

**HIGHWAY AND
EXPRESSWAY**

**PROPERTY
DEVELOPMENT**

CONSTRUCTION

**CONSTRUCTION
MATERIALS**

QUARRYING



Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNUAL REPORT 2011

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Financial Highlights

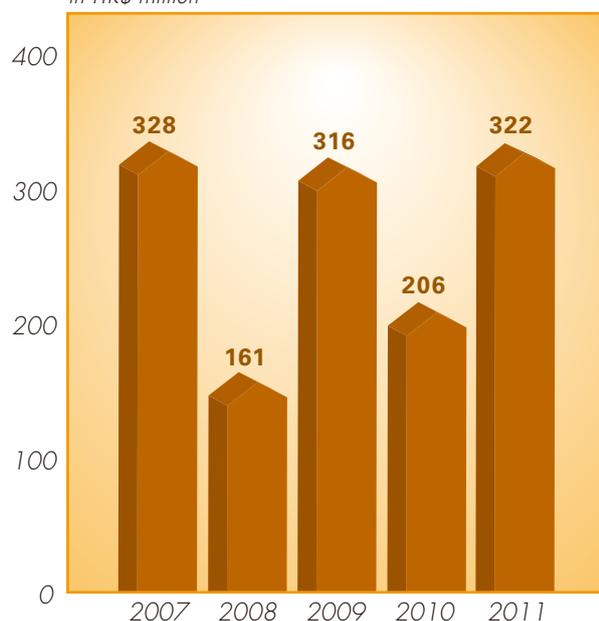
	Year ended 31st December,	
	2011 <i>HK\$'million</i>	2010 <i>HK\$'million</i>
Group revenue and share of revenue of jointly controlled entities	1,827	927
Profit for the year	333	209
Profit attributable to owners of the Company	322	206
	<i>HK cents</i>	<i>HK cents</i>
Basic earnings per share	40.65	25.92
Dividend per share	11.1	10
Return on equity attributable to owners of the Company	7.2%	5.1%

	At 31st December,	
	2011 <i>HK\$'million</i>	2010 <i>HK\$'million</i>
Total assets	5,354	4,716
Total liabilities	(761)	(547)
Non-controlling interests	(125)	(103)
Equity attributable to owners of the Company	4,468	4,066
	<i>HK\$</i>	<i>HK\$</i>
Equity attributable to owners of the Company per share	5.63	5.13

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Year ended 31st December,

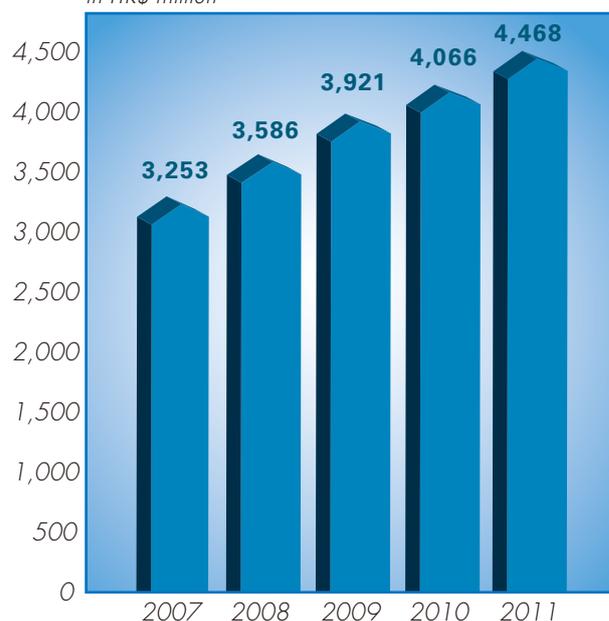
in HK\$'million



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

At 31st December,

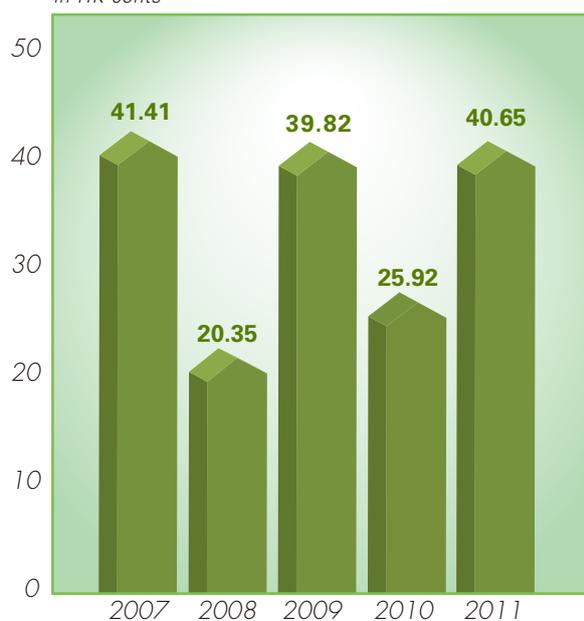
in HK\$'million



BASIC EARNINGS PER SHARE

Year ended 31st December,

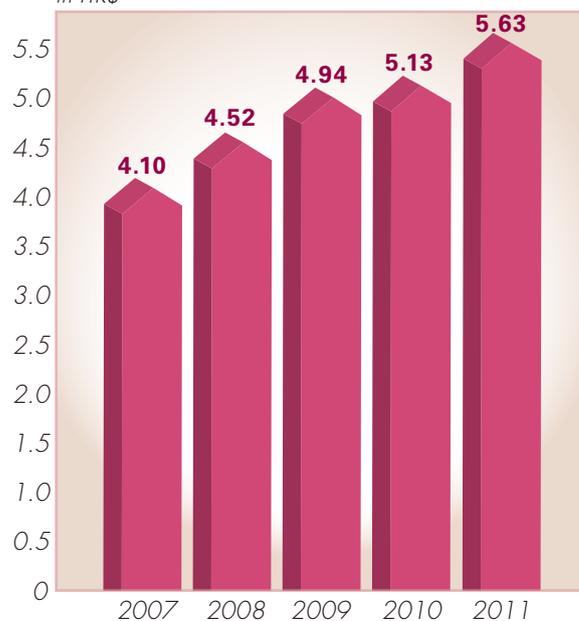
in HK cents



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE

At 31st December,

in HK\$





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, 2011 was HK\$1,248 million (2010: HK\$734 million) and HK\$1,827 million (2010: HK\$927 million) if including revenue of jointly controlled entities shared by the Group, generating an audited consolidated profit attributable to owners of the Company of HK\$322 million (2010: HK\$206 million), an increase of 56% as compared with that of year 2010.

At the forthcoming Annual General Meeting to be held on 15th May, 2012, the Board will recommend the payment of a final dividend of HK5.6 cents (2010: HK5 cents) per share.

BUSINESS REVIEW

Highway and Expressway Operations and Property Development

For the year ended 31st December, 2011, the Group shared a total profit of HK\$312 million (2010: HK\$239 million) from Road King Infrastructure Limited ("Road King"), an associate of the Group. As of the date of this report, the Group holds 38.19% interest in Road King.

For the year ended 31st December, 2011, Road King recorded an audited profit attributable to its owners of HK\$818 million (2010: HK\$625 million).

In 2011, the toll road business recorded a steady growth of 5% in toll revenue. The revenue generated from delivery of properties of the property business increased by 38%, with segment profit surging by 51% to HK\$727 million.

The accelerated pace of economic restructuring imposed by the PRC government, relocation of industries to inland provinces, continual increase of disposable personal income and national economic development have generated new passenger and freight demand for Road King's toll road business as well as new customer sources for the property business.

Although the PRC government continued to enforce a series of austerity measures with the priority to curb inflation and imposed new measures to regulate the property market, which posed serious impacts on the property market, Road King managed to maintain a stable sales income through its diversified geographical and business portfolio.

Driven by the increase in the traffic volume of expressway projects, the total traffic volume and toll revenue in 2011 respectively reached 90 million vehicles and RMB2,045 million, representing an increase of 4% and 5% respectively over 2010. Toll revenue contributed by expressway projects increased from 67% of the entire toll road portfolio in 2007 to 82% in 2011. Road King is also making preparation for the withdrawal from highway projects in accordance with its strategy. In 2011, Road King withdrew from Taiyu Highway in Shanxi Province at the consideration of RMB25 million. Road King is still in discussion with respect to the compensation for withdrawing from other highway projects.



HIGHWAY AND EXPRESSWAY

BUSINESS REVIEW (Cont'd)

Highway and Expressway Operations and Property Development (Cont'd)

In 2011, as the macroeconomic controlling policies implemented by the PRC government dampened the property market, Road King focused on maintaining a robust financial position as its primary strategy. Benefited from the geographic diversity of business, Road King recorded sales (including car parking spaces) of RMB5,633 million in 2011, with the average selling price increased 8% year-on-year to RMB9,400 per sqm.

For 2011, revenue generated mainly by the delivery of properties (including car parking spaces) increased 38% to HK\$6,833 million and total area delivered in 2011 was 733,000 sqm, representing a growth of 48% as compared with that in 2010. The segment profit of the property business also increased to HK\$727 million.

The disputes with the former major shareholders of Sunco Property Holdings Company Limited ("Sunco") have principally been settled through the mediation by Tianjin Municipal Government. Both parties have withdrawn their respective lawsuit. The former major shareholders of Sunco have reiterated their recognition that Road King is the lawful owner of the interests attributable to two subsidiaries in Tianjin.

As at 31st December, 2011, Road King's landbank had an attributable GFA of over 4.36 million sqm. For toll road business, Road King will continue to dispose of certain Class I and Class II highways and increase the proportion of expressway assets in its portfolio, and to optimise and enhance the toll road business.

For the property business, Road King anticipates that the PRC government will continue to implement stringent austerity measures towards the property sector in 2012. Road King will continue to adopt a prudent investment strategy and professional management approach, and respond to relevant control measures by adjusting the pace and size of project investment.

Construction

For the year ended 31st December, 2011, the Group shared a profit of HK\$13 million (2010: HK\$13 million) from Build King Holdings Limited ("Build King"), construction arm of the Group. As of the date of this report, the Group holds 51.17% interest in Build King.

For the year ended 31st December, 2011, Build King recorded revenue and share of revenue of jointly controlled entities of HK\$1,731 million (2010: HK\$915 million) and an audited profit attributable to its owners of HK\$26 million (2010: HK\$29 million) which comprises profit of HK\$36 million (2010: HK\$21 million) from construction operation and loss of HK\$10 million (2010: profit of HK\$8 million) from the investments in marketable securities.

In 2011, Build King has been able to take advantage of the current high level of activity in the construction market in Hong Kong. This achievement reflects its continuing strategy of focusing on projects where it believes it has a competitive edge.



PROPERTY DEVELOPMENT

BUSINESS REVIEW (Cont'd)

Construction (Cont'd)

The expected market recovery in the UAE and particularly in Abu Dhabi did not materialise and as a result, Build King's joint venture there failed to secure any new projects this year. As the UAE marine civil engineering market is showing no improvement, Build King has decided to transfer most of its staff back to Hong Kong together with the majority of the marine plant. This will be completed in the first half of 2012.

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

In Hong Kong, Build King was awarded 16 new civil engineering projects, including 3 projects awarded to joint ventures, totalling in all HK\$2.3 billion in value.

In regard to the future, Build King is confident that there are good opportunities in civil engineering coming for it in 2012, and also beyond. Tenders for the MTRC Shatin to Central Line will be available in the first half of 2012 and physical works will commence in the second half. Build King has teamed up with partners for most of the packages and is confident that they will be prequalified for most of them.

Build King's building division secured a major new building project as management contractor for the development of Hang Seng Management College at Shatin. This contract is the biggest building work undertaken to date by Build King.

In the long term, Build King is confident that there will be many opportunities in Hong Kong for substantial growth of Build King during the next 5 years or so. To capitalize on these opportunities, its tendering strategy will continue to be selective and focus on those projects where Build King believes a decent margin can be obtained, where they have a real edge and which have healthy cashflow.

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



CONSTRUCTION

BUSINESS REVIEW (Cont'd)

Construction Materials

For the year ended 31st December, 2011, the Group shared a loss of HK\$49 million (2010: HK\$31 million) from Mega Yield International Holdings Limited ("Mega Yield"), the construction materials division of the Group, and the revenue of Mega Yield was HK\$97 million (2010: HK\$2 million). As of the date of this report, the Group holds 94.05% interest in Mega Yield.

The substantial loss recorded was mainly due to the pre-operating expenses incurred for the establishment of the concrete batching plant and the rental payment for the Aberdeen site. In addition, the orders from customers were slower than expected due to the demand for concrete is significantly lower at early stage of most construction projects. The orders gradually picked up during the last quarter in 2011.

The division continues to focus on increasing its order book as well as gearing up the efficiency and effectiveness of the concrete batching facilities. Our emphasis is on our product quality control and we value our customers and work closely with them. In addition, management continues to adopt prudent cost control measures. The road ahead is not smooth as the division is facing the challenge of increases in raw materials costs, shortage of skillful labour and severe competition from the existing operators.



CONSTRUCTION MATERIALS

BUSINESS REVIEW (Cont'd)

Quarrying

For the year ended 31st December, 2011, the quarrying division recorded revenue of HK\$21 million (2010: HK\$11 million) and net profit of HK\$56 million (2010: net loss of HK\$8 million).

The significant improvement in the current year result is due to an one-off income recognised upon an agreement made with the local government of Wanshan in the PRC ("Wanshan Government") during the year that the Wanshan Government would settle the outstanding amount of the advances and the cost of construction work together with the interest thereon by cash instead of the waiver of royalty fees arising from the sale of quarry products from a quarry of the Group in the PRC. At the date of the agreement, an allowance of prepaid royalties amounting to HK\$34 million made in 2004 has been reversed and an additional income (net of tax) of HK\$41 million has been recognised.

During the current year, the Group's licence for operation in Niu Tou Island has been successfully extended for 6 years to 2017 and relocation of the crushing plant in Niu Tou Island has also been completed.

Following the increase in the production volume in the Group's concrete batching facilities at Aberdeen in 2012, the demand of aggregates from the quarrying division is anticipated to be increased.

North American Ginseng

For the year ended 31st December, 2011, Chai-Na-Ta Corp. ("CNT"), an associate of the Group in Canada, recorded revenue of C\$9.5 million (2010: C\$9.0 million) and net profit of C\$3.0 million (2010: C\$0.8 million). For the year ended 31st December, 2011, the Group shared CNT's profit of HK\$11 million (2010: HK\$2 million). As of the date of this report, the Group holds 46.19% interest in CNT.

In 2011, CNT harvested its remaining 140 acres (2010: 125 acres) of ginseng crops in Ontario which resulted in a yield of 367,000 pounds (2010: 545,000 pounds) of roots. The decrease in yield is a result of the 2011 harvest being primarily composed of three-year-old ginseng crops which have less time to mature and increase in size. As three-year-old crops would normally have been allowed to mature one more year and the final year's harvest in 2011 has absorbed a greater proportion of farm overhead costs, CNT recorded a write-down of C\$0.2 million on the inventory that was harvested at the end of 2011 due to lower than expected sales prices on its final harvest which reduced the estimated net realizable value of the inventory below its carrying value at 31st December, 2011.

CNT is currently in the process of closing its ginseng farming operations. The operating assets and real property of CNT have been sold in January 2012 and CNT is currently selling its inventory from its final harvest in 2011. CNT has not yet received any proposal for attractive new potential venture to invest in, and thus will begin the process of winding up the company and repatriating all remaining assets to its shareholders in accordance with the relevant rules and regulations of Canada.



QUARRYING

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, total borrowings increased from HK\$165 million to HK\$197 million with the maturity profile summarised as follows:

	At 31st December,	
	2011 HK\$'million	2010 HK\$'million
Within one year	123	82
In the second year	47	42
In the third to fifth year inclusive	27	41
	197	165
Classified under:		
Current liabilities ((a) and (b))	183	139
Non-current liabilities	14	26
	197	165

- (a) At 31st December, 2011, bank loans, that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause, with the aggregate carrying amount of HK\$60 million (2010: HK\$57 million) have been classified as current liabilities.
- (b) At 31st December, 2010, total borrowings included a structured borrowing of HK\$13 million that was designated as at fair value through profit or loss upon initial recognition and was subsequently measured at fair value based on the valuation provided by the counterparty. The structured borrowing was denominated in United States dollar and was fully repaid during the year 2011.

At 31st December, 2011, bank loans included a carrying amount of HK\$4 million (2010: HK\$8 million) which is denominated in United States dollar.

At 31st December, 2011, the Group had no fixed-rate borrowings and no financial instruments for hedging purpose.

At 31st December, 2011, the Group's cash and bank balances were HK\$124 million (2010: HK\$59 million), of which bank deposit amounting to HK\$0.02 million (2010: HK\$0.02 million) was pledged to a bank to secure certain general banking facilities granted to the Group.

FINANCIAL REVIEW (Cont'd)

Liquidity and Financial Resources (Cont'd)

For the year ended 31st December, 2011, the Group recorded finance costs of HK\$4 million (2010: HK\$4 million).

At 31st December, 2011, a portfolio of held-for-trading investments were stated at their fair values in a total amount of HK\$45 million (2010: HK\$37 million), majority of which were equity securities listed in Hong Kong and debts securities listed in Singapore. Certain listed equity securities held by Build King with market value of HK\$13 million (2010: HK\$21 million) were pledged to a bank to secure certain general banking facilities granted to Build King. For the year ended 31st December, 2011, the Group recorded a net loss (net amount of change in fair value, gain or loss on disposal, impairment loss, interest and dividend income) from these investments of HK\$16 million (2010: a net gain of HK\$6 million), of which a net loss of HK\$10 million (2010: a net gain of HK\$8 million) was suffered 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. Hence, there is no significant exposure to foreign exchange rate fluctuations.

Capital Structure and Gearing Ratio

At 31st December, 2011, the equity attributable to owners of the Company amounted to HK\$4,468 million, representing HK\$5.63 per share (2010: HK\$4,066 million, representing HK\$5.13 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, 2011, the net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to equity attributable to owners of the Company, was 1.6% (2010: 2.6%).

Pledge of Assets

At 31st December, 2011, apart from the bank deposit and certain listed equity securities pledged to a bank to secure certain general banking facilities granted to the Group, certain motor vehicles with an aggregate carrying value of HK\$23 million (2010: HK\$0.05 million) were pledged to secure certain bank loans granted to the Group. In addition, the share of a Company's subsidiary was pledged to secure certain bank loans granted to the Group.

Tender/Performance/Retention Bonds

At 31st December, 2011, the Group had outstanding tender/performance/retention bonds for construction contracts amounting to HK\$154 million (2010: HK\$203 million).

FINANCIAL REVIEW (Cont'd)

Capital Commitments

At 31st December, 2011, the Group has committed capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Group's consolidated financial statements and authorised but not contracted for amounting to HK\$4 million (2010: HK\$21 million) and HK\$1 million (2010: HK\$12 million) respectively.

FUTURE OUTLOOK

With an increased order book in the concrete business, it is anticipated that the quarrying division will achieve stable performance, which together with the prudent cost control measures and the construction materials division's increased production levels in 2012 and 2013, the Group believes that the division will likely turn around. The construction materials division is fully committed to achieve the target.

To enhance the shareholders' interests, we will continue to look for similar investment opportunities that create synergy for the Group. In making investment decisions, we will continue to cautiously consider our financial capability.

APPRECIATION

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

Zen Wei Pao, William

Chairman

Hong Kong, 27th February, 2012

EXECUTIVE DIRECTORS

ZEN Wei Pao, William, age 64, 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. 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 59, is the Vice Chairman of the Company and has been with the Group for over 30 years. He was appointed as an Executive Director in July 1992, a member of the Remuneration Committee of the Company in April 2005 and a member of the Nomination Committee of the Company in February 2012. He is also the Chairman of Build King and CNT, 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 is also the Honorary Treasurer of Hong Kong Construction Association from 2011 to 2013. He has over 35 years of experience in civil engineering. Mr. Zen is responsible for the overall management of the Group and oversees the operations of the Group. He is the brother of Mr. Zen Wei Pao, William.

CHIU Wai Yee, Anriena, age 48, was appointed as an Executive Director in June 2005. She joined the Group in April 1995. She is the Company Secretary of the Company. She holds a Bachelor of Administrative Studies Degree and a Master Degree of Professional Accounting. Miss Chiu is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She has extensive experience in company secretarial field. Miss Chiu is responsible for the construction materials division of the Group, the personnel and administration department and secretarial department of the Company.

NON-EXECUTIVE DIRECTORS

LAM Wai Hon, Patrick, age 49, was appointed as a Non-executive Director in September 2000. He is also a Non-executive Director of Road King. Mr. Lam is a Chartered Accountant by training and holds a Master of Business Administration Degree from The University of Edinburgh, UK and a Bachelor Degree from The University of Essex, UK. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Lam is presently Assistant General Manager of New World Development Company Limited and an Executive Director of NWS Holdings Limited, both of which are the substantial shareholders of the Company and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also the Vice Chairman and Non-executive Director of Newton Resources Ltd. Mr. Lam was a Non-executive Director of Taifook Securities Group Limited (now known as Haitong International Securities Group Limited), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and a Director of Guangdong Baolihua New Energy Stock Co., Ltd., a listed company in the PRC. Prior to joining the New World Group, Mr. Lam worked for an international accounting firm.

CHU Tat Chi, age 54, was appointed as a Non-executive Director in May 2006. He graduated from the Hong Kong Polytechnic in 1978 with a Diploma in Building Studies. He has over 30 years of experience in the civil engineering and construction industries. Mr. Chu joined Hip Hing Construction Company Limited ("Hip Hing") in 1979 and is presently the Managing Director of Hip Hing. He is also a Director of NWS Service Management Limited, a substantial shareholder of the Company, Quon Hing Concrete Company Limited and Ngo Kee (Macau) Limited. Prior to joining Hip Hing, he had worked in the Public Works Department of Hong Kong Government.

CHENG Chi Pang, Leslie, age 54, 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 Holdings Limited. He is now the Senior Partner of Leslie Cheng & Co. and Chief Executive Officer of L & E Consultants Limited. Dr. Cheng is currently an Independent Non-executive Director of China Ting Group Holdings Limited, Fortune Sun (China) Holdings Limited, Nine Dragons Paper (Holdings) Limited and Tianjin Port Development Holdings Limited, all of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to joining the New World Group, he was a senior manager of an international accounting firm.

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Che Ming, Steve, age 61, 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 60, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in September 2001. He was appointed as the Chairman of the Remuneration Committee of the Company in April 2005 and a member of the Nomination Committee of the Company in February 2012. He holds a Master Degree of Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Business Administration and Accounting from The University of Hong Kong. He started his executive search career in 1988 and was previously Managing Partner and Vice Chairman of Amrop Hever, a global executive search firm. Prior to this, he was the Managing Director of Norman Broadbent's Hong Kong and China offices and was among the first generation of recruiters to establish a search practice in China. Earlier, he worked for Bank of America and Banque Nationale de Paris on both the human resources and business side. Mr. Wan is currently the Non-executive Chairman of Cinderella Media Group Limited (formerly known as Recruit Holdings Limited) whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

WONG Man Chung, Francis, age 47, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in August 2004. He was appointed as the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company in April 2005, as well as a member of the Nomination Committee of the Company in February 2012. Mr. Wong holds a Master Degree in Management conferred by Guangzhou Jinan University of China. He is a Certified Public Accountant (Practising) and has over 20 years of experience in the profession of accounting. He is a fellow member of the Association of Chartered Certified Accountants, UK and the Hong Kong Institute of Certified Public Accountants, a certified tax adviser of the Taxation Institute of Hong Kong, an associate member of the Institute of Chartered Accountants in England and Wales, and a member of the Society of Chinese Accountants and Auditors, Hong Kong. Mr. Wong is a Director of both Union Alpha CPA Limited and Union Alpha CAAP Certified Public Accountants Limited, which are professional accounting firms, and a Founding Director and member of Francis M. C. Wong Charitable Foundation Limited, a charitable institution. Prior to that, he worked for an international accounting firm for 6 years and The Hong Kong Securities Clearing Company Limited for 2 years. Mr. Wong is currently an Independent Non-executive Director and either the chairman or a member of the Audit Committee/Remuneration Committee of China Oriental Group Company Limited, Digital China Holdings Limited and eForce Holdings Limited, all of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was once an Independent Non-executive Director of Lightscape Technologies Inc., a company with its shares traded on the OTC Bulletin Board in the United States of America.

SENIOR MANAGEMENT

CHANG Kam Chuen, Desmond, age 46, 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 20 years of experience in accounting profession and financial management. Mr. Chang is responsible for the financial, human resources, administration and secretarial departments of Build King.

CHEUNG Siu Lun, age 61, joined the Group in 2006. He is a Director of Kaden Construction Limited ("Kaden"), Leader Civil Engineering Corporation Limited ("Leader Civil") and Wai Kee (Zens) Construction & Transportation Company Limited ("WKC&T"). He holds a Bachelor of Science Degree in Civil Engineering from The University of Hong Kong. He is a member of the Institution of Civil Engineers and a fellow of The Hong Kong Institution of Engineers. He is also a Chartered Engineer of the UK. He is a member of the Contractors Registration Committee Panel, the Contractors Registration Committee, the Minor Works Contractors Registration Committee Panel and the Minor Works Contractors Registration Committee of Buildings Department. He has over 35 years of experience in both civil engineering and building construction. Mr. Cheung is responsible for Build King's business development.

CHOY Hon Ping, age 55, joined the Group in 2010. He is a Director of Kaden, Leader Civil and WKC&T. He is a member of The Hong Kong Institution of Engineers and The Chartered Institute of Building (UK). He has been appointed by The Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) as the "Construction Specialist" since 2006. He was the Building Committee member (1998-2007 and 2010-2012) and Council member (2005-2007) of The Hong Kong Construction Association, Limited. He has over 30 years of experience in building construction in Hong Kong. Mr. Choy is responsible for Build King's building operation in Hong Kong.

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

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

LUI Yau Chun, Paul, age 50, has been working with the Group since 1998. He is a Director and the General Manager (Marine) of WKC&T, a Director of Kaden, Leader Civil and Leader Marine Contractors Limited, and the General Manager of Leader Marine L.L.C. and Leader Marine Cont. L.L.C., both companies were registered in Sharjah, United Arab Emirates. He is a member of the Institution of Structural Engineers. He has over 25 years of experience in civil and marine engineering. Mr. Lui is responsible for Build King's civil and marine engineering operation in Hong Kong.

SENIOR MANAGEMENT (Cont'd)

SO Yiu Wing, Wilfred, age 37, is a Director of Kaden, Leader Civil and WKC&T. He holds a Bachelor degree in Civil Engineering from The University of Hong Kong. He is a member of The Hong Kong Institution of Engineers and a Registered Professional Engineer (CVL). He has over 15 years of experience in civil engineering construction. Mr. So is responsible for Build King's civil engineering operation in Hong Kong.

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

John **LEICH**, age 61, joined the Group in November 2010 and is now a Director of Excel Concrete Limited responsible for the construction materials division of the Group. He holds a Bachelor's degree in Civil Engineering from the University of Sydney and has completed studies for a Master's degree in Business Administration at the University of Technology, Sydney. He is a member of the Institute of Quarrying. Mr. Leich was an executive director of Shui On Building Materials Limited and Lamma Rock Products Limited. He has over 30 years of experience in the concrete, cement and quarrying industries.

HO Kin Kwok, William, age 57, joined the Group in March 2010 and is now 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 56, joined the Group in August 1994 and is now the Group Financial Controller responsible for the financial management and the accounting department of the Group. He is also a Director of Wai Kee Quarry Asia Limited and Wai Hing Quarries (China) Limited responsible for the quarrying division of the Group. Mr. Cheung holds a Master Degree of Business Administration from Heriot-Watt University, UK. He is a fellow member of the Association of Chartered Certified Accountants, UK, a member of the Certified General Accountants' Association of Canada, a full member of American Institute of Certified Public Accountants and also holds a CPA practising license in Colorado State of the United States of America. He has extensive experience in auditing, accounting and financial management.

YAM Tin Chun, Martin, age 51, 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 15 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 Chairman of the Company and Build King.

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

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code and has complied with the Code throughout the year ended 31st December, 2011. Deviations from code provisions A.2.1 and A.4.1 of the Code in respect of the separate roles of chairman and chief executive officer, and service term of the directors are explained in subsequent sections.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31st December, 2011.

BOARD OF DIRECTORS

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

The Board comprises nine Directors including three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The three Independent Non-executive Directors are all professionals from the fields of law, personnel recruitment, and finance and accounting respectively. All the Board members have extensive experience and knowledge in corporate management making significant contributions to the Company's strategic decisions. The diverse background of the Board members ensures that they fully represent the interests of all the shareholders. The biographies of the Directors are presented under the heading "Directors and Senior Management" on pages 17 to 21 of this Annual Report. Following the establishment of the Nomination Committee in February 2012, the Board has delegated certain authorities to three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee.

To the best knowledge of the Company, there is no financial, business, and family relationship among members of the Board other than the Chairman and the Vice Chairman who are brothers.

BOARD OF DIRECTORS (Cont'd)

The Board holds four regular meetings per year and additional meetings are arranged if and when required. During the year, four board meetings were held by the Company and the attendance record of the Board members is as follows:

	Number of Meetings Attended	Attendance
Executive Directors:		
Zen Wei Pao, William (<i>Chairman</i>)	4	100%
Zen Wei Peu, Derek (<i>Vice Chairman</i>)	4	100%
Chiu Wai Yee, Anriena	4	100%
Non-executive Directors:		
Lam Wai Hon, Patrick	4	100%
Chu Tat Chi	4	100%
Cheng Chi Pang, Leslie	4	100%
Independent Non-executive Directors:		
Wong Che Ming, Steve	4	100%
Wan Siu Kau, Samuel	4	100%
Wong Man Chung, Francis	4	100%

The meeting agenda is set by the Chairman in consultation with the Vice Chairman and other Board members, and to ensure that all key and appropriate issues are discussed by the Board in a timely manner. At least 14 days' notice is given to all the Directors and the relevant information is despatched to them at least 3 days before the meeting. All Board members have unrestricted access to information and may seek independent professional advice where appropriate. Minutes of every board meeting are circulated to all the Directors for their perusal prior to confirmation of the minutes at the following board meeting.

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

Under the amended Company's Bye-laws which was approved by the shareholders at the annual general meeting held on 13th May, 2005, one-third of directors shall retire by rotation each year. If number of board members is not a multiple of three, then the number nearest to but not less than one-third shall retire by rotation. Retired directors are eligible for re-election at each annual general meeting. No director has a term of appointment longer than three years.

CHAIRMAN AND VICE CHAIRMAN

The Chairman of the Board is Mr. Zen Wei Pao, William and the Vice Chairman is Mr. Zen Wei Peu, Derek. Their duties are clearly set out in writing and are separate. Mr. Zen Wei Pao, William, in addition to his duties as the Chairman of the Company, is also responsible for overseeing the operations of the Group's highway and expressway, and property development divisions. This constitutes a deviation from the code provision A.2.1 of the Code as part of his duties overlap with those of the Vice Chairman. However, due to the Company's nature of operations, the Company considers that these duties are best served by the Chairman with his knowledge and experience in this area of the Group's operations.

The Company does not at present have any officer with the title "chief executive officer". However, the Vice Chairman carries out the duties of the chief executive officer of the Company and had done so since 1992. He was formally designated the "managing director" of the Company until 1998 when his title was changed to "Vice Chairman". Even though he is not formally designated as the chief executive officer of the Company, his duties and responsibilities are segregated from those of the Chairman's.

Since the roles of the Chairman and Vice Chairman are clearly segregated and the Vice Chairman is in practice, the chief executive officer, even though he does not carry that title, the Company does not currently intend to re-designate the Vice Chairman as the chief executive officer of the Company.

NON-EXECUTIVE DIRECTORS

None of the existing Non-executive Directors (including Independent Non-executive Directors) of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all the Directors of the Company are subject to the retirement provisions under Bye-law 87 of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005 with specific written terms of reference which delineates its authority and duties. The chairman of the Remuneration Committee is Mr. Wan Siu Kau, Samuel, an Independent Non-executive Director, and other members including Dr. Wong Che Ming, Steve, Messrs. Wong Man Chung, Francis, Zen Wei Pao, William and Zen Wei Peu, Derek, the majority being Independent Non-executive Directors.

The Remuneration Committee meets at least twice a year and additional meetings are held as the work of the Remuneration Committee demands.

REMUNERATION COMMITTEE (Cont'd)

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

The terms of reference of the Remuneration Committee were revised and approved by the Board in February 2012 to enhance and strengthen the corporate governance standard. The revised version will be published on the websites of the Company and the Stock Exchange in due course.

During the year, the Remuneration Committee reviewed and approved the remuneration packages of the Executive Directors and senior management. No member can determinate his own remuneration.

During the year, the Remuneration Committee held four meetings and the attendance record of the Remuneration Committee members is as follows:

	Number of Meetings Attended	Attendance
Remuneration Committee members:		
Wan Siu Kau, Samuel (<i>Committee Chairman</i>)	4	100%
Wong Che Ming, Steve	4	100%
Wong Man Chung, Francis	3	75%
Zen Wei Pao, William	4	100%
Zen Wei Peu, Derek	4	100%

NOMINATION COMMITTEE

The Nomination Committee was established in February 2012 with specific written terms of reference which delineates its authority and duties. The Chairman of the Nomination Committee is Mr. Zen Wei Pao, William, the Chairman of the Board, and other members include Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel, Mr. Wong Man Chung, Francis and Mr. Zen Wei Peu, Derek, the majority being Independent Non-executive Directors.

The duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and identify individuals suitably qualified to become Directors and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships.

Prior to its establishment, the appointment and removal of Directors are considered and determined by the Board of Directors.

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

AUDIT COMMITTEE

The Audit Committee was established in 1998. It currently comprises three Independent Non-executive Directors and its chairman has the appropriate professional qualifications and related financial management experience.

The Audit Committee meets at least twice a year to review and discuss with management (including Group Financial Controller), internal auditor and the external auditor about the accounting policies adopted by the Group, the interim and annual financial statements, the scope of audit, and the assessment of the Group's internal control system.

The terms of reference of the Audit Committee were revised and approved by the Board in February 2012 to enhance and strengthen the corporate governance standard. The revised version will be published on the websites of the Company and the Stock Exchange in due course.

During the year, the Audit Committee considered the external auditor's projected audit fee, discussed with the external auditor about the accounting policies adopted by the Group, reviewed the interim and annual financial statements, the scope of audit and assessed the Group's internal control system. The members of the Audit Committee had met with the external auditor directly with no Executive Director present.

During the year, the Audit Committee held four meetings and the attendance record of the Audit Committee members is as follows:

	Number of Meetings Attended	Attendance
Audit Committee members:		
Wong Man Chung, Francis (<i>Committee Chairman</i>)	4	100%
Wong Che Ming, Steve	4	100%
Wan Siu Kau, Samuel	4	100%

AUDITOR'S REMUNERATION

During the year, Messrs. Deloitte Touche Tohmatsu provided statutory audit services amounting to approximately HK\$2,470,000 and non-audit services (including tax services) amounting to approximately HK\$1,428,000.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The statement of the external auditor of the Company, Messrs. Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements of the Group, is set out on pages 43 to 44 in the Independent Auditor's Report forming part of this Annual Report.

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

INTERNAL CONTROL

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

- Integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets;
- Quality of information flow; and
- Compliance with laws, regulations, and contracts.

The internal audit team 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.

INTERNAL CONTROL (Cont'd)

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognised the importance of good communications with all shareholders. The Company communicates with its shareholders through the publication of interim report and annual report in accordance with the Listing Rules. The business status and progress of each line of business are presented under "Business Review" section of the interim report and annual report to expand the shareholders' understanding of the Group's activities.

The Company's financial statements and each of the required disclosure of information are despatched within the prescribed period imposed by laws and regulations and are all posted on the Company's website (www.waikoo.com) for the public to download.

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

COMPLIANCE

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

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 51, 21 and 22 to the consolidated financial statements respectively.

CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2011, the five largest customers of the Group together accounted for approximately 77% of the Group's revenue, with the largest customer accounted for approximately 49%, and the five largest suppliers of the Group together represented approximately 15% by value of the Group's total purchases.

None of the Directors, or any of their associates, or any shareholders which, to the knowledge of the Directors, owned more than 5% of the Company's share capital, had any beneficial interests in the Group's five largest customers or five largest suppliers as mentioned in the preceding paragraph.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2011 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 45 and 46 respectively.

An interim dividend of HK5.5 cents per share was paid to shareholders during the year. The Directors recommend the payment of a final dividend of HK5.6 cents per share for the year ended 31st December, 2011 to shareholders whose names appear in the Register of Members of the Company on 22nd May, 2012. 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, final dividend warrants are expected to be despatched to the shareholders on or before 22nd June, 2012.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Tuesday, 15th May, 2012, the Register of the Members of the Company will be closed from Monday, 14th May, 2012 to Tuesday, 15th May, 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 11th May, 2012.

CLOSURES OF REGISTER OF MEMBERS (Cont'd)

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is on Tuesday, 22nd May, 2012. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Monday, 21st May, 2012 to Tuesday, 22nd May, 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 18th May, 2012.

SEGMENT INFORMATION

Details of the segment information are set out in note 6 to the consolidated financial statements.

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 49.

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 40 and 42 to the consolidated financial statements respectively.

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

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

Non-executive Directors:

Lam Wai Hon, Patrick
Chu Tat Chi
Cheng Chi Pang, Leslie

Independent Non-executive Directors:

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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Zen Wei Pao, William, Miss Chiu Wai Yee, Anriena and Mr. Wong Man Chung, Francis shall retire from office at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

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

The Company received confirmation of independence from Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel and Mr. Wong Man Chung, Francis, being the Independent Non-executive Directors in respect of the year ended 31st December, 2011, pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31st December, 2011, 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 for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

(I) The Company

Interests in shares

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

Note:

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

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations

Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary 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	6,048,000	(Note 1)	–	0.82
		Personal	3,900,000	(Note 2)	–	0.53
	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	122,675,228	(Note 1)	–	9.88
	Chai-Na-Ta Corp.	Personal	253,728	(Note 1)	–	0.73
	Road King Infrastructure Limited	Personal	7,227,000	(Note 1)	–	0.97
		Personal	2,350,000	(Note 2)	–	0.32
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000	(Note 1)	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000	(Note 1)	–	37.50

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (Cont'd)

Interests in shares (Cont'd)

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital	
			Long position	Short position		
					(%)	
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	1,116,000	(Note 1)	–	0.09
	Chai-Na-Ta Corp.	Personal	1,920	(Note 1)	–	0.01
	Road King Infrastructure Limited	Personal	205,000	(Note 1)	–	0.03
		Personal	100,000	(Note 2)	–	0.01
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	186,666	(Note 1)	–	0.02
Chu Tat Chi	Road King Infrastructure Limited	Personal	515,000	(Note 1)	–	0.07
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, 2011, the issued share capital of Build King was 1,241,877,992 shares. Accordingly, the percentage has been adjusted.

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	Principal amount held
Zen Wei Peu, Derek	Road King Infrastructure Limited	Personal	US\$5,400,000 <i>(Notes 1 & 2)</i>

Notes:

1. Long position in the debentures.
2. Such debentures were US\$350,000,000 9.5% Guaranteed Senior Notes due 2015.

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

SHARE OPTIONS

(I) The Company

A share option scheme (the "Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002.

Details of the Share Option Scheme are set out in note 42 to the consolidated financial statements.

Renewal of the 10% share option scheme mandate limit under the Share Option Scheme was approved by the shareholders on 12th May, 2004. Therefore, the Company can grant share options to subscribe for up to 79,282,403 shares of the Company under the Share Option Scheme. Since 12th May, 2004, as there have been 6,160,000 share options granted under the Share Option Scheme, the total number of shares available for issue under the Share Option Scheme is 73,122,403 representing approximately 9.22% of the Company's issued share capital as at the date of this report.

As at 31st December, 2011, no option remained outstanding.

SHARE OPTIONS (Cont'd)

(I) The Company (Cont'd)

Details of the share options granted under the Share Option Scheme and a summary of the movements during the year are as follows:

Name	Date of grant	Exercisable period	Exercise price	Number of share options				
				Balance at 1.1.2011	Granted during the year	Exercised during the year	Expired during the year	Balance at 31.12.2011
<i>HK\$</i>								
Directors								
Zen Wei Pao, William	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	770,000	-	-	(770,000)	-
Zen Wei Peu, Derek	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	770,000	-	-	(770,000)	-
Chiu Wai Yee, Anriena	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	550,000	-	-	(550,000)	-
Lam Wai Hon, Patrick	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	330,000	-	-	(330,000)	-
Chu Tat Chi	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	330,000	-	-	(330,000)	-
Cheng Chi Pang, Leslie	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	330,000	-	-	(330,000)	-
Wong Che Ming, Steve	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	330,000	-	-	(330,000)	-
Wan Siu Kau, Samuel	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	330,000	-	-	(330,000)	-
Wong Man Chung, Francis	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	330,000	-	-	(330,000)	-
Sub-total				4,070,000	-	-	(4,070,000)	-
Others								
Employees	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	1,210,000	-	-	(1,210,000)	-
Sub-total				1,210,000	-	-	(1,210,000)	-
Total				5,280,000	-	-	(5,280,000)	-

SHARE OPTIONS (Cont'd)
(II) Associated Corporation

The share option scheme was adopted by Road King at the annual general meeting held on 12th May, 2003 (the "Road King Share Option Scheme"). As at 31st December, 2011, Road King has granted 22,200,000 share options under the Road King Share Option Scheme to three Directors of the Company, 12,145,000 share options have been exercised and 3,705,000 share options have expired.

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

Name of Director	Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 31.12.2011
				Granted during the year	Exercised during the year	Expired during the year	Balance at 1.1.2011	
			<i>HK\$</i>					
Zen Wei Pao, William	20th December, 2006	20th December, 2006 to 19th December, 2011	11.66	2,500,000	-	-	(2,500,000)	-
	6th November, 2007	6th November, 2007 to 5th November, 2012	14.85	2,500,000	-	-	-	2,500,000
	9th April, 2010	9th April, 2010 to 8th April, 2015	6.79	1,400,000	-	-	-	1,400,000
Zen Wei Peu, Derek	20th December, 2006	20th December, 2006 to 19th December, 2011	11.66	800,000	-	-	(800,000)	-
	6th November, 2007	6th November, 2007 to 5th November, 2012	14.85	1,500,000	-	-	-	1,500,000
	9th April, 2010	9th April, 2010 to 8th April, 2015	6.79	850,000	-	-	-	850,000
Chiu Wai Yee, Anriena	20th December, 2006	20th December, 2006 to 19th December, 2011	11.66	100,000	-	-	(100,000)	-
	6th November, 2007	6th November, 2007 to 5th November, 2012	14.85	100,000	-	-	-	100,000
Total				9,750,000	-	-	(3,400,000)	6,350,000

SHARE OPTIONS (Cont'd)

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

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

COMPETING INTERESTS

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

Name of Director	Name of entity	Competing business	Nature of interest
Lam Wai Hon, Patrick	NWS Holdings Limited group of companies	Construction, toll road, infrastructure and sale of general merchandised goods	Director
Chu Tat Chi	NWS Service Management Limited group of companies	Building construction, civil engineering and sale of general merchandised goods	Director

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2011, 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 (formerly known as Centennial Success 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 <i>(Note 9)</i>	Corporate	213,868,000	–	26.97
NWS Service Management Limited <i>(Note 10)</i>	Corporate	213,868,000	–	26.97
Vast Earn Group Limited <i>(Note 11)</i>	Personal/ Beneficiary	213,868,000	–	26.97

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Cont'd)

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.
3. Cheng Yu Tung Family (Holdings II) Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.
4. Chow Tai Fook Capital Limited is deemed to be interested in the shares through its interests in its subsidiary, namely Chow Tai Fook (Holding) Limited.
5. Chow Tai Fook (Holding) Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.
6. Chow Tai Fook Enterprises Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.
7. New World Development Company Limited is deemed to be interested in the shares through its interests in its subsidiary, namely NWS Holdings Limited.
8. NWS Holdings Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the Cayman Islands).
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).
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.
11. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).

Save as disclosed above, no other person (other than Directors of the Company) has an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DISCLOSURES PURSUANT TO RULES 13.17 AND 13.21 OF THE LISTING RULES

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

Mr. Zen agreed to charge his 11,000,000 shares of the Company (the "Share Charge", representing approximately 1.39% of the issued share capital of the Company) in favour of HSBC. The Share Charge is the security to secure the personal guarantee of HK\$12.5 million provided by Mr. Zen in favour of HSBC in relation to the banking facilities in the amount of HK\$62.3 million for a period up to 15th October, 2010 provided by HSBC to the Borrowers. Subsequently, the banking facilities were renewed and revised to HK\$55.3 million, as well as extended to 15th October, 2012.

Save as disclosed above, as at 31st December, 2011, the Company did not have other disclosure obligations under Rules 13.17 and 13.21 of the Listing Rules.

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

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

Name of Director	Details of changes
Zen Wei Pao, William	Mr. Zen has been appointed as the Chairman of the Nomination Committee of the Company (the "Nomination Committee") since its establishment on 27th February, 2012.
Zen Wei Peu, Derek	Mr. Zen has been appointed as a member of the Nomination Committee since its establishment on 27th February, 2012.
Wong Che Ming, Steve	Dr. Wong has been appointed as a member of the Nomination Committee since its establishment on 27th February, 2012.
Wan Siu Kau, Samuel	Mr. Wan has been appointed as a member of the Nomination Committee since its establishment on 27th February, 2012.
Wong Man Chung, Francis	Mr. Wong has been appointed as a member of the Nomination Committee of the Company since its establishment on 27th February, 2012.

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, 2011.

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\$118,000.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2011, the Group had 1,033 employees (2010: 949 employees), of which 810 (2010: 705) were located in Hong Kong, 113 (2010: 125) were located in the PRC and 110 (2010: 119) were located in UAE. For the year ended 31st December, 2011, the Group's total staff costs were about HK\$256 million (2010: HK\$201 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 to be determined by the Remuneration Committee with reference to salaries paid by comparable companies, their time commitment and responsibilities, employment conditions and prevailing market conditions.

AUDITOR

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

On behalf of the Board

Zen Wei Pao, William

Chairman

27th February, 2012



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 45 to 130, which comprise the consolidated statement of financial position as at 31st December, 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27th February, 2012

Consolidated Income Statement

For the year ended 31st December, 2011

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Group revenue	5	1,248,340	734,273
Cost of sales		(1,135,337)	(673,764)
Gross profit		113,003	60,509
Other income	7	51,367	23,852
Investment income, gains and losses	8	(16,369)	5,641
Selling and distribution costs		(25,624)	(2,083)
Administrative expenses		(185,198)	(163,108)
Finance costs	9	(4,461)	(3,760)
Share of results of associates	21	323,742	241,019
Share of results of jointly controlled entities	22	3,261	30,039
Other gains and losses	10	78,270	17,193
Profit before tax	11	337,991	209,302
Income tax expense	14	(5,074)	(322)
Profit for the year		332,917	208,980
Profit for the year attributable to:			
Owners of the Company		322,427	205,588
Non-controlling interests		10,490	3,392
		332,917	208,980
Earnings per share	16	HK cents	<i>HK cents</i>
– Basic		40.65	25.92
– Diluted		40.65	25.92

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	<i>Note</i>	2011 HK\$'000	2010 HK\$'000
Profit for the year		332,917	208,980
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		2,542	2,300
Reclassification adjustment for translation reserve upon disposal of interest in an associate		–	(8,300)
Reclassification adjustment for translation reserve upon disposal of interest in a subsidiary		–	3,439
Reclassification adjustment for translation reserve upon disposal of interest in a jointly controlled entity		–	(4,156)
Share of other comprehensive income of associates	21	162,067	57,107
Other comprehensive income for the year		164,609	50,390
Total comprehensive income for the year		497,526	259,370
Total comprehensive income for the year attributable to:			
Owners of the Company		485,823	254,937
Non-controlling interests		11,703	4,433
		497,526	259,370

Consolidated Statement of Financial Position

At 31st December, 2011

	Notes	2011 HK\$'000	2010 HK\$'000
Non-current assets			
Property, plant and equipment	17	130,882	76,093
Intangible assets	18	65,996	65,826
Goodwill	19	29,838	29,838
Interests in associates	21	4,293,964	3,936,343
Interests in jointly controlled entities	22	38,815	59,465
Available-for-sale investments	23	–	–
Other financial asset	24	53,400	52,381
Loan and other receivables	25	16,767	–
		4,629,662	4,219,946
Current assets			
Prepaid royalties	25	–	1,274
Inventories	26	5,227	3,055
Amounts due from customers for contract work	27	98,761	66,493
Debtors, deposits and prepayments	28	401,721	305,449
Amounts due from associates	29	7,218	7,180
Amounts due from jointly controlled entities	29	41,741	17,456
Held-for-trading investments	30	45,443	36,618
Pledged bank deposit	31	21	19
Bank balances and cash	31	124,450	58,623
		724,582	496,167
Current liabilities			
Amounts due to customers for contract work	27	65,549	30,373
Creditors and accrued charges	32	440,927	298,262
Amount due to an associate	33	9,947	8,842
Amounts due to jointly controlled entities	33	6,418	2,782
Amount due to a related company	33	–	611
Amounts due to non-controlling shareholders	33	3,357	3,359
Tax liabilities		2,767	193
Other borrowings	34	25	44
Bank loans	35	183,033	126,600
Structured borrowing	36	–	12,561
		712,023	483,627
Net current assets		12,559	12,540
Total assets less current liabilities		4,642,221	4,232,486

Consolidated Statement of Financial Position

At 31st December, 2011

	Notes	2011 HK\$'000	2010 HK\$'000
Non-current liabilities			
Deferred tax liabilities	37	5,750	5,750
Obligations in excess of interests in associates	21	18,235	18,932
Amount due to an associate	38	7,172	8,172
Amount due to a jointly controlled entity	39	4,067	4,067
Other borrowings	34	5	30
Bank loans	35	13,750	26,345
		48,979	63,296
Net assets		4,593,242	4,169,190
Capital and reserves			
Share capital	40	79,312	79,312
Share premium and reserves		4,389,093	3,986,548
Equity attributable to owners of the Company		4,468,405	4,065,860
Non-controlling interests		124,837	103,330
Total equity		4,593,242	4,169,190

The consolidated financial statements on pages 45 to 130 were approved and authorised for issue by the Board of Directors on 27th February, 2012 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, 2011

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000 (note 41)	Special reserve HK\$'000 (note a)	Share options reserve HK\$'000	Assets revaluation reserve HK\$'000	Other reserve HK\$'000 (note b)	Retained profits HK\$'000	Total equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000 (note 41)	Total equity HK\$'000
At 1st January, 2010	79,312	731,906	518,707	(29,530)	3,073	2,319	-	2,614,881	3,920,668	67,818	3,988,486
Profit for the year	-	-	-	-	-	-	-	205,588	205,588	3,392	208,980
Other comprehensive income for the year	-	-	48,623	-	-	-	-	726	49,349	1,041	50,390
Total comprehensive income for the year	-	-	48,623	-	-	-	-	206,314	254,937	4,433	259,370
Sub-total	79,312	731,906	567,330	(29,530)	3,073	2,319	-	2,821,195	4,175,605	72,251	4,247,856
Lapse or cancellation of share options issued by an associate	-	-	-	-	-	-	-	1,697	1,697	-	1,697
Arising on capital injection into a subsidiary	-	-	-	-	-	-	(8,336)	-	(8,336)	8,336	-
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	22,743	22,743
Dividends paid (note 15)	-	-	-	-	-	-	-	(103,106)	(103,106)	-	(103,106)
At 31st December, 2010	79,312	731,906	567,330	(29,530)	3,073	2,319	(8,336)	2,719,786	4,065,860	103,330	4,169,190
Profit for the year	-	-	-	-	-	-	-	322,427	322,427	10,490	332,917
Other comprehensive income for the year	-	-	163,396	-	-	-	-	-	163,396	1,213	164,609
Total comprehensive income for the year	-	-	163,396	-	-	-	-	322,427	485,823	11,703	497,526
Sub-total	79,312	731,906	730,726	(29,530)	3,073	2,319	(8,336)	3,042,213	4,551,683	115,033	4,666,716
Expiry of share options	-	-	-	-	(3,073)	-	-	3,073	-	-	-
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	9,804	9,804
Dividends paid (note 15)	-	-	-	-	-	-	-	(83,278)	(83,278)	-	(83,278)
At 31st December, 2011	79,312	731,906	730,726	(29,530)	-	2,319	(8,336)	2,962,008	4,468,405	124,837	4,593,242

Notes:

- (a) The special reserve of the Group 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 of the Group represents the change in net assets attributable to the Group in relation to the increase in ownership interests in subsidiaries in 2010.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	2011 HK\$'000	2010 HK\$'000
Operating activities		
Profit before tax	337,991	209,302
Adjustments for:		
Finance costs	4,461	3,760
Share of results of associates	(323,742)	(241,019)
Share of results of jointly controlled entities	(3,261)	(30,039)
Depreciation of property, plant and equipment	31,729	11,977
Amortisation of intangible assets	1,250	599
Gain on disposal of interest in an associate	–	(8,300)
Discount on acquisition of additional interest in an associate	–	(3,837)
Loss on deemed disposal of partial interest in an associate	–	7,808
Gain on disposal of interest in a jointly controlled entity	–	(3,042)
Gain on disposal of a subsidiary	–	(5,923)
Imputed interest on loan and other receivables	(692)	–
Interest on bank deposits	(218)	(65)
Interest on other financial asset	(1,468)	(1,449)
Loss (gain) on disposal of property, plant and equipment, net	1,374	(3,595)
Net loss (gain) on change in fair value and disposal of held-for-trading investments	18,601	(3,599)
Change in fair value of structured borrowing	(81)	(304)
Reversal of allowance of prepared royalties	(34,000)	–
Write-down of inventories	–	1,430
Change in fair value of loan and other receivables	2,988	–
Bad debts written off	119	373
Operating cash flows before movements in working capital	35,051	(65,923)
Increase in other financial asset	(1,019)	(861)
(Increase) decrease in inventories	(2,172)	1,028
(Increase) decrease in amounts due from customers for contract work	(32,268)	32,578
Increase in debtors, deposits and prepayments and prepaid royalties	(139,469)	(87,580)
(Increase) decrease in held-for-trading investments	(27,426)	10,956
Increase (decrease) in amounts due to customers for contract work	35,176	(4,985)
Increase in creditors and accrued charges	142,665	27,504
Cash from (used in) operations	10,538	(87,283)
Income taxes paid	(2,500)	(2,433)
Net cash from (used in) operating activities	8,038	(89,716)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	<i>Notes</i>	2011 HK\$'000	2010 <i>HK\$'000</i>
Investing activities			
Interest on bank deposits received		218	65
Interest on other financial asset		1,468	1,449
Distribution of profits from jointly controlled entities		23,911	35,216
Dividends received from an associate		127,491	141,659
Advances to associates		(288)	(412)
Advances to jointly controlled entities		(20,649)	(26,208)
Proceeds from disposal of interest in an associate	<i>10(a)</i>	–	88,310
Proceeds from disposal of interest in a jointly controlled entity	<i>10(d)</i>	–	21,723
Proceeds from disposal of property, plant and equipment		762	3,599
(Increase) decrease in pledged bank deposit		(2)	1,796
Purchase of property, plant and equipment		(81,646)	(61,007)
Decrease in loan and other receivables		59,289	2,000
Acquisition of additional interest in an associate	<i>10(b)</i>	–	(1,028)
Addition of intangible assets		–	(33,567)
Net cash from investing activities		110,554	173,595
Financing activities			
Interest paid on bank and other borrowings		(4,106)	(3,447)
Capital contribution from non-controlling shareholders of subsidiaries		2,800	22,743
New bank loans raised		116,489	91,000
Repayment of bank loans		(72,651)	(42,157)
Repayment of loans from a director		–	(10,000)
Repayment of other borrowings		(44)	(41)
Repayment of structured borrowing		(12,480)	(12,480)
Repayment to a related company		(611)	–
Repayment to non-controlling shareholders of a subsidiary		(2)	(3,185)
Dividends paid		(83,278)	(103,106)
Net cash used in financing activities		(53,883)	(60,673)
Net increase in cash and cash equivalents		64,709	23,206
Cash and cash equivalents at the beginning of the year		58,623	33,107
Effect of foreign exchange rate changes, net		1,118	2,310
Cash and cash equivalents at the end of the year		124,450	58,623
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		124,450	58,623

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 51, 21 and 22 respectively.

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

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

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

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's consolidated financial statements for the current and prior years.

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

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

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

¹ Effective for annual periods beginning on or after 1st July, 2011.

² Effective for annual periods beginning on or after 1st January, 2013.

³ Effective for annual periods beginning on or after 1st January, 2015.

⁴ Effective for annual periods beginning on or after 1st July, 2012.

⁵ Effective for annual periods beginning on or after 1st January, 2012.

⁶ Effective for annual periods beginning on or after 1st January, 2014.

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

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

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

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (Cont'd)

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

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

These five standards are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these five standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1st January, 2013. The Group is in the process of assessing the impact of the application of and quantifying the potential financial impact on the application of these standards.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretation will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

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

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

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

All intra-group transactions, balances, income and expenses are eliminated 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 (effective from 1st January, 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in 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.

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

Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations (Cont'd)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations (Cont'd)

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.

Goodwill

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

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

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

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

Revenue recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Construction contract

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

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

Others

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Others (Cont'd)

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

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

Property, plant and equipment

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets

Intangible assets acquired in a business combination

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

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

Service concession arrangements

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

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates (Cont'd)

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

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

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

Interests in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted therefore to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Interests in jointly controlled entities (Cont'd)

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

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

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

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 income statement 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Service concession arrangements (Cont'd)

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

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

For certain categories of financial 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 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.

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 losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed 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 substance of the contractual agreements 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. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at fair value through profit or loss

The Group's financial liabilities at FVTPL are the financial liabilities designated at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

The Group's structured borrowing is designated as financial liability at FVTPL. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Other financial liabilities

Other financial liabilities (including creditors, amounts due to jointly controlled entities, associates, a related company and non-controlling shareholders, bank and other borrowings) 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 cost.

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 other than those financial liabilities classified as at FVTPL, of which interest expense is included in net gains or losses.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 and accumulated in equity 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 the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the leases or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as lessee (Cont'd)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate 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 jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amount 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 associates, and interests in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

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

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 options 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 options reserve.

At the time when the share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 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 the profit or loss immediately.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the 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.

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

Estimated impairment of intangible assets with indefinite useful lives arising from the acquisition of a subsidiary

Determining the recoverable amounts of the intangible assets (i.e. construction licenses with indefinite useful lives) arising from the acquisition of a subsidiary, which is included in the consolidated statement of financial position at 31st December, 2011 at HK\$32,858,000 (2010: HK\$32,858,000) requires an estimation of the revenue to be generated in future periods from the acquired construction licenses. The construction projects successfully secured by the Group have reconfirmed the management's previous estimates of anticipated revenues generated from the acquired construction licenses. However, increased market competition has caused the management to reconsider its assumptions regarding future market share and anticipated margins on these construction projects. Detailed sensitivity analysis has been carried out and the management is confident that the carrying amount of the intangible assets will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments will be made in future periods if future market activities indicate such adjustments are appropriate.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. At 31st December, 2011, the carrying amount of goodwill is HK\$29,838,000 (2010: HK\$29,838,000). Details of the recoverable amount calculation are disclosed in note 20.

Income tax

At 31st December, 2011, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK\$553,577,000 (2010: HK\$556,119,000) due to unpredictability of future profit streams (see note 37). The realisability of the unrecognised deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future.

4. 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 income is determined in accordance with the terms set out in the relevant contracts. Estimated construction costs which mainly comprise sub-contracting charges and costs of materials are proposed by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction income and costs.

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

5. GROUP REVENUE

	2011	2010
	HK\$'000	HK\$'000
Group revenue	1,248,340	734,273
Share of revenue of jointly controlled entities	578,218	192,572
Group revenue and share of revenue of jointly controlled entities	1,826,558	926,845
Group revenue analysed by revenue from:		
Construction	1,152,639	722,396
Construction materials	91,383	2,226
Quarrying	4,318	9,651
	1,248,340	734,273

6. SEGMENT INFORMATION

Information reported to the board of directors (the "Board") 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 or services delivered or 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

Highway and expressway operations and property development

- strategic investment in Road King Infrastructure Limited ("Road King"), an associate of the Group
- strategic investment in Sunco Property Holdings Company Limited ("Sunco"), an associate of the Group (*note*)

North American ginseng

- strategic investment in Chai-Na-Ta Corp. ("CNT"), an associate of the Group

Note: The direct investment in Sunco was disposed of to Road King during the year ended 31st December, 2010 as set out in note 10(a).

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

The following is an analysis of the segment revenue and profit (loss):

	Segment revenue		Segment profit (loss)	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Construction	1,730,857	914,968	13,117	13,413
Construction materials	96,568	2,228	(49,073)	(30,813)
Quarrying	21,176	10,546	56,382	(8,464)
Highway and expressway operations and property development				
Share of results of Road King	–	–	312,364	239,020
Gain on disposal of interest in Sunco	–	–	–	8,300
North American ginseng	–	–	10,709	2,213
Elimination of inter-segment revenue	(22,043)	(897)	–	–
Total	1,826,558	926,845	343,499	223,669

Segment revenue includes share of revenue of jointly controlled entities. Reconciliation between the segment revenue and the Group's revenue is disclosed in note 5.

Segment profit (loss) represents profit (loss) after tax and non-controlling interests for each reportable segment and includes certain other income, investment income, gains and losses, share of results of certain associates, share of results of jointly controlled entities and certain other gains and losses, but excluding corporate income and expenses (including staff costs, other administrative expenses and finance costs), share of loss of an associate, certain gain on disposal of property, plant and equipment, discount on acquisition of additional interest in an associate, loss on deemed disposal of partial interest in an associate, change in fair value of structured borrowing, income tax expense and non-controlling interests which are not attributable to any of the reportable segments. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (Cont'd)

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

	2011	2010
	HK\$'000	HK\$'000
Total segment profit	343,499	223,669
Unallocated items		
Other income	8,569	4,671
Investment income, gains and losses	(6,694)	(2,806)
Administrative expenses	(20,857)	(18,046)
Finance costs	(2,138)	(1,602)
Share of loss of an associate	(28)	(26)
Gain on disposal of property, plant and equipment	20	–
Discount on acquisition of additional interest in an associate	–	3,837
Loss on deemed disposal of partial interest in an associate	–	(7,808)
Change in fair value of structured borrowing	81	304
Income tax expense	(25)	–
Non-controlling interests	–	3,395
Profit attributable to owners of the Company	322,427	205,588

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 segments. Therefore, no analysis of segment assets and liabilities is presented.

6. SEGMENT INFORMATION (Cont'd)

Other segment information

Segment profit (loss) has been arrived at after charging (crediting):

Year ended 31st December, 2011

	Construction	Construction materials	Quarrying	Highway and expressway operations and property development	North American ginseng	Segment total	Adjustments	Intra-group elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(note)		
Depreciation of property, plant and equipment	14,462	15,087	1,584	-	-	31,133	596	-	31,729
(Gain) loss on disposal of property, plant and equipment, net	(39)	2,058	(625)	-	-	1,394	(20)	-	1,374
Interest income	(1,574)	-	(804)	-	-	(2,378)	(3,470)	3,470	(2,378)
Income on settlement of prepaid royalties	-	-	(45,563)	-	-	(45,563)	-	-	(45,563)
Reversal of allowance on prepaid royalties	-	-	(34,000)	-	-	(34,000)	-	-	(34,000)
Finance costs	2,122	3,671	-	-	-	5,793	2,138	(3,470)	4,461
Share of results of associates	(697)	-	-	(312,364)	(10,709)	(323,770)	28	-	(323,742)
Share of results of jointly controlled entities	(3,261)	-	-	-	-	(3,261)	-	-	(3,261)
Income tax expense	332	-	4,717	-	-	5,049	25	-	5,074
Non-controlling interests	13,976	(3,485)	(1)	-	-	10,490	-	-	10,490

6. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

Year ended 31st December, 2010

	Construction Construction HK\$'000	Construction materials HK\$'000	Quarrying HK\$'000	Highway and expressway operations and property development HK\$'000	North American ginseng HK\$'000	Segment total HK\$'000	Adjustments HK\$'000 <i>(note)</i>	Total HK\$'000
Depreciation of property, plant and equipment	9,311	1,166	415	-	-	10,892	1,085	11,977
(Gain) loss on disposal of property, plant and equipment, net	(3,600)	5	-	-	-	(3,595)	-	(3,595)
Interest income	(1,494)	(6)	(13)	-	-	(1,513)	(1)	(1,514)
Finance costs	1,710	448	-	-	-	2,158	1,602	3,760
Share of results of associates	188	-	-	(239,020)	(2,213)	(241,045)	26	(241,019)
Gain on disposal of interest in an associate	-	-	-	(8,300)	-	(8,300)	-	(8,300)
Share of results of jointly controlled entities	(30,039)	-	-	-	-	(30,039)	-	(30,039)
Income tax expense	322	-	-	-	-	322	-	322
Non-controlling interests	12,798	(6,011)	-	-	-	6,787	(3,395)	3,392

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

6. SEGMENT INFORMATION (Cont'd)

Geographical information

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

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

	Revenue from external customers		Non-current assets (note)	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong	1,196,727	660,377	4,447,339	4,044,898
PRC	16,490	55,663	61,601	47,296
Middle East	35,123	18,233	26,981	61,517
Others	–	–	23,574	13,854
	1,248,340	734,273	4,559,495	4,167,565

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 customers of the construction segment located in Hong Kong individually contributing over 10% of the Group's revenue in each of the current and prior years.

	2011 HK\$'000	2010 HK\$'000
Customer A	611,186	305,517
Customer B	154,556	203,053
	765,742	508,570

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

7. OTHER INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Other income includes:		
Interest on bank deposits	218	65
Interest on other financial asset	1,468	1,449
Imputed interest on loan and other receivables	692	–
Exchange gain, net	89	–
Operation fee income	11,130	8,811
Rental income from buildings	192	182
Rental income from plant and machinery	2,375	–
Service income from associates	696	493
Service income from jointly controlled entities	28,707	6,684

8. INVESTMENT INCOME, GAINS AND LOSSES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Net (loss) gain on change in fair value and disposal of held-for-trading investments	(18,602)	3,599
Dividend income from held-for-trading investments	1,455	2,042
Interest income from held-for-trading investments	778	–
	(16,369)	5,641

9. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	4,106	3,447
Imputed interest on non-current interest-free amount due to an associate	355	313
	4,461	3,760

10. OTHER GAINS AND LOSSES

	2011 HK\$'000	2010 HK\$'000
(Loss) gain on disposal of property, plant and equipment, net	(1,374)	3,595
Income on settlement of prepaid royalties (note 25)	45,563	–
Reversal of allowance on prepaid royalties (note 25)	34,000	–
Gain on disposal of interest in an associate (note a)	–	8,300
Discount on acquisition of additional interest in an associate (note b)	–	3,837
Loss on deemed disposal of partial interest in an associate (note c)	–	(7,808)
Gain on disposal of interest in a jointly controlled entity (note d)	–	3,042
Gain on disposal of a subsidiary (note 43)	–	5,923
Change in fair value of structured borrowing (note 36)	81	304
	78,270	17,193

Notes:

- (a) On 1st December, 2009, the Group entered into a sale and purchase agreement with Road King to dispose of the equity interest of 5.276% in Sunco which was directly held by the Group to Road King at a cash consideration of HK\$88,310,000. The transaction was completed on 27th January, 2010 and the Group had reported a gain on disposal of HK\$8,300,000 during the year ended 31st December, 2010. After the disposal, the Group did not hold any direct interest in Sunco and Road King's interest in Sunco increased from 89.46% to 94.74%.
- (b) During the year ended 31st December, 2010, the Group purchased 2,811,000 shares in CNT at an aggregate consideration of HK\$1,028,000 which was below the net assets acquired. As a result, the Group's interest in CNT increased in aggregate by 8.10% resulting in an aggregate gain of HK\$3,837,000.
- (c) During the year ended 31st December, 2010, Road King issued 2,818,000 ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option scheme of Road King. As a result, the Group's interest in Road King reduced in aggregate by 0.15%. As the shares were issued at the weighted average exercise price of HK\$5.81 per share, which was lower than the net asset value per share of Road King, the Group recorded an aggregate loss of HK\$7,808,000 on deemed disposal of partial interest in Road King.
- (d) On 25th February, 2010, the Group entered into a sale and purchase agreement to dispose of the Group's entire interest in China Railway Tenth Group Third Engineering Co., Ltd., an equity joint venture established in PRC to third parties for a cash consideration of RMB19,080,000 (equivalent to approximately HK\$21,723,000). Details of the disposal were set out in the announcement and notices – disclosable transactions dated 25th February, 2010 issued by Build King Holdings Limited ("Build King"). The Group had reported a gain on disposal of HK\$3,042,000 during the year ended 31st December, 2010.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

11. PROFIT BEFORE TAX

	2011	2010
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	2,506	2,404
Amortisation of intangible assets (included in cost of sales)	1,250	599
Bad debts written off	119	373
Construction contract costs recognised for sewage treatment plant	–	31,371
Depreciation of property, plant and equipment:		
Owned assets	31,702	11,946
Assets held under finance lease arrangement	27	45
	31,729	11,991
Less: Amount attributable to construction contracts	–	(14)
	31,729	11,977
Exchange loss, net	–	653
Hire charges for plant and machinery	23,675	12,822
Less: Amount attributable to construction contracts	(23,675)	(12,694)
	–	128
Operating lease rentals in respect of land and buildings	43,670	35,022
Less: Amount attributable to construction contracts	(1,276)	(550)
	42,394	34,472
Share of income tax expense of associates (included in share of results of associates)	394,808	371,542
Share of income tax (credit) expense of jointly controlled entities (included in share of results of jointly controlled entities)	(53)	22
Staff costs:		
Directors' remuneration (<i>note 12</i>)	14,402	12,087
Other staff costs	228,983	178,741
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK\$185,000 (2010: HK\$164,000)	12,899	10,192
	256,284	201,020
Less: Amount attributable to construction contracts	(132,223)	(103,875)
	124,061	97,145
Write-down of inventories	–	1,430

12. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the nine (2010: nine) directors was as follows:

Year ended 31st December, 2011

	Fee HK\$'000	Salary and other benefits HK\$'000	Performance related incentive payments HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive directors:					
Zen Wei Pao, William	–	311	323	31	665
Zen Wei Peu, Derek	–	1,760	7,993	520	10,273
Chiu Wai Yee, Anriena	–	1,590	112	157	1,859
	–	3,661	8,428	708	12,797
Non-executive directors:					
Lam Wai Hon, Patrick	180	–	–	–	180
Chu Tat Chi	180	–	–	–	180
Cheng Chi Pang, Leslie (note)	325	–	–	–	325
	685	–	–	–	685
Independent non-executive directors:					
Wong Che Ming, Steve	300	–	–	–	300
Wan Siu Kau, Samuel	310	–	–	–	310
Wong Man Chung, Francis	310	–	–	–	310
	920	–	–	–	920
	1,605	3,661	8,428	708	14,402

Note: Included HK\$145,000 fee as a director of Build King.

12. DIRECTORS' REMUNERATION (Cont'd)

Year ended 31st December, 2010

	Fee HK\$'000	Salary and other benefits HK\$'000	Performance related incentive payments HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive directors:					
Zen Wei Pao, William	–	260	205	26	491
Zen Wei Peu, Derek	–	1,037	6,830	432	8,299
Chiu Wai Yee, Anriena	–	1,372	250	135	1,757
	–	2,669	7,285	593	10,547
Non-executive directors:					
Lam Wai Hon, Patrick	180	–	–	–	180
Chu Tat Chi	180	–	–	–	180
Cheng Chi Pang, Leslie (<i>note</i>)	325	–	–	–	325
	685	–	–	–	685
Independent non-executive directors:					
Wong Che Ming, Steve	285	–	–	–	285
Wan Siu Kau, Samuel	285	–	–	–	285
Wong Man Chung, Francis	285	–	–	–	285
	855	–	–	–	855
	1,540	2,669	7,285	593	12,087

Note: Included HK\$145,000 fee as a director of Build King.

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 fees 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 (2010: two directors) set out in note 12. The emoluments of the remaining four (2010: three) highest paid individuals are as follows:

	2011	2010
	HK\$'000	HK\$'000
Salary and other benefits	8,336	5,836
Retirement benefits scheme contributions	430	265
	8,766	6,101

The emoluments were within the following bands:

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

14. INCOME TAX EXPENSE

	2011	2010
	HK\$'000	HK\$'000
Income tax for the year		
Hong Kong	–	193
PRC	5,078	183
	5,078	376
(Over)underprovision in prior years		
Hong Kong	(12)	231
PRC	8	(285)
	(4)	(54)
	5,074	322

14. INCOME TAX EXPENSE (Cont'd)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No tax is payable on the profit for the year arising in Hong Kong since the assessable profit for the year is wholly offset by tax losses brought forward from prior years.

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for PRC subsidiaries is 25% from 1st January, 2008 onwards.

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

	2011	2010
	HK\$'000	HK\$'000
Profit before tax	337,991	209,302
Income tax expense at the applicable rate of 16.5% (2010: 16.5%)	55,768	34,535
Tax effect of expenses not deductible for tax purpose	11,079	9,506
Tax effect of income not taxable for tax purpose	(20,089)	(8,555)
Overprovision in prior years	(4)	(54)
Tax effect of tax losses not recognised	19,763	15,795
Tax effect of utilisation of tax losses not previously recognised	(13,336)	(3,456)
Tax effect of share of results of associates	(53,417)	(39,768)
Tax effect of share of results of jointly controlled entities	(538)	(4,956)
Effect of different tax rates for subsidiaries operating in other jurisdiction	1,604	–
Others	4,244	(2,725)
Income tax expense	5,074	322

15. DIVIDENDS

	2011	2010
	HK\$'000	HK\$'000
Dividends paid and recognised as distributions during the year:		
2010 final dividend – HK5 cents per share (2010: 2009 final dividend – HK8 cents per share)	39,656	63,450
2011 interim dividend – HK5.5 cents per share (2010: 2010 interim dividend – HK5 cents per share)	43,622	39,656
	83,278	103,106

A final dividend for the year ended 31st December, 2011 of HK5.6 cents (2010: HK5 cents) per ordinary share has been proposed by the Board 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 the owners of the Company is based on the following data:

	2011	2010
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	322,427	205,588
Effect of dilutive potential ordinary shares:		
Decrease in share of profit of an associate arising from assumed exercise of share options issued by the associate	(2)	(44)
Earnings for the purpose of diluted earnings per share	322,425	205,544
	Number of shares	
	2011	2010
Number of ordinary shares for the purposes of basic and diluted earnings per share	793,124,034	793,124,034

The exercise price of the Company's outstanding share options at 31st December, 2010 was higher than the average market price of the shares of the Company during the year ended 31st December, 2010. Accordingly, the outstanding share options were anti-dilutive and had not been accounted for in the calculation of the diluted earnings per share. During the year ended 31st December, 2011, the share options has been expired.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

17. PROPERTY, PLANT AND EQUIPMENT

	Plant under construction HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Vessels HK\$'000	Total HK\$'000
COST								
At 1st January, 2010	-	39,658	12,625	130,394	25,915	8,466	86,638	303,696
Exchange realignment	-	-	-	114	126	37	-	277
Additions	33,158	-	155	9,571	1,290	9,306	7,527	61,007
Disposals	-	(17,549)	-	(1,025)	(120)	-	(7,615)	(26,309)
At 31st December, 2010	33,158	22,109	12,780	139,054	27,211	17,809	86,550	338,671
Exchange realignment	-	-	-	-	31	40	-	71
Additions	26,639	133	4,167	26,802	1,916	21,063	7,927	88,647
Transfers	(46,186)	-	-	46,186	-	-	-	-
Disposals	-	(2,243)	(8,408)	(5,681)	(61)	(359)	(116)	(16,868)
At 31st December, 2011	13,611	19,999	8,539	206,361	29,097	38,553	94,361	410,521
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2010	-	38,917	11,947	127,301	24,591	7,397	66,469	276,622
Exchange realignment	-	-	-	114	121	35	-	270
Provided for the year	-	174	606	1,241	602	768	8,600	11,991
Eliminated on disposals	-	(17,549)	-	(1,025)	(116)	-	(7,615)	(26,305)
At 31st December, 2010	-	21,542	12,553	127,631	25,198	8,200	67,454	262,578
Exchange realignment	-	-	-	-	25	39	-	64
Provided for the year	-	189	812	17,191	794	4,854	7,889	31,729
Eliminated on disposals	-	(2,243)	(8,408)	(3,624)	(55)	(359)	(43)	(14,732)
At 31st December, 2011	-	19,488	4,957	141,198	25,962	12,734	75,300	279,639
CARRYING VALUES								
At 31st December, 2011	13,611	511	3,582	65,163	3,135	25,819	19,061	130,882
At 31st December, 2010	33,158	567	227	11,423	2,013	9,609	19,096	76,093

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 term of leases or 20-30 years
Leasehold improvements	33 $\frac{1}{3}$ % or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% – 40%
Furniture, fixtures and equipment	25%
Motor vehicles	16 $\frac{2}{3}$ % – 25%
Vessels	10% – 15%

The buildings are located in PRC and held under medium term leases.

The carrying value of property, plant and equipment held under finance lease arrangement is HK\$7,000 (2010: HK\$34,000).

The Group has pledged certain motor vehicles with an aggregate carrying value of HK\$23,093,000 (2010: HK\$53,000) to secure certain bank loans.

During the year, a non-controlling shareholder has injected property, plant and equipment of HK\$7,000,000 as part of the capital injection upon the formation of a new subsidiary.

18. INTANGIBLE ASSETS

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

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. Particulars regarding the impairment testing on construction licenses are disclosed in note 20.

- (b) A subsidiary of the Company, Wuxi Qianhui Sewage Treatment Co., Ltd. ("Wuxi Qianhui"), entered into a service concession arrangement with the local government whereby Wuxi Qianhui is required to build the infrastructure of a sewage treatment plant phase II (see note 24 for details of sewage treatment plant phase I) and is granted an exclusive operating rights for provision of sewage treatment services to the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province of PRC for a term of 30 years.

Pursuant to the service concession arrangement contracts, Wuxi Qianhui is responsible for the construction of sewage treatment plant phase II and entitled to operate the sewage treatment plant phase II upon completion for a specified concession period by charging users of the public service, which amounts are contingent on the extent that the public uses the service. At the end of the operating period, Wuxi Qianhui is required to transfer the sewage treatment plant phase II to the local government. As such, the arrangement is accounted for as a service concession arrangement and the right to charge the users of the public service is recognised as intangible asset. Upon recognition in 2010, the Group estimated the fair value of the intangible asset to be equal to the construction costs plus certain margin. Amortisation of the intangible asset will be provided for over the operation period on a straight-line basis when the sewage treatment commences its operation over 30 years.

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

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

19. GOODWILL

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

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

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

For the purpose of impairment testing, intangible assets with indefinite useful lives set out in note 18 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.

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

The recoverable amounts of the above CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. For impairment testing purpose, all value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, and a discount rate of 10% (2010: 10%). Cash flow projections during the budget period for the CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

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

	2011	2010
	HK\$'000	HK\$'000
Cost of investment in associates		
Listed in Hong Kong (<i>note a</i>)	1,543,877	1,543,877
Quoted on National Association of Securities Dealers Automated Quotation's Over the Counter Bulletin Board in the United States of America ("OTCBB")	37,907	37,907
Unlisted	4	4
	1,581,788	1,581,788
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	2,693,941	2,335,623
	4,275,729	3,917,411
Represented by:		
Interests in associates	4,293,964	3,936,343
Obligations in excess of interests in associates (<i>note b</i>)	(18,235)	(18,932)
	4,275,729	3,917,411
Fair value of listed investments	1,260,763	1,997,388
Quoted value of investments on OTCBB	25,001	6,250

Notes:

- (a) Included in the cost of investment in an associate is goodwill of HK\$30,964,000 (2010: HK\$30,964,000) arising on acquisition of additional interests in an associate during the year ended 31st December, 2007.
- (b) The Group has contractual obligations to share the net liabilities of certain associates.

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

Details of the principal associates of the Group at 31st December, 2011 and 2010 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Effective interest held by the Company %	Principal activities
Chai-Na-Ta Corp. (note a)	Incorporated	Canada	46.188	Production and sales of North American ginseng
Hong Kong Landfill Restoration Group Limited	Incorporated	Hong Kong	17.654 (note b)	Civil engineering
Road King Infrastructure Limited (note c)	Incorporated	Bermuda	38.186	Investment in and development, operation and management of highways and expressways, and property development

Notes:

- (a) The shares of CNT are quoted on OTCBB.
- (b) The Company holds the effective interest in the associate through Build King, the Company's 51.17% (2010: 51.17%) subsidiary whose shares are listed on the Main Board of the Stock Exchange.
- (c) The shares of Road King are listed on the Main Board of the Stock Exchange.

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

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

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

Results:

	2011	2010
	HK\$'000	HK\$'000
Revenue	6,920,115	5,026,604
Profit for the year	850,216	638,040
Profit for the year attributable to the Group	323,742	241,019
Other comprehensive income attributable to the Group	162,067	57,107

Financial position:

	2011	2010
	HK\$'000	HK\$'000
Non-current assets	6,804,752	4,803,903
Current assets	25,094,015	23,047,638
Current liabilities	(13,021,484)	(11,429,480)
Non-current liabilities	(7,339,966)	(5,993,376)
Net assets	11,537,317	10,428,685
Net assets attributable to the Group	4,244,765	3,886,447

At 31st December, 2011, the carrying amount of the Group's interest in Road King of HK\$4,270,311,000 (2010: HK\$3,922,381,000) was more than its fair value of HK\$1,260,763,000 (2010: HK\$1,997,388,000). 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 dividends to be received from the investment and from its ultimate disposal. The key assumptions included growth rate and dividend payout ratio of Road King, and use of 10% (2010: 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.

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2011 HK\$'000	2010 HK\$'000
Cost of investment in unlisted jointly controlled entities	20,067	20,067
Share of post-acquisition profits and other comprehensive income, net of distributions received	18,748	39,398
	38,815	59,465

At 31st December, 2011 and 2010, the Group had interests in the following principal jointly controlled entities:

Name of jointly controlled entity	Form of business structure	Place of incorporation or registration/ operation	Effective interest held by the Company		Principal activities
			2011 %	2010 %	
ACC-Leader Joint Venture	Unincorporated	Middle East	25.59 <i>(note a)</i>	25.59 <i>(note a)</i>	Civil engineering
Chun Wo-Leader Joint Venture	Unincorporated	Hong Kong	26.10 <i>(note a)</i>	26.10 <i>(note a)</i>	Civil engineering
Kaden-VSL Joint Venture	Unincorporated	Hong Kong	28.14 <i>(note a)</i>	28.14 <i>(note a)</i>	Civil engineering
Kier-Kaden-OSSA Joint Venture	Unincorporated	Hong Kong	17.91 <i>(notes a and b)</i>	17.91 <i>(notes a and b)</i>	Civil engineering
Kier-Laing O'Rourke-Kaden Joint Venture	Unincorporated	Hong Kong	7.68 <i>(notes a and b)</i>	–	Civil engineering
Shanxi Jin Ya Road and Bridge Construction Co., Ltd. <i>(note c)</i>	Incorporated	PRC	26.10 <i>(note a)</i>	26.10 <i>(note a)</i>	Road construction

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)

Notes:

- (a) The Company holds the effective interest in the jointly controlled entity through Build King.
- (b) The Company holds less than 20% interests in the entity through Build King. However, under the joint venture agreement, the entity is jointly controlled by the Group and the other significant joint venture partners. Therefore, the entity is classified as a jointly controlled entity.
- (c) The company is an equity joint venture registered in PRC.

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

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

Share of results attributable to the Group:

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

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)

Share of assets and liabilities attributable to the Group:

	2011	2010
	HK\$'000	HK\$'000
Non-current assets	21,245	9,189
Current assets	382,296	218,037
Current liabilities	(364,726)	(167,761)
Net assets	38,815	59,465

23. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	HK\$'000	HK\$'000
Unlisted equity securities, at cost	3,368	3,368
Less: Impairment loss recognised	(3,368)	(3,368)
	-	-

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

24. OTHER FINANCIAL ASSET

A subsidiary of the Company, 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 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 commencing from 2007.

24. OTHER FINANCIAL ASSET (Cont'd)

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% (2010: 2.61%) per annum and recoverable over the service concession period of 30 years.

25. LOAN AND OTHER RECEIVABLES/PREPAID ROYALTIES

The prepaid royalties at 31st December, 2010 represented the advances to and the cost of construction work to be recoverable from the local government of Wanshan in PRC ("Wanshan Government"), which would be settled by a waiver of royalty fees arising from the sale of quarry products from a quarry of the Group in PRC. In 2004, the directors of the Company re-considered the prospects of the quarry industry and reassessed the likelihood of the recovery of the outstanding amount in full through the waiver of royalty fees arising from the sale of quarry products. Based on the anticipated sales of quarry products, the directors of the Company were of the opinion that the prepaid royalties would not be recoverable in full, and accordingly an allowance of HK\$34,000,000 was recognised in profit or loss for the year ended 31st December, 2004. At 31st December, 2010, the net carrying amount of prepaid royalties, net of allowance, was HK\$1,274,000.

On 23rd March, 2011, the Group entered into an agreement with Wanshan Government and a PRC entity wholly-owned by Wanshan Government whereby the Group agreed to relocate the operation from the aforesaid quarry to the other location, and that the outstanding amount of the advances and the cost of construction work of HK\$41,817,000 and interest of HK\$42,604,000, with a total amount of HK\$84,421,000, would be settled by cash instead of the waiver of royalty fees arising from the sale of quarry products from the quarry of the Group. Out of the total amount of HK\$84,421,000, HK\$59,289,000 was received during the year and the remaining balance of HK\$25,132,000 will be settled by cash instalments semi-annually up to December 2016. The remaining consideration stated above has been classified as loan and other receivables which is carried at amortised cost using effective interest rate of 4% per annum and such impact is HK\$2,988,000 upon initial recognition. At the date of the agreement, the gross carrying amount of prepaid royalties stated in the consolidated financial statements was HK\$35,870,000, of which an allowance of HK\$34,000,000 was recognised in 2004. Accordingly, the allowance of prepaid royalties previously made has been reversed and an additional income of HK\$45,563,000 has been recognised in profit or loss during the year (see note 10).

The amount of HK\$16,767,000 to be settled after twelve months from the end of the reporting period is shown under non-current assets while the amount of HK\$6,069,000 to be settled within twelve months from the end of the reporting period is shown under current assets and included in "Debtors, deposits and prepayments" in note 28.

26. INVENTORIES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Raw materials	2,095	131
Work-in-progress	57	–
Consumables	2,496	1,842
Finished goods	579	1,082
	5,227	3,055

The cost of inventories recognised as an expense during the year is HK\$106,525,000 (2010: HK\$6,152,000).

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

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

28. DEBTORS, DEPOSITS AND PREPAYMENTS

	2011	2010
	HK\$'000	HK\$'000
Trade debtors	251,579	166,261
Less: Allowance for doubtful debts	(623)	(1,732)
	250,956	164,529
Retention receivables	62,022	52,193
Other debtors, deposits and prepayments	82,674	88,727
Loan and other receivables (<i>note 25</i>)	6,069	–
	401,721	305,449

The Group's trade and other debtors included an aggregate carrying amount of HK\$2,592,000 (2010: HK\$35,000) which is denominated in Renminbi that is the currency other than the functional currencies of the respective group entities.

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction works. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date:

	2011	2010
	HK\$'000	HK\$'000
0 to 60 days	248,679	163,433
61 to 90 days	2,069	–
Over 90 days	208	1,096
	250,956	164,529
Retention receivables		
Due within one year	52,888	26,079
Due after one year	9,134	26,114
	62,022	52,193

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

Before accepting a 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. 99% (2010: 98%) of the trade debtors that are neither past due nor impaired have good settlement repayment history. The Group has assessed the creditworthiness and historical default rates of these customers. Trade debtors that are past due but not impaired have good quality with reference to respective settlement history.

In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade 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, 2011, the Group's trade debtors included an aggregate carrying amount of HK\$2,277,000 (2010: HK\$1,096,000) 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. The Group does not hold any collateral over these receivables.

Ageing of trade debtors past due but not impaired

	2011	2010
	HK\$'000	HK\$'000
61 to 90 days	2,069	–
Over 90 days	208	1,096
	2,277	1,096

Included in the allowance for doubtful debts are individually impaired receivables due from certain trade debtors with an aggregate amount of HK\$623,000 (2010: HK\$1,732,000) which have either been placed under liquidation or are in financial difficulties. The Group does not hold any collateral over these receivables.

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

Movement in the allowance for doubtful debts

	2011	2010
	HK\$'000	HK\$'000
Balance at the beginning of the year	1,732	2,353
Written off against debtors during the year	(1,109)	(621)
Balance at the end of the year	623	1,732

During the year, the Group has written off bad debts of HK\$119,000 (2010: HK\$373,000) which the Group considers the debtors are in severe financial difficulties.

29. AMOUNTS DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES

The amounts due from associates and jointly controlled entities are unsecured, interest-free and repayable on demand.

30. HELD-FOR-TRADING INVESTMENTS

	2011	2010
	HK\$'000	HK\$'000
Held-for-trading investments at fair value		
Equity securities listed in Hong Kong	17,431	36,577
Equity securities quoted on OTCBB	270	41
Debt securities listed in Singapore	27,742	–
	45,443	36,618

At 31st December, 2011, certain listed equity securities with market value of HK\$13,350,000 (2010: HK\$21,150,000) were pledged to a bank to secure certain general banking facilities granted to the Group.

In relation to the pledge of equity securities, the bank requires certain subsidiaries of the Company that are entitled to the banking facilities, to provide cross guarantees to the bank. Although these equity securities were pledged to the bank, the Group is allowed to trade the pledged securities upon the repayment of respective bank borrowings.

31. PLEDGED BANK DEPOSIT AND BANK BALANCES

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

Bank balances with original maturity less than three months carry market interest rate ranging from 0.00% to 0.50% (2010: 0.00% to 0.79%) per annum.

The Group's bank balances included an aggregate carrying amount of HK\$8,497,000 (2010: HK\$5,788,000) which is denominated in Renminbi and United States dollar that are the currencies other than the functional currencies of the respective group entities.

32. CREDITORS AND ACCRUED CHARGES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	94,834	55,662
61 to 90 days	1,071	2,785
Over 90 days	4,421	5,436
	100,326	63,883
Retention payables	58,084	43,435
Accrued project costs	203,307	113,023
Other creditors and accrued charges	79,210	77,921
	440,927	298,262
Retention payables		
Due within one year	46,348	38,835
Due after one year	11,736	4,600
	58,084	43,435

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

The Group's creditors and accrued charges included a carrying amount of HK\$4,570,000 (2010: HK\$5,286,000) which is denominated in Renminbi that is the currency other than the functional currencies of the respective group entities.

33. AMOUNTS DUE TO AN ASSOCIATE/JOINTLY CONTROLLED ENTITIES/A RELATED COMPANY/ NON-CONTROLLING SHAREHOLDERS

The amounts due to an associate, jointly controlled entities and non-controlling shareholders are unsecured, interest-free and repayable on demand.

The related company is a subsidiary of one of the Company's substantial shareholders. The amount was unsecured, interest-free and repayable on demand.

34. OTHER BORROWINGS

The maturity of other borrowings, being obligations under finance lease arrangement, is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Within one year	26	47	25	44
In the second to fifth year inclusive	5	31	5	30
	31	78	30	74
Less: Future finance charges	(1)	(4)	N/A	N/A
Present value of lease obligations	30	74	30	74
Less: Amount due within one year shown under current liabilities			(25)	(44)
Amount due after one year			5	30

The lease terms range from 4.5 to 5 years. Interest rates underlying all of the obligations under finance lease arrangement are fixed at respective contract dates at 5.7% (2010: 5.7%) per annum.

35. BANK LOANS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
The maturity of the bank loans is as follows:		
Within one year	54,587	41,462
In the second year	13,750	12,595
In the third to fifth year inclusive	–	13,750
	68,337	67,807
Carrying amount of term loans which contain a repayment on demand clause (shown under current liabilities)		
– repayable within one year	68,768	28,182
– repayable in the second year	33,226	29,945
– repayable in the third to fifth year inclusive	26,452	27,011
	128,446	85,138
Total	196,783	152,945
Less: Amount shown under current liabilities	(183,033)	(126,600)
Amount shown under non-current liabilities	13,750	26,345
Secured	38,403	50,069
Unsecured	158,380	102,876
	196,783	152,945

At the end of the reporting period, all bank loans are variable-rate borrowings which carry interest ranging from 2.00% to 3.75% (2010: 2.05% to 3.35%) per annum. Interest is repriced every one, two, three or six months.

At 31st December, 2010, bank loans included HK\$69,000 fixed-rate borrowings which carried interest ranging from 8.52% to 9.39% per annum.

Bank loans included a carrying amount of HK\$3,837,000 (2010: HK\$7,738,000) which is denominated in United States dollar that is the currency other than the functional currencies of the respective group entities.

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

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

36. STRUCTURED BORROWING

The structured borrowing which was outstanding at 31st December, 2010 contained embedded derivatives which were not closely related to the host contract, hence the entire combined contract was designated as financial instruments at FVTPL upon initial recognition. The minimum amount repayable to the bank within one year was classified as a current liability at 31st December, 2010. The structured borrowing was matured during the year ended 31st December, 2011.

Major terms of the structured borrowing were set out below:

Notional amount	Upfront payment	Maturity date	Terms
US\$80,000,000	US\$8,000,000 received on 4th October, 2006	4th October, 2011	Repay upfront payment by 10 half-yearly instalments: First half year: 2% per annum on notional amount Remaining 4 and half years: 8% minus (6% x N/M) per annum on notional amount

Where:

N = number of business days in the period for which Spread Rate > -0.05%

M = actual number of business days in the period

"Spread Rate" means 10 years US\$-ISDA-Swap Rate minus 2 years US\$-ISDA-Swap Rate.

"10 years US\$-ISDA-Swap Rate" means the rate for a reset date will be the rate for United States dollar swaps with a maturity of the designated maturity of 10 years, expressed as a percentage which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York time on each business day.

"2 years US\$-ISDA-Swap Rate" means the rate for a reset date will be the rate for United States dollar swaps with a maturity of the designated maturity of 2 years, expressed as a percentage which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York time on each business day.

The entire combined contract was measured at fair value based on the valuation provided by the counterparty at 31st December, 2010. Decrease in fair value of HK\$81,000 (2010: HK\$304,000) during the year ended 31st December, 2011 has been credited to profit or loss.

The structured borrowing was denominated in United States dollar that is the currency other than the functional currency of the respective group entity.

37. DEFERRED TAX LIABILITIES

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

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

	2011	2010
	HK\$'000	HK\$'000
Tax losses to expire in:		
2012	2,927	2,927
2013	4,298	4,298
2014	1,584	1,584
Carried forward indefinitely	544,768	547,310
	553,577	556,119

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

38. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, interest-free and has no fixed repayment terms. The associate has agreed not to demand repayment within twelve months from the end of the reporting period and the balance is therefore shown under non-current liabilities. The amount is carried at amortised cost using effective interest rate of 5.4% (2010: 5.4%) per annum.

39. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

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

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For the year ended 31st December, 2011

40. SHARE CAPITAL

	Number of shares		Share capital	
	2011 '000	2010 '000	2011 HK\$'000	2010 HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	1,000,000	1,000,000	100,000	100,000
Issued and fully paid:				
At the beginning and end of the year	793,124	793,124	79,312	79,312

41. TRANSLATION RESERVE AND NON-CONTROLLING INTERESTS

	Translation reserve HK\$'000	Non- controlling interests HK\$'000
At 1st January, 2010	518,707	67,818
Profit for the year	–	3,392
Arising on capital injection into a subsidiary	–	8,336
Capital contribution from non-controlling shareholders of a subsidiary	–	22,743
Exchange difference arising on translation of foreign operations	1,259	1,041
Reclassification adjustment for translation reserve upon disposal of interest in an associate	(8,300)	–
Reclassification adjustment for translation reserve upon disposal of interest in a subsidiary	3,439	–
Reclassification adjustment for translation reserve upon disposal of interest in a jointly controlled entity	(4,156)	–
Share of reserve of associates	56,381	–
At 31st December, 2010	567,330	103,330
Profit for the year	–	10,490
Capital contribution from non-controlling shareholders of subsidiaries	–	9,804
Exchange difference arising on translation of foreign operations	1,329	1,213
Share of reserve of associates	162,067	–
At 31st December, 2011	730,726	124,837

42. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries. The participants include executive and non-executive directors, executives, officers and full-time employees of the Company and/or its subsidiaries.

Under the Share Option Scheme and any other schemes of the Company, the total number of shares which may be issued must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of adoption of the Share Option Scheme less the aggregate of exercised, cancelled and outstanding options. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. 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 in issue unless the same is approved by shareholders of the Company.

The option period commences on the first anniversary of the commencement date (the date upon which the options are deemed to be granted and accepted) of such options and ends on the fourth anniversary of the commencement date. The option must be held by the participant for a year before it can be exercised. Each participant must pay HK\$1 as consideration for the grant of option within 30 days from the date of offer.

The exercise price shall be determined by the directors of the Company, being not less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; (b) the average of the official closing prices of the shares stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; and (c) the nominal value of the shares.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 18th September, 2002.

During the year ended 31st December, 2007, 6,160,000 share options were granted under the Share Option Scheme to directors and employees for an aggregate consideration of HK\$34. At the date of grant, the estimated fair value of the options granted was HK\$3,585,000.

The Group recognised the fair value over the vesting period (from 9th July, 2007 to 8th July, 2008) as expense for the years ended 31st December, 2007 and 2008.

42. SHARE OPTION SCHEME (Cont'd)

The following table discloses details of the Company's shares options held by the directors and employees under the Share Option Scheme and movements in such holdings during the year ended 31st December, 2010 and 2011.

Date of grant	Exercisable period	Exercise price per share HK\$	Number of options		
			Outstanding at 1st January, 2010 and 31st December, 2010	Expired during the year	Outstanding at 31st December, 2011
Directors:					
9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	4,070,000	(4,070,000)	-
Employees:					
9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	1,210,000	(1,210,000)	-
			5,280,000	(5,280,000)	-
Number of options exercisable at the end of the year			5,280,000		-

43. DISPOSAL OF A SUBSIDIARY

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

	2010 HK\$'000
Trade and other receivables	16
Trade and other payables	(9,378)
	(9,362)

Gain on disposal of a subsidiary:

	2010 HK\$'000
Consideration received	–
Net liabilities disposed of	(9,362)
Translation reserve released	3,439
	(5,923)

The impact of Hsin Lung on the Group's results and cash flows in 2010 was insignificant.

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 other borrowings, bank loans and structured borrowing as disclosed in notes 34 to 36 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 share 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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<i>Financial assets</i>		
Held-for-trading investments	45,443	36,618
Loans and receivables (including cash and cash equivalents)	589,106	380,945
	634,549	417,563
<i>Financial liabilities</i>		
Amortised cost	639,001	459,751
Structured borrowing (see below)	–	12,561
	639,001	472,312
Structured borrowing (note)		
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Difference between carrying amount and outstanding principal amount		
At fair value	–	12,561
Outstanding principal at the end of the reporting period	–	(12,480)
	–	81

Note: The change in fair value was mainly due to change in market risk factors. The fair value was provided by the counterparty holding credit risk margin constant. The fair value attributable to change in such credit risk was considered minimal.

45. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan and other receivables, other financial asset, debtors, held-for-trading investments, pledged bank deposit and bank balances, creditors, bank and other borrowings, structured borrowing and amounts due from/to associates, jointly controlled entities, a related company and non-controlling shareholders. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain trade and other debtors, bank balances, creditors, bank loans and structured borrowing are denominated in foreign currencies which are different from the functional currencies of the respective 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 foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
United States dollar	3	–	3,837	20,299
Renminbi	11,086	5,823	4,570	5,286

45. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(i) Currency risk (Cont'd)

Sensitivity analysis

The Group is mainly exposed to the currencies of United States dollar and Renminbi.

As Hong Kong dollar is pegged with United States dollar, the currency risk exposure to United States dollar is considered minimal. Hence, no foreign currency sensitivity analysis is disclosed in respect of United States dollar.

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

(ii) Interest rate risk

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

In respect of the structured borrowing, the repayment amounts are based on the spread rates between 10 years US\$-ISDA-Swap Rate and 2 years US\$-ISDA-Swap Rate, the entire borrowing is designated as at FVTPL as disclosed in note 36. Other than the structured borrowing, variable-rate bank borrowings also expose the Group to cash flow interest rate risk (see note 35). Majority of the bank borrowings are at variable-rate and determined by reference to the prevailing market rate.

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

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

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 rates for both derivative and non-derivative instruments at the end of the reporting period.

For non-derivative financial liabilities including variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2010: 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 (2010: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2011 would decrease/increase by HK\$1,643,000 (2010: decrease/increase by HK\$1,277,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

For structured borrowing, the number of business days in the period for which Spread Rate > -0.05% 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 15 business days less in the period for which Spread Rate > -0.05% and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2010 would decrease by HK\$4,119,000. This is mainly attributable to the Group's exposure to interest rates on its structured borrowing.

45. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(iii) Other price risk

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

Sensitivity analysis

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

If the prices of the respective instruments had been 10% (2010: 10%) higher/lower while all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2011 would increase/decrease by HK\$3,794,000 (2010: HK\$3,058,000) as a result of the changes in fair value of held-for-trading investments.

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

Credit risk

At 31st December, 2011, the Group's maximum exposure to credit risk will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade debtors and loan and other receivables. The Group is exposed to concentration of credit risk as the major customer of the Group is the Government of Hong Kong.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

45. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At 31st December, 2011, the Group has available unutilised bank and other borrowings facilities of approximately HK\$127,063,000 (2010: HK\$175,110,000) and HK\$16,508,000 (2010: HK\$26,153,000) respectively.

Liquidity tables

The following table details the Group's remaining contractual maturity for its financial liabilities and obligations under finance lease arrangement. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

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

At 31st December, 2011

	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 at 31.12.2011 HK\$'000
Non-interest bearing		382,245	18,309	18,689	14,213	18,170	451,626	442,218
Variable interest rate instruments	2.62	170,612	4,034	9,632	14,034	-	198,312	196,783
Obligations under finance lease arrangement	5.70	12	5	10	5	-	32	30
		552,869	22,348	28,331	28,252	18,170	649,970	639,031

45. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

At 31st December, 2010

	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 at 31.12.2010 HK\$'000
Non-interest bearing		280,825	1,452	7,690	10,387	15,967	316,321	306,806
Fixed interest rate instruments	8.96	43	21	8	-	-	72	69
Variable interest rate instruments	2.77	120,780	625	5,202	26,514	-	153,121	152,876
Obligations under finance lease arrangement	5.70	12	12	23	31	-	78	74
Structured borrowing		-	6,240	6,240	-	-	12,480	12,561
		401,660	8,350	19,163	36,932	15,967	482,072	472,386

Bank loans with a repayment on demand clause are included in the “repayable on demand or 3 months or less” time band in the above maturity analysis. At 31st December, 2011 and 31st December, 2010, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$128,446,000 and HK\$85,138,000 respectively. 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 the first to fifth year after the end of the reporting period in accordance with the scheduled repayment dates as set out in respective loan agreements. Accordingly, the aggregate principal and interest cash outflows will amount to HK\$132,147,000 (2010: HK\$88,961,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in interest rates differ to those estimates of interest rates determined at the end of the reporting period.

45. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of financial liabilities at FVTPL is estimated with reference to the valuation provided by the counterparty bank.

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.

Fair value measurements recognised in the consolidated statement of financial position

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

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

45. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value (Cont'd)

Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

	2011			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at FVTPL				
Equity securities, listed	17,701	–	–	17,701
Debt securities, listed	27,742	–	–	27,742

	2010			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial asset at FVTPL				
Equity securities, listed	36,618	–	–	36,618
Financial liability at FVTPL				
Structured borrowing	–	–	12,561	12,561

There were no transfers between Level 1 and 2 nor transfers into or out of Level 3 in current and prior years.

Reconciliation of Level 3 fair value measurements of financial liability

	2011 HK\$'000	2010 HK\$'000
Structured borrowing		
At the beginning of the year	12,561	25,345
Settlements	(12,480)	(12,480)
Change in fair value recognised in profit or loss	(81)	(304)
At the end of the year	–	12,561

46. CAPITAL COMMITMENTS

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

	2011	2010
	HK\$'000	HK\$'000
Contracted for but not provided in the consolidated financial statements	4,343	21,473
Authorised but not contracted for	699	12,275
	5,042	33,478

47. OPERATING LEASE COMMITMENTS

The Group as lessor

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

	Plant and machinery		Buildings	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	3,000	–	213	189
In the second to fifth year inclusive	6,625	–	298	321
	9,625	–	511	510

The Group as lessee

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

	2011	2010
	HK\$'000	HK\$'000
Within one year	46,425	42,732
In the second to fifth year inclusive	86,460	104,634
Over five years	165	–
	133,050	147,366

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

48. TENDER/PERFORMANCE/RETENTION BONDS

	2011	2010
	HK\$'000	HK\$'000
Outstanding amount for construction contracts	153,854	203,349

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 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 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 Group's subsidiaries in 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 scheme is to make the specified contributions.

During the year, the amount charged to profit or loss of HK\$13,607,000 (2010: HK\$10,785,000) 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:

	2011	2010
	HK\$'000	HK\$'000
Associates		
Service income	696	493
Jointly controlled entities		
Construction contract revenue	32,070	–
Sales of concrete	1,345	–
Service income	28,707	6,684
Purchase of property, plant and equipment	3,800	–

50. RELATED PARTY TRANSACTIONS (Cont'd)

At 31st December, 2011, a director provided personal guarantees amounting to HK\$12,500,000 (2010: HK\$12,500,000) to a bank to secure certain general banking facilities granted to the Group.

The amounts due from/to related parties are set out in the consolidated statement of financial position and notes 29, 33, 38 and 39.

Compensation of key management personnel

	2011	2010
	HK\$'000	HK\$'000
Short-term employee benefits	30,694	22,957
Post-employment benefits	1,783	1,401
	32,477	24,358

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

51. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2011 and 2010 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
Build King Holdings Limited (note a)	Bermuda/ Hong Kong	HK\$124,187,799	51.17	Investment holding
Excel Concrete Limited	Hong Kong	HK\$10,000,000	94.05 (note b)	Manufacturing and trading of concrete
Grandeur Building Material (Holdings) Limited	Hong Kong	HK\$2	100	Trading of construction materials
Kaden Construction Limited	United Kingdom/ Hong Kong	GBP16,072,500	51.17 (note c)	Construction and civil engineering
Leader Civil Engineering Corporation Limited	Hong Kong	HK\$25,200,000 Ordinary shares HK\$24,000,000 Non-voting deferred shares	51.17 (note c) 51.17 (note c)	Civil engineering

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For the year ended 31st December, 2011

51. 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
Leader Marine Contractors Limited	Hong Kong	HK\$200,000	51.17 <i>(note c)</i>	Marine engineering and provision of transportation services
Leader Marine L.L.C.	Sharjah, United Arab Emirates ("U.A.E.")	Dh300,000	51.17 <i>(note c)</i>	Ships and boats rental and shipping services
Leader Marine Cont. L.L.C.	Sharjah, U.A.E.	Dh300,000	51.17 <i>(note c)</i>	First class contracting/ specialised in marine construction
Mega Yield International Holdings Limited ("Mega Yield")	Hong Kong	HK\$105,000,000	94.05	Investment holding
Wai Hing Quarries (China) Limited	Hong Kong/PRC	HK\$2 Ordinary shares HK\$1,200,000 Non-voting deferred shares	100 100	Production of construction materials
Wai Kee China Construction Company Limited	Hong Kong/PRC	HK\$10,000,000	51.17 <i>(note c)</i>	Civil engineering
Wai Kee Quarry Asia Limited	Hong Kong	HK\$2	100	Investment holding
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	HK\$25,000,002 (2010: HK\$2) Ordinary shares HK\$14,800,000 Non-voting deferred shares HK\$5,200,000 Non-voting deferred shares <i>(note d)</i>	51.17 <i>(note c)</i> 51.17 <i>(note c)</i> —	Civil engineering

51. 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
Wai Kee (Zens) Holding Limited	British Virgin Islands	US\$50,000	100	Investment holding
Wuxi Qianhui Sewage Treatment Co., Ltd. (note e)	PRC	US\$5,400,000*	48.92 (note c)	Sewage treatment
Zhuhai Guishan Seawall Construction Company (note e)	PRC	HK\$47,000,000 (2010: HK\$21,000,000)*	80	Seawall construction and production of construction materials
惠記環保工程(上海)有限公司 (note f)	PRC	US\$800,000*	51.17 (note c)	Environmental engineering

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) The Company holds the effective interest in the subsidiary through Build King.
- (d) 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 that company. On a winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of that company only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of that company.
- (e) The companies are co-operative joint ventures registered in PRC.
- (f) The company is a foreign owned enterprise registered in PRC.

51. PRINCIPAL SUBSIDIARIES (Cont'd)

Except for Wai Kee (Zens) Holding Limited, all subsidiaries are indirectly held by the Company.

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

52. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011	2010
	HK\$'000	HK\$'000
Investments in subsidiaries	123,915	123,915
Amounts due from subsidiaries	1,941,236	1,783,606
Other current assets	8,583	2,638
Amounts due to subsidiaries	(811,184)	(683,265)
Other current liabilities	(233)	(875)
Bank loans	(87,000)	(55,250)
Structured borrowing	–	(12,561)
	1,175,317	1,158,208
Share capital	79,312	79,312
Reserves	1,096,005	1,078,896
	1,175,317	1,158,208

Financial Summary

RESULTS

	Year ended 31st December,				2011 HK\$'000
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	
Group revenue	871,679	837,434	844,313	734,273	1,248,340
Share of revenue of jointly controlled entities	486,452	214,412	213,071	192,572	578,218
Group revenue and share of revenue of jointly controlled entities	1,358,131	1,051,846	1,057,384	926,845	1,826,558
Profit (loss) before tax from operations:					
Company and subsidiaries	(8,041)	(139,295)	32,647	(61,756)	10,988
Share of results of associates	319,874	230,743	280,586	241,019	323,742
Share of results of jointly controlled entities	29,045	26,572	37,869	30,039	3,261
Profit before tax	340,878	118,020	351,102	209,302	337,991
Income tax (expense) credit	(6,834)	113	(4,182)	(322)	(5,074)
Profit for the year	334,044	118,133	346,920	208,980	332,917
Profit for the year attributable to:					
Owners of the Company	328,431	161,392	315,821	205,588	322,427
Non-controlling interests	5,613	(43,259)	31,099	3,392	10,490
	334,044	118,133	346,920	208,980	332,917

FINANCIAL POSITION

	At 31st December,				2011 HK\$'000
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	
Total assets	4,145,671	4,445,447	4,515,006	4,716,113	5,354,244
Total liabilities	(817,882)	(822,394)	(526,520)	(546,923)	(761,002)
Net assets	3,327,789	3,623,053	3,988,486	4,169,190	4,593,242
Equity attributable to owners of the Company	3,253,050	3,586,076	3,920,668	4,065,860	4,468,405
Non-controlling interests	74,739	36,977	67,818	103,330	124,837
Total equity	3,327,789	3,623,053	3,988,486	4,169,190	4,593,242

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

LAM Wai Hon, Patrick
CHU Tat Chi
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
Sidley Austin
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
CITIC Bank International Limited
The Bank of East Asia, Limited

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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Tsimshatsui
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
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STOCK CODE

The Stock Exchange of Hong Kong Limited – 610

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