	-	360	421	36	817
Zen Wei Peu, Derek	-	1,971	7,048	669	9,688
Chiu Wai Yee, Anriena	-	1,983	388	196	2,567
	-	4,314	7,857	901	13,072
<b>Non-executive directors:</b>					
Tsang Yam Pui (note a)	-	-	-	-	-
Cheng Chi Ming, Brian	210	-	-	-	210
Cheng Chi Pang, Leslie (note b)	378	-	-	-	378
Lam Wai Hon, Patrick (note c)	377	-	-	-	377
	965	-	-	-	965
<b>Independent non-executive directors:</b>					
Wong Che Ming, Steve	357	-	-	-	357
Wan Siu Kau, Samuel	374	-	-	-	374
Wong Man Chung, Francis	372	-	-	-	372
	1,103	-	-	-	1,103
	2,068	4,314	7,857	901	15,140

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

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 (note b)	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

Notes:

- (a) Mr. Tsang Yam Pui was appointed as a non-executive director of the Company on 30th December, 2015.
- (b) The amount included HK\$168,000 (2014: HK\$168,000) director's fee of Build King Holdings Limited ("Build King"), the Company's 51.49% (2014: 51.17%) subsidiary whose shares are listed on the Main Board of the Stock Exchange.
- (c) Mr. Lam Wai Hon, Patrick resigned as a non-executive director of the Company on 30th December, 2015.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

Mr. Zen Wei Peu, Derek is the Vice Chairman and the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company and one director of Build King.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

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

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

## 13. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals included one director (2014: one director) set out in note 12. The emoluments of the remaining four (2014: four) highest paid individuals are as follows:

	2015 HK\$'000	2014 HK\$'000
Salary and other benefits	10,471	9,751
Retirement benefits scheme contributions	749	696
	<b>11,220</b>	10,447

The emoluments were within the following bands:

	Number of employees	
	2015	2014
HK\$2,000,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	3	2
HK\$3,000,001 to HK\$3,500,000	1	–

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 14. INCOME TAX EXPENSE

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax		
The PRC	<b>1,958</b>	1,690
Underprovision in prior years		
Hong Kong	<b>1,009</b>	204
The PRC	<b>43</b>	13
	<b>1,052</b>	217
	<b>3,010</b>	1,907

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>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before tax	<b>469,127</b>	568,786
Income tax expense at the applicable rate of 16.5% (2014: 16.5%)	<b>77,406</b>	93,850
Tax effect of expenses not deductible for tax purpose	<b>24,163</b>	18,775
Tax effect of income not taxable for tax purpose	<b>(30,621)</b>	(29,382)
Underprovision in prior years	<b>1,052</b>	217
Tax effect of tax losses not recognised	<b>51,673</b>	25,543
Tax effect of utilisation of tax losses previously not recognised	<b>(54,736)</b>	(44,023)
Tax effect of share of results of associates	<b>(55,248)</b>	(67,105)
Effect of different rates for subsidiaries operating in other jurisdictions	<b>753</b>	837
Others	<b>(11,432)</b>	3,195
Income tax expense	<b>3,010</b>	1,907

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 15. DIVIDENDS

Dividends paid and recognised as distributions during the year:

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
2014 final dividend – HK13.5 cents per share (2014: 2013 final dividend – HK10.2 cents per share)	<b>107,072</b>	80,899
2015 interim dividend – HK3.3 cents per share (2014: 2014 interim dividend – HK3.0 cents per share)	<b>26,173</b>	23,793
	<b>133,245</b>	104,692

A final dividend for the year ended 31st December, 2015 of HK9.5 cents (2014: HK13.5 cents) per ordinary share amounting to HK\$75,347,000 (2014: HK\$107,072,000) 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>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	<b>420,865</b>	542,649
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>(55)</b>	(182)
Earnings for the purpose of diluted earnings per share	<b>420,810</b>	542,467
	<b>2015</b>	2014
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, 2015

## 17. PROPERTY, PLANT AND EQUIPMENT

	Plant under construction HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Vessels HK\$'000	Total HK\$'000
<b>COST</b>								
At 1st January, 2014	-	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
Exchange realignment	-	-	-	-	(47)	(41)	-	(88)
Additions	66,604	7,592	2,398	122,096	2,221	22,889	7,306	231,106
Acquisition of a subsidiary	-	-	-	1,401	432	112	-	1,945
Disposals	-	-	-	(4,501)	(289)	(1,625)	-	(6,415)
At 31st December, 2015	66,604	12,746	10,122	408,414	42,286	75,560	80,562	696,294
<b>DEPRECIATION AND IMPAIRMENT</b>								
At 1st January, 2014	-	4,107	6,347	137,866	29,221	23,774	46,445	247,760
Exchange realignment	-	-	-	-	(18)	(10)	-	(28)
Provided 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
Exchange realignment	-	-	-	-	(43)	(14)	-	(57)
Provided for the year	-	289	598	44,781	3,918	9,774	8,053	67,413
Eliminated on disposals	-	-	-	(3,278)	(289)	(1,419)	-	(4,986)
At 31st December, 2015	-	4,593	8,306	228,169	36,421	39,332	59,829	376,650
<b>CARRYING VALUES</b>								
<b>At 31st December, 2015</b>	<b>66,604</b>	<b>8,153</b>	<b>1,816</b>	<b>180,245</b>	<b>5,865</b>	<b>36,228</b>	<b>20,733</b>	<b>319,644</b>
At 31st December, 2014	-	850	16	102,752	7,134	23,234	21,480	155,466

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

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

Buildings	Over the shorter of the terms of the relevant leases or 20 – 30 years
Leasehold improvements	33 <sup>1</sup> / <sub>3</sub> % or over the terms of the relevant leases, whichever is shorter
Plant and machinery	Over 15 months to 10 years
Furniture, fixtures and equipment	25%
Motor vehicles	16 <sup>2</sup> / <sub>3</sub> % – 25%
Vessels	10% – 15%

The buildings are located in Hong Kong and 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\$4,766,000 (2014: HK\$6,145,000) to secure a bank loan.

## 18. INTANGIBLE ASSETS

	Construction licenses HK\$'000 (note a)	Extraction right of rock reserve HK\$'000 (note b)	Rehabilitation costs for quarry site HK\$'000 (note b)	Service concession arrangement HK\$'000 (note c)	Total HK\$'000
<b>COST</b>					
At 1st January, 2014	32,858	–	–	42,839	75,697
Exchange realignment	–	–	–	(1,074)	(1,074)
At 31st December, 2014	32,858	–	–	41,765	74,623
Additions	–	535,728	26,889	–	562,617
Exchange realignment	–	–	–	(2,404)	(2,404)
At 31st December, 2015	32,858	535,728	26,889	39,361	634,836
<b>AMORTISATION</b>					
At 1st January, 2014	–	–	–	4,587	4,587
Exchange realignment	–	–	–	(115)	(115)
Charge for the year	–	–	–	1,519	1,519
At 31st December, 2014	–	–	–	5,991	5,991
Exchange realignment	–	–	–	(345)	(345)
Charge for the year	–	11,817	593	1,431	13,841
At 31st December, 2015	–	11,817	593	7,077	19,487
<b>CARRYING VALUES</b>					
<b>At 31st December, 2015</b>	<b>32,858</b>	<b>523,911</b>	<b>26,296</b>	<b>32,284</b>	<b>615,349</b>
At 31st December, 2014	32,858	–	–	35,774	68,632

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 18. INTANGIBLE ASSETS (Cont'd)

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.

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) The amounts represent the carrying amounts of the extraction right of rock reserve and the rehabilitation costs to be incurred in a quarry site in Hong Kong acquired by Faith Oriental Investment Limited ("Faith Oriental"), a wholly owned subsidiary of the Company, under the contract entered into with the Government of Hong Kong during the year ended 31st December, 2015.

Pursuant to the contract, Faith Oriental has to pay to the Government of Hong Kong, grantor of the extraction right of rock reserve in the quarry site, a total consideration of HK\$653,888,000 by 14 equal semi-annual instalments with the first instalment payable in April 2016 and to complete the rehabilitation work before the expiry of the contract period in October 2022. The carrying amounts of the extraction right of rock reserve and the rehabilitation costs for the quarry site are the present value of the total consideration discounted at the rate of 5.63% per annum throughout the contract period less amortisation and the present value of total cost to be incurred for rehabilitation work in the quarry site discounted at the rate of 7.60% per annum throughout the contract period less amortisation respectively.

Amortisation is calculated by applying the ratio of actual extracted volume of rock compared to the total estimated volume of rock reserve over the remaining contract period to the carrying amounts of the assets. The estimated volume of rock reserve and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

- (c) 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 first stage of construction of the sewage treatment plant phase II comprising construction works and equipment acquisition and installation had been completed and put into operation in 2010.

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 19. GOODWILL

The amount represents goodwill arising on the reverse acquisition of Build King and its subsidiaries in 2004 and the acquisition of a subsidiary in 2014 (note 51). Particulars regarding the impairment testing on goodwill are disclosed in note 20.

## 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 a subsidiary during the year ended 31st December, 2014 as set out in note 51, goodwill has been allocated to the underlying CGU and represents the control premium and potential for revenue growth and future market development.

For the purpose of impairment testing, intangible assets with indefinite useful lives 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% (2014: 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 ended 31st December, 2014, the management of the Group had written off the goodwill arising on the acquisition of a subsidiary 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, 2015

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of investments in associates		
Listed in Hong Kong ( <i>note a</i> )	<b>1,636,929</b>	1,593,719
Unlisted	<b>133,830</b>	135,868
	<b>1,770,759</b>	1,729,587
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	<b>3,630,201</b>	3,653,393
	<b>5,400,960</b>	5,382,980
Represented by:		
Interests in associates	<b>5,417,155</b>	5,399,526
Obligations in excess of interests in associates ( <i>note b</i> )	<b>(16,195)</b>	(16,546)
	<b>5,400,960</b>	5,382,980
Fair value of listed investments	<b>2,001,817</b>	1,903,001

*Notes:*

- (a) Included in the cost of investment in the associate listed in Hong Kong, there is goodwill of HK\$30,964,000 (2014: 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, 2015

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

Details of the Group's principal associates at 31st December, 2015 and 2014 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Effective interest held by the Company		Principal activities
			2015 %	2014 %	
Brilliant Trade Holdings Limited	Incorporated	Hong Kong	40	40	Transportation
Grand China Cayman Investors III, Limited	Incorporated	Cayman Islands	34.60	34.60	Investment in rental properties in USA
Elite International Investment Fund I LP	Incorporated	Cayman Islands	30	30	Investment in property development in USA
Hong Kong Landfill Restoration Group Limited	Incorporated	Hong Kong	17.76 <i>(note a)</i>	17.65 <i>(note a)</i>	Civil engineering
Road King Infrastructure Limited <i>(note b)</i>	Incorporated	Bermuda	40.08	39.82	Investment in and development, operation and management of toll road, and property development

Notes:

- (a) The Company holds the effective interest in the associate through Build King.
- (b) 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, 2015

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

At 31st December, 2015, the carrying amount of the Group's interest in Road King of HK\$5,277,969,000 (2014: HK\$5,259,843,000) was more than its fair value of HK\$2,001,817,000 (2014: HK\$1,903,001,000). 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% (2014: 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>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current assets	<b>31,068,403</b>	35,306,391
Non-current assets	<b>8,987,904</b>	7,177,398
Current liabilities	<b>(18,087,764)</b>	(18,028,637)
Non-current liabilities	<b>(7,992,676)</b>	(10,402,600)
Net assets	<b>13,975,867</b>	14,052,552
Equity attributable to owners of the company	<b>13,155,397</b>	13,207,891
Non-controlling interests	<b>820,470</b>	844,661
Total equity	<b>13,975,867</b>	14,052,552
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	<b>2,651,312</b>	2,851,433
Current financial liabilities (excluding trade and other payables and provisions)	<b>(6,867,674)</b>	(5,445,894)
Non-current financial liabilities (excluding trade and other payables and provisions)	<b>(7,406,144)</b>	(9,767,747)

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	<b>12,509,646</b>	12,730,104
Profit for the year	<b>828,310</b>	1,029,383
Other comprehensive expense for the year	<b>(547,096)</b>	(54,217)
Total comprehensive income for the year	<b>281,214</b>	975,166
Dividends received from the associate by the Group during the year	<b>169,227</b>	152,128
The above profit for the year includes the following income (expenses):		
Interest income	<b>86,557</b>	48,569
Depreciation	<b>(12,596)</b>	(13,322)
Finance costs	<b>(233,346)</b>	(216,049)
Income tax expense	<b>(1,154,213)</b>	(1,471,272)

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net assets attributable to owners of the associate	<b>13,155,397</b>	13,207,891
Proportion of the Group's ownership interest in the associate	<b>40.08%</b>	39.82%
	<b>5,272,683</b>	5,258,854
Goodwill	<b>30,964</b>	30,964
Others	<b>(25,678)</b>	(29,975)
Carrying amount of the Group's interest in the associate	<b>5,277,969</b>	5,259,843

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The Group's share of profit and total comprehensive income	<b>6,817</b>	7,709

There are no unrecognised share of losses of associates in both years.

## 22. INTEREST IN A JOINT VENTURE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
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, 2015 and 2014 are as follows:

Name of joint venture	Form of business structure	Place of incorporation/operation	Effective interest held by the Company		Principal activity
			2015 %	2014 %	
Hip Hing-Leader JV Limited	Incorporated	Hong Kong	<b>17.15</b> <i>(note)</i>	17.04 <i>(note)</i>	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, 2015

## 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>2015</b> <b>HK\$'000</b>	2014 <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>2015</b> <b>HK\$'000</b>	2014 <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>17.15%</b>	17.04%
Unrecognised share of loss of a joint venture	<b>(588)</b> <b>588</b>	(584) 584
Carrying amount of the Group's interest in a joint venture	<b>-</b>	-

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 23. JOINT OPERATIONS

Details of the Group's principal joint operations at 31st December, 2015 and 2014 are as follows:

Name of joint operation	Form of business structure	Place of registration/ operation	Effective interest held by the Company		Principal activities
			2015 %	2014 %	
ACC-Leader Joint Venture	Unincorporated	Middle East	<b>25.75</b> <i>(note)</i>	25.59 <i>(note)</i>	Civil engineering
China State-Leader Joint Venture	Unincorporated	Hong Kong	<b>25.23</b> <i>(note)</i>	25.07 <i>(note)</i>	Civil engineering
Chun Wo-Leader Joint Venture	Unincorporated	Hong Kong	<b>26.26</b> <i>(note)</i>	26.10 <i>(note)</i>	Civil engineering
CRBC-CEC-Kaden Joint Venture	Unincorporated	Hong Kong	<b>16.73</b> <i>(note)</i>	–	Civil engineering
CRBC-Kaden Joint Venture	Unincorporated	Hong Kong	<b>30.89</b> <i>(note)</i>	25.07 <i>(note)</i>	Civil engineering
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	<b>15.45</b> <i>(note)</i>	15.35 <i>(note)</i>	Civil engineering
Kaden-Chun Wo Joint Venture	Unincorporated	Hong Kong	<b>26.26</b> <i>(note)</i>	26.10 <i>(note)</i>	Civil engineering
Kaden-VSL Joint Venture	Unincorporated	Hong Kong	<b>28.32</b> <i>(note)</i>	28.14 <i>(note)</i>	Civil engineering
Kier-Kaden-OSSA Joint Venture	Unincorporated	Hong Kong	<b>18.02</b> <i>(note)</i>	17.91 <i>(note)</i>	Civil engineering
Kier-Laing O'Rourke-Kaden Joint Venture	Unincorporated	Hong Kong	<b>7.72</b> <i>(note)</i>	7.68 <i>(note)</i>	Civil engineering
McDow-Kaden Joint Venture	Unincorporated	Hong Kong	<b>25.75</b> <i>(note)</i>	25.59 <i>(note)</i>	Civil engineering
Sembawang-Leader Joint Venture	Unincorporated	Hong Kong	– <i>(note 51)</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, 2015

## 24. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Unlisted equity securities, at cost	46,044	46,044
Less: Impairment loss recognised	(3,368)	(3,368)
	<b>42,676</b>	42,676

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 ended 31st December, 2014, the Group made capital contribution of US\$5,500,000 (equivalent to HK\$42,676,000) to certain private entities incorporated in the Cayman Islands which have invested in US companies for property development in the 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 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% (2014: 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, 2015

## 26. LOAN AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amounts due from:		
Local government of Wanshan in the PRC ( <i>note a</i> )	4,470	8,732
An independent third party ( <i>note b</i> )	23,522	–
	<b>27,992</b>	8,732
<i>Less:</i> Amount shown under current assets ( <i>note 29</i> )	<b>(4,470)</b>	(4,262)
Amount shown under non-current assets	<b>23,522</b>	4,470

### Notes:

- (a) The amounts 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, 2015, the amount of HK\$4,470,000 (2014: HK\$4,262,000) 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 and the remaining balance of nil (2014: HK\$4,470,000) to be settled after twelve months from the end of the reporting period is shown under non-current assets.

- (b) At 31st December, 2015, 惠記環保工程(上海)有限公司, a wholly owned subsidiary of Build King, advanced a loan to an independent third party. The loan is secured by 51% equity interest in a PRC company, bearing fixed interest rate at 4.5% per annum and will be fully repaid before 30th November, 2017, therefore the amount is shown under non-current assets.

## 27. INVENTORIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Raw materials	33,104	14,959
Consumables	5,983	5,012
Finished goods	6,714	4,367
	<b>45,801</b>	24,338

The cost of inventories recognised as an expense during the year is HK\$350,635,000 (2014: HK\$439,847,000).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	<b>17,914,644</b>	12,682,746
Less: Progress billings	<b>(18,094,131)</b>	(12,869,856)
	<b>(179,487)</b>	(187,110)
Represented by:		
Due from customers shown under current assets	<b>485,303</b>	461,531
Due to customers shown under current liabilities	<b>(664,790)</b>	(648,641)
	<b>(179,487)</b>	(187,110)

## 29. DEBTORS, DEPOSITS AND PREPAYMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade debtors	<b>623,864</b>	611,363
Less: Allowance for doubtful debts	<b>(6,136)</b>	(3,666)
	<b>617,728</b>	607,697
Bills receivables	<b>11,571</b>	10,501
Retention receivables	<b>290,415</b>	240,235
Other debtors	<b>99,852</b>	41,860
Deposits and prepayments	<b>68,812</b>	62,818
Loan and other receivables ( <i>note 26</i> )	<b>4,470</b>	4,262
	<b>1,092,848</b>	967,373

The Group's other debtors included a carrying amount of HK\$1,469,000 (2014: HK\$2,439,000) which is denominated in Renminbi that is the currency other than the functional currencies of the relevant group entities.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

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 and bills receivables presented based on the maturity date:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade debtors		
0 to 60 days	<b>578,103</b>	592,187
61 to 90 days	<b>21,575</b>	7,773
Over 90 days	<b>18,050</b>	7,737
	<b>617,728</b>	607,697
Bills receivables		
0 to 60 days	<b>5,175</b>	5,347
61 to 90 days	<b>878</b>	62
Over 90 days	<b>5,518</b>	5,092
	<b>11,571</b>	10,501
Retention receivables		
Due within one year	<b>55,504</b>	66,745
Due after one year	<b>234,911</b>	173,490
	<b>290,415</b>	240,235

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. 93% (2014: 97%) of the trade debtors that are neither past due nor impaired have good settlement 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, 2015, the Group's trade debtors and retention receivables included amounts of HK\$18,845,000 (2014: HK\$22,341,000) and HK\$10,353,000 (2014: HK\$10,315,000) respectively due from related companies which are subsidiaries of a substantial shareholder of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

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

The Group's trade debtors included a carrying amount of HK\$39,625,000 (2014: HK\$15,510,000) 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.

### Aging of trade debtors past due but not impaired

	2015 HK\$'000	2014 HK\$'000
Overdue by:		
1 to 30 days	21,575	7,773
Over 30 days	18,050	7,737
	<b>39,625</b>	15,510

Included in the allowance for doubtful debts are individually impaired receivables due from certain trade debtors with an aggregate amount of HK\$6,136,000 (2014: HK\$3,666,000) 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

	2015 HK\$'000	2014 HK\$'000
Balance at the beginning of the year	3,666	623
Allowance recognised in profit or loss	2,470	3,043
Balance at the end of the year	<b>6,136</b>	3,666

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 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>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Equity securities listed in Hong Kong, at fair value	<b>27,430</b>	26,246

At 31st December, 2014, certain listed equity securities with a market value of HK\$19,650,000 were pledged to a bank to secure certain general banking facilities granted to the Group.

## 32. PLEDGED BANK DEPOSITS AND BANK BALANCES

Bank deposits of the Group amounting to HK\$80,000 (2014: HK\$60,000) were pledged to banks for securing certain banking facilities granted to the Group. The pledged bank deposits carry fixed interest rate at 0.01% (2014: 0.01%) per annum.

Bank balances with original maturity less than three months carry market interest rate ranging from 0.00% to 0.35% (2014: 0.00% to 0.35%) per annum.

The Group's bank balances included carrying amounts of HK\$7,365,000 (2014: HK\$13,710,000) and HK\$3,000 (2014: 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, 2015

## 33. CREDITORS AND ACCRUED CHARGES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	<b>187,536</b>	256,738
61 to 90 days	<b>18,565</b>	21,519
Over 90 days	<b>56,123</b>	38,267
	<b>262,224</b>	316,524
Retention payables	<b>244,688</b>	194,730
Accrued project costs	<b>760,105</b>	323,236
Payable for extraction right ( <i>note 36</i> )	<b>71,535</b>	–
Other creditors and accrued charges	<b>107,245</b>	88,979
	<b>1,445,797</b>	923,469
Retention payables		
Due within one year	<b>79,683</b>	52,412
Due after one year	<b>165,005</b>	142,318
	<b>244,688</b>	194,730

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\$2,022,000 (2014: HK\$1,455,000) 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, 2015

## 35. BANK LOANS

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The maturity of the bank loans is as follows:		
Within one year	<b>150,843</b>	183,000
In the second year	<b>18,000</b>	12,000
	<b>168,843</b>	195,000
Carrying amount of term loans which contain a repayment on demand clause (shown under current liabilities)		
– repayable within one year	<b>92,022</b>	43,661
– repayable in the second year	<b>37,106</b>	51,403
– repayable in the third to fifth year inclusive	<b>45,437</b>	5,194
	<b>174,565</b>	100,258
Total	<b>343,408</b>	295,258
Less: Amount shown under current liabilities	<b>(325,408)</b>	(283,258)
Amount shown under non-current liabilities	<b>18,000</b>	12,000
Secured	<b>135,368</b>	62,000
Unsecured	<b>208,040</b>	233,258
	<b>343,408</b>	295,258

At 31st December, 2015, all bank loans are variable-rate borrowings which carry interest ranging from 2.10% to 3.40% (2014: 2.22% to 3.37%) 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 granted to the Group.

At 31st December, 2014, the bank loans granted to certain subsidiaries of Build King by a bank were 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, 2015

## 36. PAYABLE FOR EXTRACTION RIGHT

During the year ended 31st December, 2015, the Group acquired the extraction right of rock reserve in the quarry site as detailed in note 18(b). Pursuant to the contract with the Government of Hong Kong, the total consideration of the extraction right of rock reserve is HK\$653,888,000 which is payable by 14 equal semi-annual instalments until October 2022. The payable is carried at amortised cost of effective interest rate of 5.63% per annum.

The amounts of the payable are as follows:

	<b>2015</b> <b>HK\$'000</b>
Fair value of consideration payable at date of inception	<b>535,728</b>
Imputed interest for the year	<b>6,987</b>
Carrying amount at the end of the year	<b>542,715</b>
<i>Less: Amount shown under current liabilities (note 33)</i>	<b>(71,535)</b>
Amount shown under non-current liabilities	<b>471,180</b>

## 37. PROVISION FOR REHABILITATION COSTS

	<b>2015</b> <b>HK\$'000</b>
Fair value of estimated costs to be incurred at date of inception	<b>26,889</b>
Imputed interest for the year	<b>471</b>
Carrying amount at the end of the year	<b>27,360</b>
<i>Less: Amount shown under current liabilities (included in other creditors and accrued charges)</i>	<b>(471)</b>
Amount shown under non-current liabilities	<b>26,889</b>

The provision for rehabilitation costs represents estimated total costs to be incurred for rehabilitation work to be completed in the quarry site as detailed in note 18(b) before the expiry of the contract period in October 2022. The discount rate of the provision for rehabilitation costs is 7.60% per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 38. 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, 2015.

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>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Tax losses to expire in:		
Carried forward indefinitely	<b>405,012</b>	423,574

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

## 39. 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% (2014: 5.4%) per annum.

## 40. BONDS

On 5th January, 2015 and 28th October, 2015, Kaden Construction Limited ("Kaden"), a wholly owned subsidiary of Build King as the issuer and Build King as the guarantor have entered into placing agreements with a placing agent, an independent third party, for the purposes of arranging placees for the issue of bonds in denomination of HK\$1,000,000 each up to an aggregate principal amount of HK\$100,000,000 and HK\$50,000,000 respectively. The bonds will be matured at the date immediately following five years after the first issue of the bonds and carry coupon interest of 7% per annum, accrued daily on a 365 days basis that is payable semi-annually in arrears on every 1st January and 1st July of each calendar year, up to but excluding the maturity date of the bonds. During the year ended 31st December, 2015, bonds with the total amount of HK\$113,680,000, net of issue expenses, are issued. Such expenses will be amortised over the life of the bonds by charging the expenses to the profit or loss using effective interest rate of 7.65% per annum and increasing the net carrying amount of the bonds with the corresponding amount.

On 23rd October, 2015, Elite Excellent Investments Limited ("Elite Excellent"), a wholly owned subsidiary of the Company, as the issuer has executed a bond instrument for the purposes of issuing of perpetual bonds in denomination of HK\$100,000 each up to an aggregate principal amount of HK\$61,250,000. The bonds are redeemable at any time at the option of Elite Excellent and carry coupon interest of 5% per annum, accrued daily on a 365 days basis and be paid at any time in any year selected by Elite Excellent for so long as the perpetual bonds remain outstanding. During the year ended 31st December, 2015, bonds with a total principal amount of HK\$36,750,000 are issued.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 41. SHARE CAPITAL

	Number of shares		Share capital	
	2015 '000	2014 '000	2015 HK\$'000	2014 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At the beginning and the end of the year	1,000,000	1,000,000	100,000	100,000
Issued and fully paid:				
At the beginning and the end of the year	793,124	793,124	79,312	79,312

## 42. TRANSLATION RESERVE AND NON-CONTROLLING INTERESTS

	Translation reserve HK\$'000	Non- controlling interests HK\$'000
At 1st January, 2014	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	–	2,450
Distribution to non-controlling shareholders	–	(3,032)
Acquisition of additional interest in a subsidiary	–	50
At 31st December, 2014	892,558	159,805
Profit for the year	–	45,252
Exchange differences arising on translation of foreign operations	(3,121)	(3,197)
Share of translation reserves of associates	(205,799)	–
Capital contribution from a non-controlling shareholder	–	6,370
Distribution to non-controlling shareholders	–	(6,064)
Acquisition of additional interest in a subsidiary	–	(1,254)
<b>At 31st December, 2015</b>	<b>683,638</b>	<b>200,912</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 43. 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.

### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 43. SHARE OPTION SCHEME (Cont'd)

### (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, 2015

## 44. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which include bank loans and bonds as disclosed in notes 35 and 40, 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.

## 45. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
Financial assets		
Available-for-sale investments	42,676	42,676
Held-for-trading investments	27,430	26,246
Loans and receivables (including cash and cash equivalents)	2,009,010	1,561,419
	<b>2,079,116</b>	1,630,341
Financial liabilities		
Amortised cost	<b>2,396,028</b>	1,329,321

### (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, bonds 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, 2015

## 45. 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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Renminbi	8,834	16,149	2,022	1,455
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. Although the Group is also exposed to fair value interest rate risk in relation to fixed rate bonds, the Group's policy to keep its borrowings at floating rate of interests would minimise the fair value interest rate risk.

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, 2015

## 45. 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 (2014: 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 (2014: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2015 would decrease/increase by HK\$2,867,000 (2014: HK\$2,465,000). 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% (2014: 10%) higher/lower while all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2015 would increase/decrease by HK\$2,290,000 (2014: HK\$2,192,000) 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, 2015

## 45. 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 Group's credit risk is also attributable to its loan receivable. Since the loan receivable from an independent third party is secured by 51% equity interest in a PRC company with the share of net assets value higher than the carrying amount of the loan receivable, the directors of the Company consider that the credit risk is minimal.

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, 2015, the Group has available unutilised bank and other borrowings facilities of HK\$426,649,000 (2014: HK\$176,500,000) and HK\$24,973,000 (2014: HK\$23,898,000) 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, 2015

## 45. 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, 2015

	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	-	1,165,282	48,730	68,768	278,485	459,154	2,020,419	1,901,896
Fixed interest rate	7.00	36,750	4,060	4,060	16,240	127,113	188,223	150,724
Variable interest rate	2.85	313,816	6,235	6,380	18,287	-	344,718	343,408
		1,515,848	59,025	79,208	313,012	586,267	2,553,360	2,396,028

#### 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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 45. 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, 2015, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$174,565,000 (2014: HK\$100,258,000). 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, 2015	27,532	9,886	58,416	60,646	24,960	181,440	174,565
At 31st December, 2014	6,293	6,430	33,204	57,353	814	104,094	100,258

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

### (c) Fair values

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 a 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, 2015

## 46. CAPITAL COMMITMENTS

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted for but not provided in the consolidated financial statements	<b>42,534</b>	5,988
Authorised but not contracted for	<b>29,594</b>	–
	<b>72,128</b>	5,988
Capital expenditure in respect of acquisition of 49% equity interest in a PRC company:		
Authorised but not contracted for	<b>40,822</b>	–

## 47. 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>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	<b>276</b>	767	–	625
In the second to fifth year inclusive	<b>461</b>	227	–	–
	<b>737</b>	994	–	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>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	<b>26,728</b>	21,312
In the second to fifth year inclusive	<b>20,442</b>	17,908
	<b>47,170</b>	39,220

Leases are negotiated for terms ranging from 1 to 6 years and rentals are fixed at the inception of respective leases.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 48. CONTINGENT LIABILITIES

	2015 HK\$'000	2014 HK\$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	309,056	234,278

## 49. 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\$26,974,000 (2014: HK\$21,527,000) represents the aggregate retirement benefits scheme contributions for the Group's employees, net of forfeited contributions.

## 50. RELATED PARTY TRANSACTIONS

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

	2015 HK\$'000	2014 HK\$'000
<b>Associates</b>		
Interest income	139	180
Service income	70	60
<b>Joint operations</b>		
Sale of construction materials	182,836	138,928
<b>Related companies (note)</b>		
Construction contract revenue	59,978	138,212
Project management fee income	14,743	11,241

Note: The related companies are subsidiaries of a substantial shareholder of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 50. RELATED PARTY TRANSACTIONS (Cont'd)

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 39.

At 31st December, 2014, Mr. Zen Wei Peu, Derek, a director of the Company, provided a personal guarantee amounting to 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

	2015 HK\$'000	2014 HK\$'000
Short-term employee benefits	44,159	43,601
Post-employment benefits	2,871	2,627
	<b>47,030</b>	46,228

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

The above related party transactions of the related companies regarding the construction contract revenue and project management fee income constitute continuing connected transaction which is subject to shareholders' approval, annual review and disclosures requirements under Chapter 14A of the Listing Rules.

## 51. ACQUISITIONS OF SUBSIDIARIES

### Year ended 31st December, 2015

On 16th March, 2015, the Group, through Build King, further acquired 49% interest in SEGACN-Yat Hing Joint Venture ("SEGACN-Yat Hing") from an independent third party at a cash consideration of HK\$1. Prior to the acquisition, Build King held 51% interest in SEGACN-Yat Hing which is an unincorporated entity and has been accounted for as a joint operation of the Group. Immediately after the acquisition, SEGACN-Yat Hing becomes a 100% owned subsidiary of Build King. SEGACN-Yat Hing is engaged in fitting out, improvement and alteration works in the PRC.

On 30th November, 2015, Build King entered into an agreement with Sembawang Engineers and Constructors Pte. Ltd. ("SEC"), the other partner of Sembawang-Leader Joint Venture ("Sembawang-Leader"), pursuant to which SEC withdrawn from the joint operation due to financial difficulties. After the SEC's withdrawal, Build King becomes entitled to 100% of the results of Sembawang-Leader and have absolute control over the board of Sembawang-Leader. As a result, Sembawang-Leader becomes an indirect wholly owned subsidiary of Build King and its name was changed to Leader Joint Venture in early 2016. Prior to the acquisition, Build King held 45% interest in Sembawang-Leader which is an unincorporated entity and has been accounted for as joint operation of the Group. Sembawang-Leader is engaged in civil engineering in Hong Kong.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 51. ACQUISITIONS OF SUBSIDIARIES (Cont'd)

### Year ended 31st December, 2015 (Cont'd)

The acquisitions are accounted for using the purchase method. Acquisition-related costs have been excluded from the cost of the above acquisitions. The costs are insignificant and recognised as an administrative expense in the year.

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

	SEGACN- Yat Hing HK\$'000	Sembawang- Leader HK\$'000	Total HK\$'000
Property, plant and equipment	–	3,536	3,536
Amounts due from customers for contract work	406	55,211	55,617
Debtors, deposits and prepayments	8,193	101,976	110,169
Bank balances and cash	–	32,797	32,797
Amounts due to customers for contract work	–	(106,527)	(106,527)
Creditors and accrued charges	(2,095)	(86,948)	(89,043)
Amount due to a partner of a joint operation	(6,080)	–	(6,080)
Net assets	424	45	469

Gain on bargain purchase arising from the acquisitions:

	SEGACN- Yat Hing HK\$'000	Sembawang- Leader HK\$'000	Total HK\$'000
Cash consideration paid	–	–	–
Fair value of 51% interest in SEGACN-Yat Hing held by Build King	216	–	216
Fair value of 45% interest in Sembawang-Leader held by Build King	–	20	20
Less: Net assets at the acquisition date	(424)	(45)	(469)
Gain on bargain purchase arising from the acquisitions	(208)	(25)	(233)

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 51. ACQUISITIONS OF SUBSIDIARIES (Cont'd)

### Year ended 31st December, 2015 (Cont'd)

The management of the Group has assessed the fair values of SEGACN-Yat Hing's identifiable assets and liabilities and considered that the fair values of debtors, deposits and prepayments and creditors and accrued charges, at the acquisition date, amounting to HK\$8,193,000 and HK\$2,095,000 respectively, 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 were insignificant and the gain on bargain purchase arising from the acquisition of HK\$208,000 has been recognised as other income.

The management of the Group has assessed the fair values of Sembawang-Leader's identifiable assets and liabilities and considered that the fair values of debtors, deposits and prepayments and creditors and accrued charges, at the acquisition date, amounting to HK\$101,976,000 and HK\$86,948,000 respectively, 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 were insignificant and the gain on bargain purchase arising from the acquisition of HK\$25,000 has been recognised as other income.

Net cash inflow on acquisitions:

	SEGACN- Yat Hing HK\$'000	Sembawang- Leader HK\$'000	Total HK\$'000
Cash consideration paid	-	-	-
Less: Cash and cash equivalents acquired	-	(18,038)	(18,038)
	-	(18,038)	(18,038)

Included in the profit for the year is a loss of HK\$302,000 attributable to the additional business generated by SEGACN-Yat Hing and a profit of HK\$2,000 attributable to the additional business generated by Sembawang-Leader. Revenue for the year contributed by SEGACN-Yat Hing and Sembawang-Leader are HK\$4,991,000 and HK\$153,299,000 respectively.

Had the acquisitions been completed on 1st January, 2015, group revenue for the year would have been HK\$5,174,325,000 and profit for the year would have been HK\$442,436,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2015, nor is it intended to be a projection of future results.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 51. ACQUISITIONS OF SUBSIDIARIES (Cont'd)

Year ended 31st December, 2014

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 had been accounted for as a joint operation of the Group. Immediately after the acquisition, Honwin-Leader became 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 was accounted for using the purchase method.

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

Assets and liabilities of the acquired company at the acquisition date were as follows:

	<i>HK\$'000</i>
Debtors, deposits and prepayments	2,665
Amount due from a partner of a joint operation	8,562
Amount due to a partner of a joint operation	(1,522)
Net assets	9,705

Goodwill arising on the acquisition:

	<i>HK\$'000</i>
Cash consideration paid	8,000
Fair value of 40% interest held by Build King	3,882
Less: Net assets at the acquisition date	(9,705)
	2,177

The management of the Group had 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 represented the control premium and the potential for revenue growth and future market development. During the year ended 31st December, 2014, the management of the Group had written off the goodwill arising on the acquisition of Honwin-Leader and recognised a loss of HK\$2,177,000 which was included in administrative expenses.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 52. EVENT AFTER THE REPORTING PERIOD

On 18th February, 2016, Talent Set Global Limited (“Talent Set”), a wholly owned subsidiary of the Company, entered into the potential investment agreement with Landsea Green Properties Co., Ltd. and Landsea Holdings Corporation (“LHC”), both of which are independent third parties, pursuant to which:

- (i) Talent Set has agreed to advance an amount of US\$57,308,548 (approximately HK\$447,000,000) (the “Funds”), which is to be applied by LHC in and towards part of the purchase price for acquisition of the land parcels in the City of Sunnyvale, County of Santa Clara, State of California, the USA (“Sunnyvale Land”); and
- (ii) subject to relevant parties entering into the definitive agreements to the satisfaction of Talent Set, the Funds will be treated as capital contribution by Talent Set to acquire 30% effective interest in the property development project on the Sunnyvale Land.

Details of the transaction are set out in the Company’s Announcement – Discloseable Transaction dated 18th February, 2016.

## 53. PRINCIPAL SUBSIDIARIES

Details of the Company’s principal subsidiaries at 31st December, 2015 and 2014 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
			2015 %	2014 %	
Build King Holdings Limited <i>(note a)</i>	Bermuda/Hong Kong	HK\$124,187,799	51.49	51.17	Investment holding
Elite Excellent Investments Limited	British Virgin Islands/ Hong Kong	HK\$1,000,000	100	100	Provision of financial services
Excel Asphalt Limited	Hong Kong	HK\$5,000,000	100	–	Manufacturing, trading and delivery of asphalt
Excel Concrete Limited	Hong Kong	HK\$10,000,000	94.05 <i>(note b)</i>	94.05 <i>(note b)</i>	Manufacturing, trading and delivery of concrete

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 53. 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
			2015 %	2014 %	
Faith Oriental Investment Limited	Hong Kong	HK\$125,010,000	100	100	Investment holding, quarrying, manufacturing, trading and delivery of construction materials
Grandeur Building Material (Holdings) Limited	Hong Kong	HK\$2	100	100	Trading of construction materials
Kaden Construction Limited <i>(note c)</i>	United Kingdom/ Hong Kong	GBP16,072,500	51.49 <i>(note d)</i>	51.17 <i>(note d)</i>	Construction and civil engineering
Leader Civil Engineering Corporation Limited <i>(note e)</i>	Hong Kong	HK\$25,200,000 Ordinary shares HK\$24,000,000 Non-voting deferred shares	51.49 <i>(note d)</i> 51.49 <i>(note d)</i>	51.17 <i>(note d)</i> 51.17 <i>(note d)</i>	Civil engineering
Leader Marine Contractors Limited	Hong Kong	HK\$200,000	51.49 <i>(note d)</i>	51.17 <i>(note d)</i>	Marine engineering and provision of transportation services
Leader Marine Cont. L.L.C.	Sharjah, United Arab Emirates	Dh300,000	51.49 <i>(note d)</i>	51.17 <i>(note d)</i>	First class contracting/ specialised in marine construction
Mega Yield International Holdings Limited ("Mega Yield")	Hong Kong	HK\$105,000,000	94.05	94.05	Investment holding
Titan Foundation Limited	Hong Kong	HK\$20,000,000	51.49 <i>(note d)</i>	51.17 <i>(note d)</i>	Civil engineering
Wai Hing Quarries (China) Limited	Hong Kong/The PRC	HK\$2 Ordinary shares HK\$1,200,000 Non-voting deferred shares	100 100	100 100	Production of quarry products

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 53. 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
			2015 %	2014 %	
Wai Kee China Construction Company Limited	Hong Kong/The PRC	HK\$10,000,000	<b>51.49</b> <i>(note d)</i>	51.17 <i>(note d)</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 <i>(note f)</i>	Hong Kong	HK\$25,000,002 Ordinary shares	<b>51.49</b> <i>(note d)</i>	51.17 <i>(note d)</i>	Civil engineering
		HK\$14,800,000 Non-voting deferred shares	<b>51.49</b> <i>(note d)</i>	51.17 <i>(note d)</i>	
		HK\$5,200,000 Non-voting deferred shares <i>(note g)</i>	-	-	
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 h)</i>	The PRC	US\$5,400,000*	<b>49.22</b> <i>(note d)</i>	48.92 <i>(note d)</i>	Sewage treatment
Yat Hing Decoration Works Limited <i>(note i)</i>	Hong Kong	HK\$1,000,000	<b>51.49</b> <i>(note d)</i>	51.17 <i>(note d)</i>	Fitting out, improvement and alteration works for buildings
Zhuhai Guishan Seawall Construction Company <i>(note h)</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 j)</i>	The PRC	US\$800,000*	<b>51.49</b> <i>(note d)</i>	51.17 <i>(note d)</i>	Environmental engineering

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 53. PRINCIPAL SUBSIDIARIES (Cont'd)

Notes:

- (a) The shares of Build King are listed on the Main Board of the Stock Exchange.
- (b) The Company holds the effective interest in the subsidiary through Mega Yield.
- (c) With effect from 3rd March, 2016, the name of the company has been changed to Build King Construction Limited.
- (d) The Company holds the effective interest in the subsidiary through Build King.
- (e) With effect from 29th February, 2016, the name of the company has been changed to Build King Civil Engineering Limited.
- (f) With effect from 29th February, 2016, the name of the company has been changed to Build King (Zens) Engineering Limited.
- (g) 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.
- (h) The company is a co-operative joint venture registered in the PRC.
- (i) With effect from 29th February, 2016, the name of the company has been changed to Build King Interior & Construction Limited.
- (j) 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 for 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.

Except for Kaden and Elite Excellent which have issued bonds (note 40), none of the subsidiaries of the Company had any debt securities outstanding at the end of the year or at any time during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 53. PRINCIPAL SUBSIDIARIES (Cont'd)

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>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current assets	<b>2,276,470</b>	1,827,700
Non-current assets	<b>338,095</b>	259,157
Current liabilities	<b>(2,051,517)</b>	(1,712,269)
Non-current liabilities	<b>(140,704)</b>	(27,689)
Net assets	<b>422,344</b>	346,899
Equity attributable to owners of the company	<b>421,620</b>	345,831
Non-controlling interests	<b>724</b>	1,068
Total equity	<b>422,344</b>	346,899
Revenue	<b>4,571,629</b>	3,237,341
Expenses, net	<b>(4,477,447)</b>	(3,184,727)
Profit for the year	<b>94,182</b>	52,614
Profit attributable to owners of the company	<b>94,307</b>	55,203
Loss attributable to non-controlling interests	<b>(125)</b>	(2,589)
Profit for the year	<b>94,182</b>	52,614
Other comprehensive expense attributable to owners of the company	<b>(6,100)</b>	(2,464)
Other comprehensive expense attributable to non-controlling interests	<b>(219)</b>	(93)
Other comprehensive expense for the year	<b>(6,319)</b>	(2,557)
Total comprehensive income attributable to owners of the company	<b>88,207</b>	52,739
Total comprehensive expense attributable to non-controlling interests	<b>(344)</b>	(2,682)
Total comprehensive income for the year	<b>87,863</b>	50,057
Dividends paid to non-controlling shareholders	<b>6,064</b>	3,032
Net cash inflow from operating activities	<b>385,207</b>	196,485
Net cash outflow from investing activities	<b>(94,525)</b>	(78,591)
Net cash inflow (outflow) from financing activities	<b>103,509</b>	(4,508)
Net cash inflow	<b>394,191</b>	113,386

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

## 54. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

### Statement of financial position

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Investments in subsidiaries	<b>123,915</b>	123,915
Amounts due from subsidiaries	<b>2,595,908</b>	2,315,459
Other debtors and prepayments	<b>1,157</b>	1,067
Bank balances and cash	<b>755</b>	8,787
Amounts due to subsidiaries	<b>(840,531)</b>	(809,918)
Other creditors and accrued charges	<b>(384)</b>	(418)
Bank loans	<b>(154,500)</b>	(155,500)
<b>Net assets</b>	<b>1,726,320</b>	1,483,392
Share capital ( <i>note 41</i> )	<b>79,312</b>	79,312
Share premium and reserves	<b>1,647,008</b>	1,404,080
<b>Total equity</b>	<b>1,726,320</b>	1,483,392

### Statement of changes in equity

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contribution surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2014	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 ( <i>note 15</i> )	–	–	–	(104,692)	(104,692)
At 31st December, 2014	79,312	731,906	93,995	578,179	1,483,392
Profit and total comprehensive income for the year	–	–	–	376,173	376,173
Dividends paid ( <i>note 15</i> )	–	–	–	(133,245)	(133,245)
<b>At 31st December, 2015</b>	<b>79,312</b>	<b>731,906</b>	<b>93,995</b>	<b>821,107</b>	<b>1,726,320</b>

# Financial Summary

## RESULTS

	Year ended 31st December,				2015 HK\$'000
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	
Revenue	1,825,558	2,417,992	2,545,909	3,832,509	<b>5,019,483</b>
Profit before tax from operations:					
Company and subsidiaries	14,249	26,589	62,689	162,089	<b>134,288</b>
Share of results of associates	292,050	310,002	387,825	406,697	<b>334,839</b>
Profit before tax	306,299	336,591	450,514	568,786	<b>469,127</b>
Income tax expense	(5,074)	(261)	(1,495)	(1,907)	<b>(3,010)</b>
<b>Profit for the year</b>	<b>301,225</b>	<b>336,330</b>	<b>449,019</b>	<b>566,879</b>	<b>466,117</b>
Profit for the year attributable to:					
Owners of the Company	290,735	326,692	440,205	542,649	<b>420,865</b>
Non-controlling interests	10,490	9,638	8,814	24,230	<b>45,252</b>
	301,225	336,330	449,019	566,879	<b>466,117</b>

## FINANCIAL POSITION

	At 31st December,				2015 HK\$'000
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	
Total assets	5,573,897	6,082,131	7,035,149	7,833,901	<b>9,064,110</b>
Total liabilities	(1,029,135)	(1,198,400)	(1,693,102)	(2,053,833)	<b>(3,164,364)</b>
<b>Net assets</b>	<b>4,544,762</b>	<b>4,883,731</b>	<b>5,342,047</b>	<b>5,780,068</b>	<b>5,899,746</b>
Equity attributable to owners of the Company	4,419,925	4,748,520	5,204,645	5,620,263	<b>5,698,834</b>
Non-controlling interests	124,837	135,211	137,402	159,805	<b>200,912</b>
<b>Total equity</b>	<b>4,544,762</b>	<b>4,883,731</b>	<b>5,342,047</b>	<b>5,780,068</b>	<b>5,899,746</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

TSANG Yam Pui  
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)

