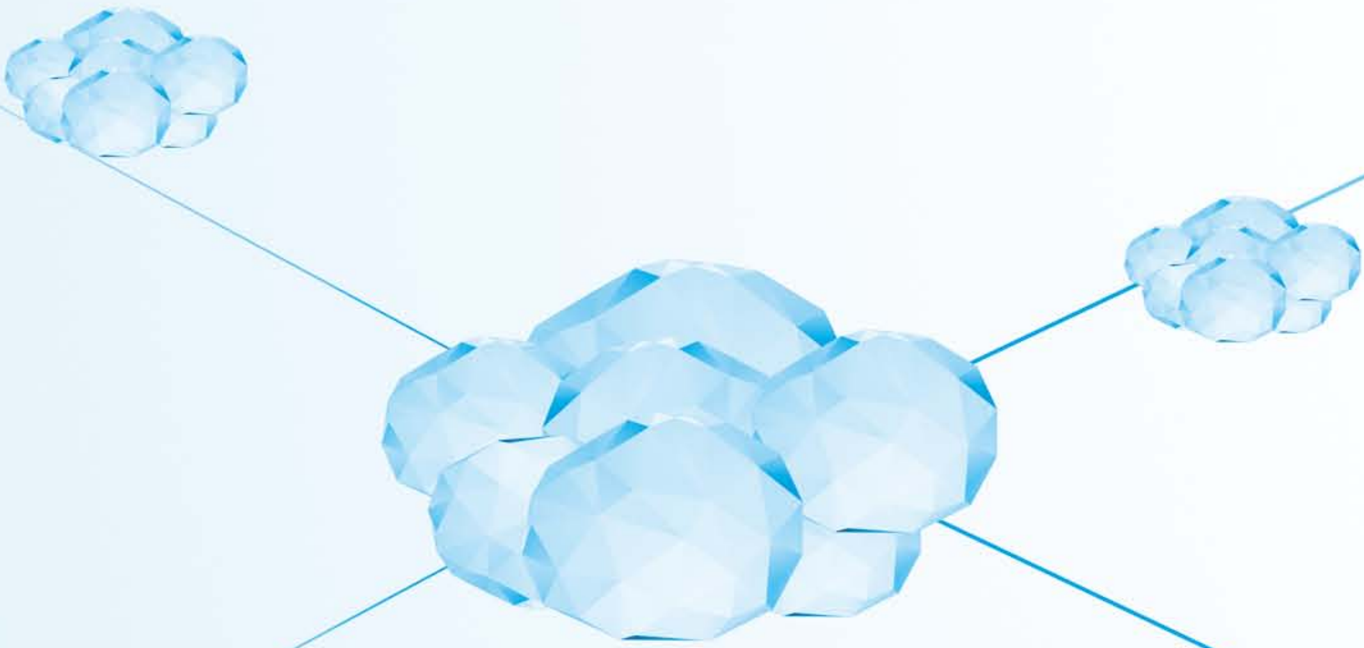
遠東環球集團有限公司
FAR EAST GLOBAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

Stock Code : 00830

ANNUAL REPORT 2013



MISSION & VISION

We believe the world of ideas is infinite and when passionate design is integrated with advanced engineering, results are often extraordinary. We are dedicated to elevating the industry standards and broadening our global presence. At the same time, we strive to bring our clients' most imaginative drawing concept to reality.

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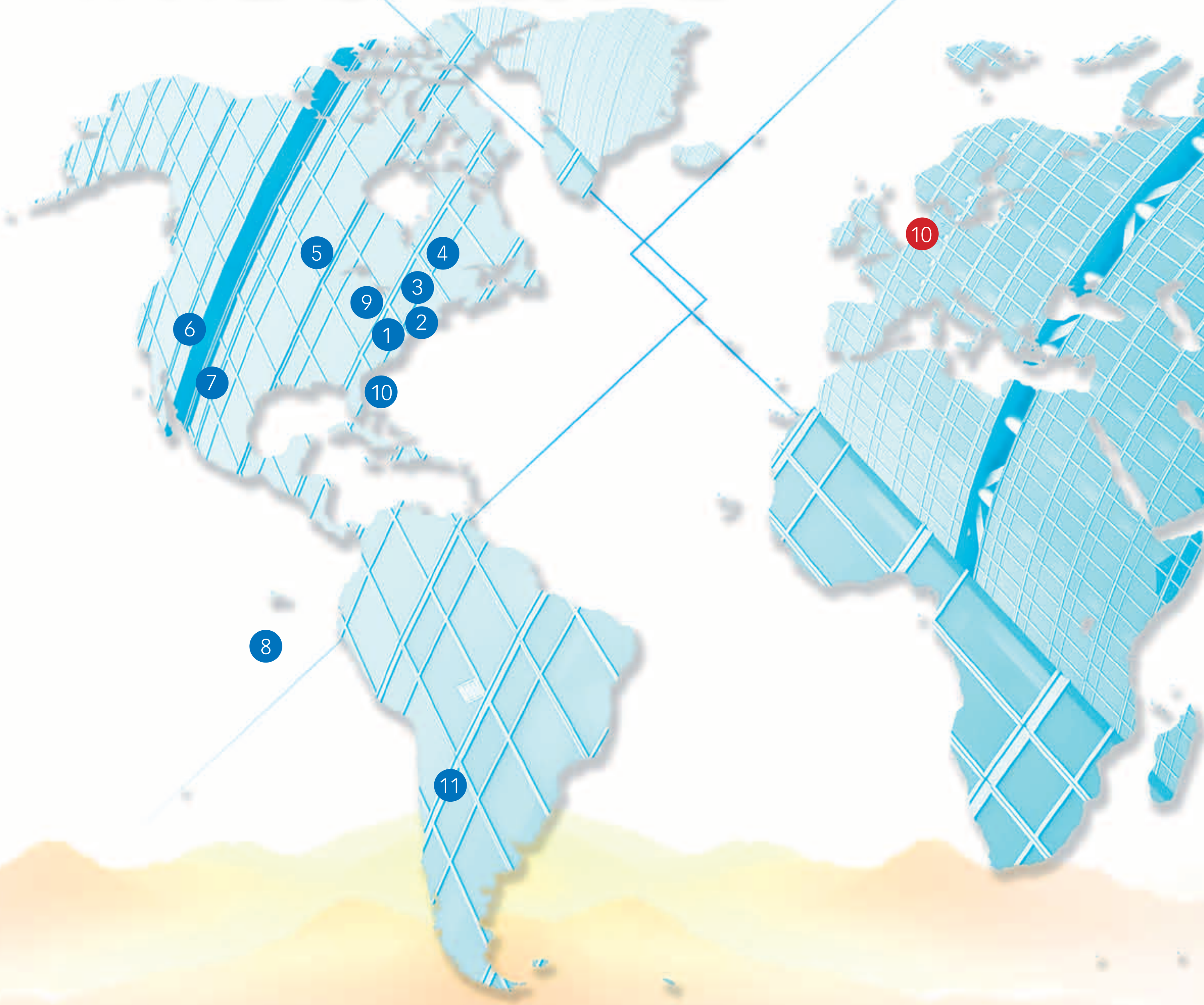
ABOUT FAR EAST GLOBAL



1. **New York** *(USA)*
   - United Nations HQ
   - New York Police Academy
   - World Trade Center
   - Sanitation Garage
2. **Boston** *(USA)*
   - Millennium Tower
3. **Montreal** *(Canada)*
   - Marriott, 1041 Canvar
   - University of Montreal Hospital Centre
   - Altoria Tower
   - Jewish General Hospital
   - St. Justin Hospital
   - Museum Beaux Arts
   - U Condos
4. **Quebec** *(Canada)*
   - Universite de Sherbrooke –Campus Longueuil
5. **Calgary** *(Canada)*
   - SAIT Trades & Technology Complex
6. **San Francisco** *(USA)*
   - Trinity Plaza – Block A
7. **Las Vegas** *(USA)*
   - Mandarin Oriental Hotel
   - Veer Towers
   - Cosmopolitan Resort Hotel & Casino
8. **Hawaii** *(USA)*
   - Allure Waikiki Condominium
9. **Toronto** *(Canada)*
   - Trump International Hotel & Tower
   - Shangri-la Toronto
10. **Miami** *(USA)*
    - Miami Int'l Airport Renovation
    - Brickell City Center
11. **Chile**
    - Costanera Center (Tower 2)

Established in 1969, Far East Global Group is one of the world's leading speciality engineering firms in providing one-stop curtain wall and building facade solution for high-end property development projects. The Company is running projects mainly in North America, Greater China, Australia as well as United Kingdom.

Our GLOBAL PRESENCE

1. **Beijing** *(China)*
   - CYTS Plaza
2. **Shenyang** *(China)*
   - New World Int'l Convention & Exhibition Centre
3. **Shanghai** *(China)*
   - International Financial Centre
4. **Zhangzhou** *(China)*
   - Dynasty Park
5. **Hong Kong** *(China)*
   - Kai Tak Cruise Terminal
   - St. Paul's Hospital Block B
   - Shatin Communication and Technology Centre
   - 1 Ede Road, Kowloon Tong
6. **Macau** *(China)*
   - Venetian Macao Resort Hotel
   - Sands Podium & Tower
   - Starworld Hotel
   - Wynn Palace Cotai
7. **Singapore**
   - Marina Bay Sands Integrated Resort
8. **Melbourne** *(Australia)*
   - Upper West Side T2
   - Prima Pearl
9. **Dubai** *(UAE)*
   - Burj Khalifa
   - Sama Tower
   - Darwish Tower
10. **London** *(UK)*
    - 71 Queen Victoria Street
    - One The Elephant
11. **Tokyo** *(Japan)*
    - Tokyo Station Yaesu II project
    - Chiyoda-Ku Yonubanchou Building

CORPORATE STRUCTURE

MAJOR EVENTS OF THE YEAR 2013

January

"Hong Kong Caring Company Award (2013-2014)" was awarded

March

Announcement of 2012 annual results

August

Announcement of 2013 interim results

October

Listed 8th in ENR's 2013 Top 20 firms in Glazing and Curtain Wall

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Chairman and Non-executive Director

ZHOU Yong

Executive Directors

CHEONG Chit Sun
(Vice-chairman and Chief Executive Officer)
WANG Hai
CHAN Sim Wang

Independent Non-executive Directors

ZHOU Jinsong
HONG Winn
KWONG Sum Yee Anna

Committees

Audit Committee

ZHOU Jinsong, *CPA (Chairman)*
HONG Winn
KWONG Sum Yee Anna

Remuneration Committee

ZHOU Jinsong *(Chairman)*
ZHOU Yong
CHEONG Chit Sun
HONG Winn
KWONG Sum Yee Anna

Nomination Committee

ZHOU Yong *(Chairman)*
CHEONG Chit Sun
ZHOU Jinsong
HONG Winn
KWONG Sum Yee Anna

CORPORATE INFORMATION

Authorised Representatives

ZHOU Yong
CHEONG Chit Sun

Company Secretary

LAU Shuk Yin Connie

Principal Share Registrar and Transfer Office

MaplesFS Limited
P.O. Box 1093
Queensgate House
Grand Cayman
KY1-1102
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Registered Office

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

16th Floor, Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

Auditor

PricewaterhouseCoopers

Legal Advisor

Mayer Brown JSM

Principal Bankers

Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
China Construction Bank Corporation
DBS Bank (Hong Kong) Limited
Deutsche Bank AG, Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Stock Code

00830

Corporate Website

www.fareastglobal.com

Financial Calendar

Annual Results Announcement
11 March 2014
Closure of register of members for Annual General Meeting
28–30 May 2014 (both days inclusive)
Annual General Meeting
30 May 2014
Closure of register of members for Final Dividend
16–17 June 2014 (both days inclusive)
Final Dividend Payable
11 July 2014

MAJOR PROJECTS IN PROGRESS OVERVIEW

Project Name[1]

Mainland China

New World International Convention and Exhibition Centre (Podium roofing), Shenyang
Apple store — Central Park, Guangzhou

Hong Kong & Macau

Shatin Communication & Technology Centre, Hong Kong
St. Paul's Hospital, Block B, Hong Kong
Nova City, Phase 4, Macau
No. 1 Ede Road, Kowloon Tong, Hong Kong
Wynn Palace Cotai, Macau

North America

Sanitation Garage, New York, USA
World Trade Center Site Retail Fit Out, New York, USA
150 Elgin, Ottawa, Canada
Altoria Tower, Montreal, Canada
University of Montreal Hospital Centre, Montreal, Canada
Jewish General Hospital, Montreal, Canada
Millennium Tower, Boston, USA
Brickell City Center, Miami, USA
St. Justin Hospital, Montreal, Canada
U Condos, Montreal, Canada
Museum Beaux Arts, Montreal, Canada
Roccabella, Montreal, Canada

Asia[2] & Others

Prima Pearl, Melbourne, Australia
71 Queen Victoria Street, London, United Kingdom
One The Elephant, London, United Kingdom

Notes:

(1) The scope of work undertaken in the projects set forth in the table generally involves the design, fabrication, supply and installation of curtain walls and other building facade products except the project in Melbourne which is a design and supply only project.

Project Type	Estimated Contract Sum HK$ million	Year of Estimated Project Completion
Exhibition centre	**98.1**	2014
Sales office	**14.7**	2014
Multipurpose complex	**137.8**	2014
Hospital	**113.0**	2014
Residential	**32.3**	2014
Residential	**57.3**	2014
Hotel	**399.4**	2015
Public building	**100.6**	2014
Public building	**209.8**	2014
Commercial	**80.9**	2014
Multipurpose complex	**88.8**	2014
Hospital	**471.9**	2014
Hospital	**78.3**	2014
Commercial	**296.4**	2016
Multipurpose complex	**192.2**	2016
Hospital	**103.9**	2015
Residential	**17.8**	2015
Multipurpose complex	**86.5**	2015
Residential	**114.3**	2014
Residential	**88.4**	2014
Commercial	**36.0**	2014
Residential	**131.7**	2015

(2) As used herein, Asia consists of Asian countries/cities excluding the Greater China region (which comprises Mainland China, Hong Kong and Macau).

CHAIRMAN'S STATEMENT

Far East Global now has the strategy, resources, and adherence to transform into a multi-discipline global enterprise.

Results

During the year ended 31 December 2013, the Group recorded an audited total revenue of approximately HK$1,419 million, representing an increase of 9.5% year-on-year; profit attributable to owners of the Company was approximately HK$50 million.

Mr. ZHOU Yong
Chairman and Non-executive Director

The Group has been engaged in the curtain wall industry for over forty years and established its own unique operation model.

Review of Operation

In 2013, the Group focused on realignment of business strategy, stabilizing corporate structure, and strengthening design, fabrication, and production efficiency. The Group continues its business development in Asia Pacific and North America while maintaining production facilities in all regions with reasonable capacities.

The regions continue their balanced contribution of revenue and new contracts for the Group, diversifying the Group's concentration risk in one region.

The Group's Australian and UK businesses began to bear fruit this year, showing increasing traction in both profit margin as well as local recognition of Far East's execution abilities. The Group expects increasing business from these two regions in the future.

The Group continues to realize synergies with our parent company, with St. Paul's Hospital project in Hong Kong as a recent example. The Group believes there are more potential projects in the pipeline that could further release such synergies.

North America Region

With recovery on track for the United States construction industry, bidding activity, especially from private developers, has significantly increased during 2013. Canada's major cities such as Toronto, Montreal, and Vancouver, also showed sustainable development trend in construction activity during the same period. Regulatory environment, on the other hand, continues to tighten with multiple anti-dumping investigations launched by North American authorities on Chinese products. As a result, the Company's localization strategy continues to work in its favor over Asian competitors. During the fourth quarter of 2013, the Company integrated United States and Canada operations and formed a North American division which allows for better resources allocation and utilization going forward.

While most of North America Division's new projects are tracking satisfactory results, losses on a few old public projects awarded before 2012 were being reflected this year. As a result, North America Division generated a gross loss during the year under review. Through claims and headcount reductions, North America Division should move out of these problematic projects by the first quarter of 2014 in terms of progress and losses.

Asia-Pacific and Greater China Region

Shortage of skilled labor, high material costs, and highly competitive pricing environment remain major challenges in Greater China market during the year under review. The Group has implemented target performance commitments together with the provision of training and development in order to retain qualified staff and maintain competitiveness. The Group continues to benefit following the increase in the numbers of constructions and infrastructure projects in Hong Kong and the upcoming integrated resorts and casinos projects in Macau. Synergy effects between the Group and China State Construction International Holdings Limited("CSCIHL") have also started to materialize through Hong Kong and Macau based projects.

New Projects Awarded

The Group secured 19 new contracts in 2013 with a total contract value of approximately HK$1,826 million, among which the North America region accounted for 44.4%, Greater China region accounted for 43.5%, and the Asia-Pacific and other regions accounted for 12.1%. The new projects included Millennium Tower in Boston, Brickell City Center in Miami, St. Justine Hospital in Montreal, One the Elephant in London, St Paul Hospital in Hong Kong, Shatin Communications and Technology Centre in Hong Kong, Wynn Palace Cotai in Macau, and Prima Pearl in Melbourne.

Projects in Progress

During the year ended 31 December 2013, total contract value of projects in progress was approximately HK$3,360 million, among which contract value attributable to the uncompleted projects was approximately HK$2,326 million. Refer to pages 8 to 9 for overview of major projects in progress.

Prospects

Market Situation

North America's economic recovery is gaining momentum. The demand for high-end curtain wall from private developers, with high margins and better contract terms than government projects, are on the rise. Anti-dumping investigations continue to impose great difficulties for the build-and-import from overseas business model. Through the past few years, the North American market can differentiate quality of product between various Asian curtain wall companies.

Hong Kong and Macau markets are well developed and remain stable in growth. Major resorts and casino projects in Macau are expected to launch which could result in another wave of construction boom. UK and Australia markets are demonstrating interests in having international curtain wall specialists to participate in their local projects.

Financial market reform in Mainland China, particularly policies on credit availability, continues to have a magnified impact on the real estate and construction market. Various high profile projects in the market have been announced but subsequent follow-through remains inconsistent. Urbanization theme among second and third tier cities remains strong, the needs of high-end curtain wall technology remains important.

New Business

Over recent years, local and overseas construction markets, particularly those in the Southeast Asia Region, have been thriving. Customers in those areas prefer to select construction companies with sound construction techniques and project management experience. The Group inherited vast experience in the construction field from its parent company and received a team of individuals highly experienced in the construction management following its acquisition by China State Construction International Holdings Limited ("CSCIHL"). The Group is now equipped with both stronger capacity and more sufficient resources to undertake general contracting work. The Group has acquired 100% of equity interests in Treasure Construction Engineering Limited ("Treasure Construction") from CSCIHL on 11 March 2014. Since the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules for the acquisition are less than 0.1%, the acquisition is exempt from the reporting, announcement, independent shareholders' approval requirements. Treasure Construction is licensed with a Certificate of Registration of General Building Constructor previously completed a number of building construction works in Hong Kong and has a proven engineering track record. Upon completion of above acquisition, the Group will have the qualification and track record to quickly enter into the general contracting business both in local and overseas markets. To avoid intra-group competition, Treasure Construction will not engage in general contracting work in Macau, nor participate in engineering projects by the Hong Kong Government, utilities or public authorities in which the Hong Kong Government is a shareholder, as well as large scale engineering projects involving private developers. Treasure Construction may undertake small to medium size building construction projects with private developers in Hong Kong and anywhere overseas. The Group is actively locating potential general contracting projects in these areas.

Operating Strategies

The Group shall continue its strategy of balanced distribution of new projects in North America and Asia-Pacific (including Greater China). Remaining competitive and profit oriented in high-end curtain wall markets continue to be the Group's overarching guideline. New markets such as UK and Australia have many potential opportunities after the Group successfully established a presence in the local markets. In North America, the Group shall focus on tendering projects from private developers to secure favorable margins on future projects in the region. Ongoing anti-dumping investigations against all China-based curtain wall companies demonstrate effectiveness of Group's localization strategy as compared to other competitors.

The Group will continue to focus on recent trend of new casino construction project in Macau, working together with its parent company to secure certain potential projects. Differentiated business model with high quality delivery should be the target approach for opportunities in Mainland China.

The Group has enjoyed a smooth working relationship with its parent company and expects further synergies to be released with increasing cooperation on projects in various markets.

The Group continues to explore investment opportunities and, as an interim strategic measure, is considering general contracting work in addition to curtain wall work for projects in Hong Kong and overseas.

Excellent human resources management and project management model is vital to the Group's performance. The Group will work to fine-tune management of design, procurement, fabrication, logistics, installation and safety monitoring. The Group will also work on hiring and retaining talent as well as utilize talent pools from different geographies to work cross-border to increase efficiency. The Group will actively participate in community care activities to maintain its healthy corporate citizenship image.

Our Mission

The Group strives to provide timely, environment-friendly and high-quality services, increase our customer confidence and consolidate the high-end curtain wall leadership position.

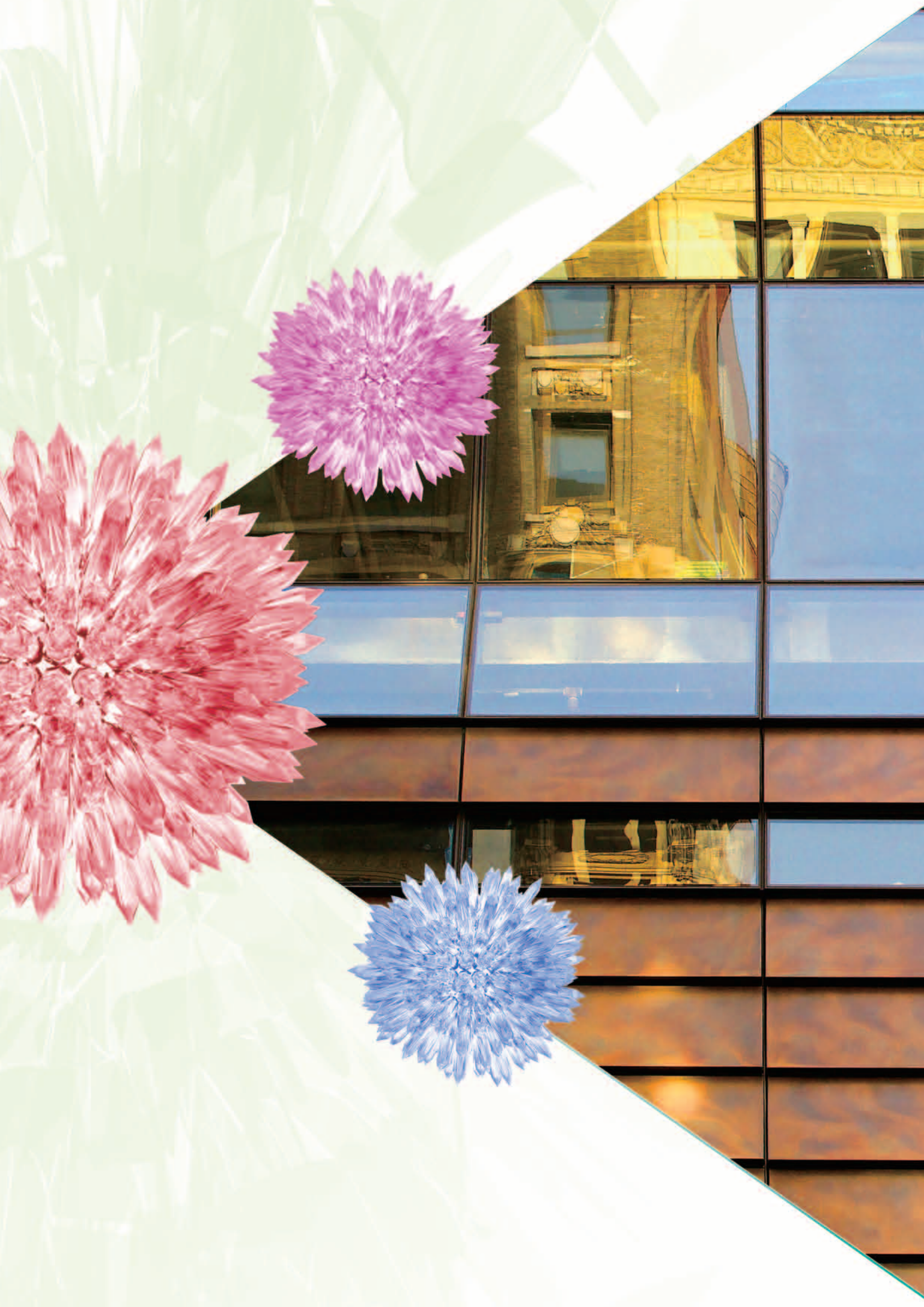
Acknowledgement

I would like to take this opportunity to thank the leadership of the Board, our shareholders and customers support and continuous efforts of all our staffs.

By Order of the Board
Far East Global Group Limited
Zhou Yong
Chairman and Non-executive Director

Hong Kong, 11 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS



Overall Performance

For the reporting year, the Group reported aggregate revenue of approximately HK$1,419 million (2012: HK$1,296 million), an increase of approximately 9.5% compared to last year. Benefiting from the absence of one-off impairment on receivables, restructuring costs for the factory in Mainland China and impairment of goodwill, the profit attributable to owners of the Company was approximately HK$50 million, compared to loss of HK$136 million in the last year. The basic earnings per share was HK2.34 cents, compared to loss per share of HK6.85 cents in the last year. With a proposed final dividend of HK0.5 cent per share and an interim dividend of HK0.5 cent per share paid in the year, the total dividends for the year amount to HK1 cent per share, representing 42.7% payout of the distributable profit for the year.

Segment Analysis

Revenue derived from North America region decreased by approximately HK$87 million from approximately HK$771 million for the year ended 31 December 2012 to approximately HK$684 million for the year ended 31 December 2013 while North America region incurred a gross loss of approximately HK$185 million in 2013 as compared with a gross profit of approximately HK$69 million in 2012. Losses from a few public projects awarded during prior years were mostly reflected in the financial results of 2013. Main contributors to losses were those projects awarded prior to 2012 including two government projects in the United States and a smaller hotel project in Canada. The United States projects in question were much more complex in design and engineering than expected, leading to excessive fabrication and installation labor costs. Losses on the Canadian project were due to very tight time requirement of typical smaller jobs, inability to meet required schedule led to losses on the project. Furthermore anti-dumping duties in the USA and Canada also contributed to overall losses in North America. Project awarded after 2012 progressed to initial stages during 2013, therefore recognized revenues were unable to cover both costs and high overhead. Lastly, the factory in Buffalo did not reach its optimal capacity, resulting in higher overhead than previously expected.

In response to these disappointing results, the Company made significant structural changes to the organization structure within North America division leading to an overhead reduction. Going forward, Canada division will no longer focus on small projects with very tight time table and will only target larger projects. United States division will only focus on jobs with private owners as oppose to lower-margin government projects. The Company has also implemented various cost control systems such that cost overspending can be spotted during very early stages. Furthermore, all factories in North America region now adhere to strict production metrics whose progresses are monitored on real-time basis. The Company has set minimum profit margins on all future jobs as well as maximum annual overhead spending for North America division. Through turnaround performance under strict monitoring of the Company, additional claims on projects, as well as headcount reductions, North America Division should move out of problematic projects by the end of 2013 in terms of progress and losses.

Revenue derived from Greater China increased by approximately HK$94 million, or approximately 20.8%, from approximately HK$451 million for the year ended 31 December 2012 to approximately HK$545 million for the year ended 31 December 2013. The increase in revenue was primarily due to the fact that major projects in progress like St Paul Hospital and Shatin Communications and Technology Centre started to contribute to the revenue in the second half of the year and certain projects in Hong Kong like the Kai Tak Cruise Terminal and Sai Wan Terrace were successfully completed during the year. As a result of implementation of stringent cost control measures for certain projects in Mainland China and the increase in revenue from construction contracts, the Greater China Division turned from gross loss of approximately HK$1 million in last year to a gross profit of approximately HK$104 million for the year ended 31 December 2013.

The Group continued to face keen operating environment in construction and facade works in view of current shortage of skilled labors and staff at managerial and supervisory levels in Greater China market during the year. In response to rising materials and labor costs driven by the tremendous market demands, the group has carried out strategic measures like the implementation of the incentive target performance scheme together with the provision of training and development and increasing usage of prefabrication in Shenzhen factory. Towards the end of 2013, the Group began to note the opportunities from the upcoming integrated resorts and casinos projects in Macau and an increasing numbers of constructions and infrastructure projects in Hong Kong. The group will focus on capturing high-margin large projects out of these regions as we leverage the synergy effect between the Group and China State Construction International Holdings Limited ("CSCIHL") and the proven track record and expertise.

Revenue derived from Asia and others increased by approximately HK$115 million from approximately HK$74 million for the year ended 31 December 2012 to approximately HK$189 million for the year ended 31 December 2013 as a result of the new contribution from projects in Australia and some projects were in final stages with one-off write back profit, whereas the gross margin of the region increased from approximately HK$9 million in 2012 to approximately HK$89 million in 2013.

Administrative expenses

During the year ended 31 December 2013, the Group's administrative expenses were approximately HK$200 million (2012: HK$186 million), representing an increase of approximately 7.5% as compared to last year. The increase was mainly due to the additional cost incurred for the structural reorganization of North America Division to optimize resource utilization and efficiency.

Finance costs

During the year ended 31 December 2013, the Group's finance costs increased by 133% to approximately HK$7 million (2012: HK$3 million). The increments in bank borrowings escalated the finance costs during the year.

As of 31 December 2013, the Group has secured new contracts with an aggregate value of approximately HK$1,826 million. Major new contracts include the followings:

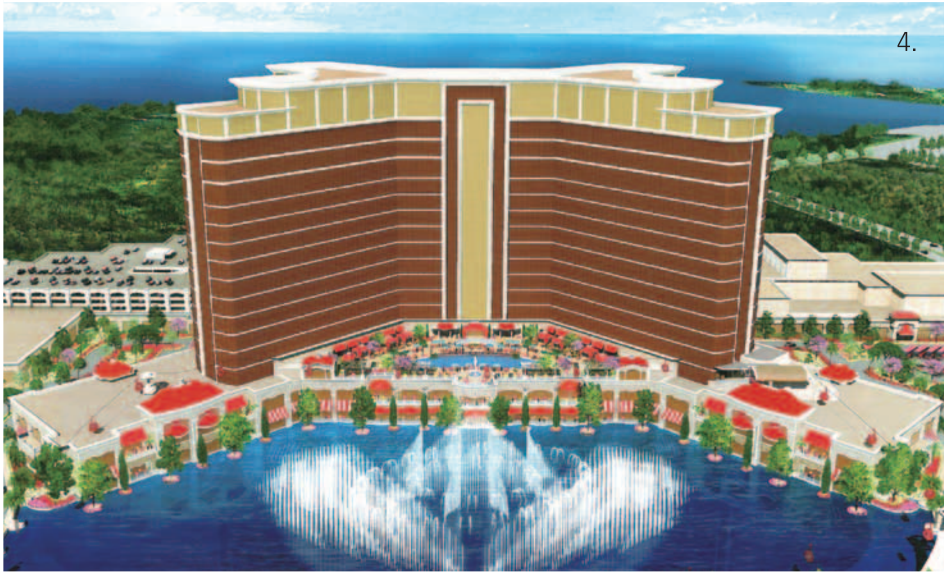
Contracts secured in 2013

1. St. Paul's Hospital Block B, Hong Kong
2. Shatin Communication and Technology Centre, Hong Kong
3. No. 1 Ede Road, Kowloon Tong, Hong Kong
4. Wynn Palace Cotai, Macau
5. Apple Shops, China
6. Prima Pearl, Melbourne, Australia
7. One The Elephant, London, United Kingdom
8. St. Justin Hospital, Montreal, Canada
9. U Condos, Montreal, Canada
10. Museum Beaux Arts, Montreal, Canada
11. Roccabella, Montreal, Canada
12. Millennium Tower, Boston, USA
13. Brickell City Center, USA


1.


2.


3.


4.


6.


8.


11.


10.


13.

Liquidity and Financial Resources

The Group generally finances its operation with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong and Canada. At 31 December 2013, the Group had total bank and cash balances of approximately HK$213 million (2012: HK$340 million) and total borrowings of the Group increased to approximately HK$283 million (2012: HK$52 million), due to the drawn down of Hong Kong dollars bank borrowings for financing working capital of our projects. The Group's net gearing ratio (net debt to net assets) as at 31 December 2013 was approximately 7.0% and the Group was debt free as at 31 December 2012. Furthermore, the Group had unutilised banking facilities (including performance guarantee facilities, working capital facilities and loan facilities) of approximately HK$1,208 million, the Group had sufficient financial resources to meet the business development and expansion. The Group's borrowings are principally on a floating rate basis and have not been hedged by any interest rate financial instruments.

The maturities of the Group's total borrowings as at 31 December 2013 and 31 December 2012 are set out as follows:

	31 December 2013 HK$'000	31 December 2012 HK$'000
On demand or within one year	157,463	24,113
More than one year but not exceeding two years	8,378	581
More than two years but not more than five years	117,217	26,809
Total borrowings	283,058	51,503

The portfolio of the currencies of bank and cash balances of the Group is set out as follows:

	31 December 2013 %	31 December 2012 %
United States Dollars	41	14
Hong Kong Dollars	13	63
Renminbi	11	5
Canadian Dollars	26	17
Australian Dollars	5	–
Others	4	1

As at 31 December 2013, the Group's equity attributable to owners of the Company amounted to approximately HK$1,130 million (2012: approximately HK$1,094 million), comprising issued capital of approximately HK$22 million (2012: approximately HK$22 million) and reserves of approximately HK$1,108 million (2012: approximately HK$1,072 million).

Treasury Policy

The Group adopts conservative treasury policy in cash and financial management. The Group's treasury activities are centralised in order to achieve better risk control and minimise cost of funds. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollar, Canadian dollar, Australian dollar or US dollar. The Group's liquidity and financing requirements are frequently reviewed. In anticipating new investments or maturity of bank loans, the Group will consider new financing while maintaining an appropriate level of gearing.

Employees and Remuneration Policy

At 31 December 2013, the Group employed a total of 1,462 (31 December 2012: 1,429) employees. The Group has sound policies of management incentives and competitive remuneration, which align the interests of management, employees and shareholders' alike. The Group sets its remuneration policy by reference to the prevailing market conditions and the performance of the individuals concerned, subject to review from time to time. The components of the remuneration package consist of base salary, allowances, fringe benefits including medical insurance and contributions to pension funds as well as incentives such as discretionary bonus and participation in the share option scheme.

Foreign Currency Risk

The Group's foreign currency exposures primarily arise from certain sales or purchases by operating units in currencies other than the unit's functional currency where these sales or purchases are mainly denominated in United States dollar, Renminbi, Australian dollar, Canadian dollar and Pound Sterling. 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 need arise.

DIRECTORS AND ORGANISATION

BOARD OF DIRECTORS

Mr. ZHOU Yong
Chairman and Non-executive Director
Chairman of the Nomination Committee
Member of the Remuneration Committee

Aged 43, was appointed as a Non-executive Director and the Chairman of the Board since 2 March 2012. Mr. Zhou graduated from Changsha Academy of Military Engineering and University of South Australia. Mr. Zhou is Fellow of The Chartered Institute of Building (UK) and The Institution of Civil Engineers (UK). Mr. Zhou joined China State Construction Engineering Corporation ("CSCEC") in 1994 and was seconded to the China State Construction International Holdings Limited ("CSCIHL", listed on the Main Board of the Stock Exchange) Group in 1996. Mr. Zhou has been a director of certain subsidiaries of CSCIHL since 2001. Currently, Mr. Zhou is an executive director, chairman and chief executive officer of CSCIHL and a director of China Overseas Holdings Limited ("COHL"). CSCEC, COHL and CSCIHL are all controlling shareholders of the Company. Mr. Zhou was awarded the "Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors in 2009. Mr. Zhou has more than 21 years' construction, project and corporate management experience in Mainland China and Hong Kong, and in particular, specializes in investment and new business start-up development, formulating and executing business strategies for companies.

Dr. CHEONG Chit Sun
Vice-chairman, Executive Director and Chief Executive Officer
Member of the Nomination Committee
Member of the Remuneration Committee

Aged 62, was appointed as an Executive Director, Chief Executive Officer of the Company and Vice-chairman of the Board since 2 March 2012. Dr. Cheong is also a director of the Company's subsidiaries. Dr. Cheong graduated from the Hong Kong Baptist University (formerly known as Hong Kong Baptist College) and the University of Hull (UK) and obtained a PhD Degree from University of Loughborough (UK). Dr. Cheong is a Fellow of The Institution of Civil Engineers (UK) and a member of The Hong Kong Institution of Engineers. Dr. Cheong joined the CSCIHL Group in 2003 and has been a director of certain subsidiaries of CSCIHL since 2004. Dr. Cheong was a director of CSCIHL between October 2005 and August 2012 and is still a director of one of the subsidiaries of CSCIHL. Dr. Cheong has over 40 years' experience in engineering, construction and project management in Hong Kong and overseas.

Mr. WANG Hai
Executive Director and Chief Operating Officer

Aged 41, was appointed as an Executive Director and Chief Operating Officer of the Company since 15 August 2012. Mr. Wang is also a director of the Company's subsidiaries. Mr. Wang joined the Company as Vice President of Operation in March 2012. Mr. Wang graduated from Tianjin University and Greenwich University and is a member of the Royal Institution of Chartered Surveyors. Mr. Wang joined CSCEC in 1994 and started getting involved in the operation of certain subsidiaries of CSCIHL since 2003. Mr. Wang is currently a director and the supervisor of certain subsidiaries of CSCIHL. Mr. Wang has over 20 years of experience in construction engineering and project contract management as well as several years of experience in infrastructure investment.

Mr. CHAN Sim Wang
Executive Director and Chief Financial Officer

Aged 45, was appointed as an Executive Director and Chief Financial Officer of the Company since 2 March 2012. Mr. Chan is also a director of the Company's subsidiaries. Mr. Chan graduated from Hong Kong Baptist University (formerly known as Hong Kong Baptist College). Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants, Fellow of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan joined the CSCIHL Group in 1997 and has been a director of one of the subsidiaries of CSCIHL since 2010. Prior to joining the Company, Mr. Chan was deputy general manager of Finance and Treasury Department of CSCIHL. Mr. Chan has over 21 years' experience in finance, accounting and auditing. Mr. Chan has experience in supervising the accounts and finance departments of various subsidiaries of CSCIHL in Mainland China and overseas.

Mr. ZHOU Jinsong
Independent Non-executive Director
Chairman of the Audit Committee
Member of the Nomination Committee
Chairman of the Remuneration Committee

Aged 43, was appointed as a Director on 8 March 2010 and was subsequently designated as an Independent Non-executive Director on 10 March 2010. Mr. Zhou graduated from Guangdong Radio and TV University (廣東廣播電視大學) in 1992 and with a Master of Business Administration degree from Harbin Institute of Technology (哈爾濱工業大學) in 2003. Mr. Zhou is a Certified Public Accountant licensed in the PRC. Mr. Zhou has extensive experience in accounting, audit and business advisory in various audit firms and private companies in the PRC. Mr. Zhou was an accountant supervisor in the fund management office of the Shenzhen Cultural Development Department (深圳市宣傳文化事業發展專項基金領導小組辦公室) from 1995 to 2002. Mr. Zhou is currently the president of Weiya, an accounting firm in Shenzhen.

Mr. HONG Winn
Independent Non-executive Director
Member of the Audit Committee
Member of the Nomination Committee
Member of the Remuneration Committee

Aged 44, was appointed as a Director on 8 March 2010 and was subsequently designated as an Independent Non-executive Director on 10 March 2010. Mr. Hong obtained a Bachelor of Science degree in Aerospace Engineering and a Master of Science degree in Mechanical Engineering from the University of California, Los Angeles in 1993 and 1996, respectively. Mr. Hong graduated from the University of Chicago with a Master of Business Administration degree in 2005. Mr. Hong is a senior technology development manager for the Alfred E. Mann Institute for Biomedical Engineering at the University of South California (AMI-USC) focusing on biotechnology, medical device, and medical and health care technologies. Mr. Hong has over 14 years of experience in high-tech product development and high-tech start-up success and leadership.

Ms. KWONG Sum Yee Anna
Independent Non-executive Director
Member of the Audit Committee
Member of the Nomination Committee
Member of the Remuneration Committee

Aged 64, has been an Independent Non-executive Director since 1 July 2013. Ms. Kwong is managing director of Anna Kwong Architects & Associates. Ms. Kwong holds a Bachelor of Arts degree (Honours) in Architectural Studies and a Bachelor of Architecture degree from the University of Hong Kong. Ms. Kwong is a Registered Architect in Hong Kong and an Authorised Person (List of Architects) of Hong Kong. Ms. Kwong possesses Class 1 Registered Architect Qualification of the People's Republic of China. Ms. Kwong is a past president and fellow of the Hong Kong Institute of Architects, a member of the Hong Kong Architects Registration Board and a member of the Hong Kong Institute of Directors. Ms. Kwong has over 36 years of professional experience in the architectural field.

SENIOR MANAGEMENT

Mr. QIN Jidong
Chairman of North America Division

Aged 45, joined the Group as Vice President in 2012 overseeing the Group's overseas construction business. Mr. Qin has been the Chairman of the Group's North America Division since February 2014. Mr. Qin graduated from Tianjin University and the Loughborough University, UK. Mr. Qin joined the CSCIHL Group in 1996 and has been a director of certain subsidiaries of CSCIHL since 2004. Mr. Qin has over 21 years of experience in international construction project management.

Mr. SUN Xinggen
Deputy General Manager and General Manager, PRC

Aged 57, joined the Group in July 2013 and is responsible for contract management of the Group and the overall management of the Group's subsidiaries in the PRC. Mr. Sun joined the CSCIHL Group in 1994 and has over 30 years of experience in construction engineering and commercial contract management in Hong Kong, Macau and the PRC as well as several years of experience in managing infrastructure investment.

Mr. Jim MITCHELL
President of North America Division

Aged 54, is responsible for the Group's curtain wall operations in North America. Mr. Mitchell started his career in Canada with Kawneer Inc.. Mr. Mitchell joined Antamex International Inc., a Canada-based custom designer and fabricator of curtain wall and cladding systems as Executive Vice President and Partner in 2000. Mr. Mitchell joined Gamma Windows and Walls International Inc. in 2011 bringing his over 30 years of industry experience to the Group. Mr. Mitchell held various operational and sales positions in North America and Asia during his over 33 years in the business.

Mr. HO Wai Man, Raymond

Deputy General Manager and President of Asia Pacific Division

Aged 52, joined the Group in April 2012. Mr. Ho received his Bachelor of Science degree in Civil Engineering from the National Cheng Kung University, Taiwan in 1984 and a Master of Science degree in Civil Engineering from the Queen's University of Belfast, United Kingdom in 1986. Mr. Ho is a member of Hong Kong Institute of Construction Managers. Mr. Ho joined the CSCIHL Group in 1994 and has over 28 years' experience in engineering, construction, contract administration, project management, tendering and business development in Hong Kong and overseas.

Mr. QU Baocheng

Deputy General Manager

Aged 39, joined the Group in November 2012 and is responsible for the overall management of the Group's projects in Hong Kong. Mr. Qu graduated from Harbin University of Architecture and obtained a Bachelor Degree in International Project Management and is a Certified Constructor. Mr. Qu joined the CSCIHL Group in 2001 and has 11 years of experience in project management in Hong Kong and Macau, and was responsible for the implementation of many large scales property construction projects. Mr. Qu was the president and general manager of Shenzhen Novophalt Asphalt High Technology Company Limited in 2011.

Mr. Elliot KRACKO

Vice President

Aged 66, presently as the Chairman of Gamma USA, Inc., Mr. Kracko is responsible for new business development and executing business strategy for curtain wall business in the US. Mr. Kracko has over 41 years of experience in the aluminium and glass curtain wall, window wall and facade recladding industry. His diversified knowledge extends from design, fabrication, to installation for large scale commercial and residential buildings. Mr. Kracko has established a reputation with prestigious real estate developers and architects in metropolitan New York City, as one of the most recognized and respected individuals in this field. Mr. Kracko's expertise includes significant projects completed in United States and Canada.

Mr. Edward M. BOYLE, III
Vice President of Asia Pacific Division

Aged 53, is responsible for the Group's curtain wall operations in the Asia Pacific Region. Mr. Boyle has held various senior management positions including vice president, president, chief operating officer, chief executive officer, and director with industry leading designers, manufacturers and installers of bespoke curtain wall and cladding systems in North America, Europe, and Asia. Mr. Boyle joined the Group in September 2012 bringing his 30 years of industry experience to the Group.

Mr. LAU Sai Ying, Alan
Marketing Director

Aged 53, joined the Group in 1997 and is responsible for the Group's regional marketing in exploring and enhancing the existing and new markets with reference to his strong global marketing experience in this industry. Mr. Lau is a member of Hong Kong Institution of Engineers, a registered professional engineer in Hong Kong and professional engineer for the Province of Ontario, Canada. Mr. Lau received his Bachelor of Science degree in Civil Engineering from the University of Manitoba, Canada in 1981. Mr. Lau has over 24 years of construction, engineering and facade system project management and marketing experience in Canada and Hong Kong.

Mr. Johnson FONG

Director of Finance & Business Development

Aged 34, joined the Group in September 2010. Mr. Fong received his Master of Science in Financial Engineering degree from Columbia University, United States in 2004 and a Bachelor of Science in Electrical Engineering degree from Washington University, United States in 2001. Mr. Fong has previously worked at investment banks in Hong Kong and New York and has over 9 years of corporate finance experience.

Mr. LI Xuguang

Deputy General Manager, PRC

Aged 48, joined the Group as General Manager of Netfortune (Shanghai) Aluminium Works Company Limited in 2008. Mr. Li is responsible for operation management and market development in the PRC. Mr. Li received his Bachelor of Engineering degree from Wuhan Polytechnic University in 1987. Mr. Li has over 26 years of experience in engineering and project management.

CORPORATE GOVERNANCE REPORT

GOVERNANCE FRAMEWORK

The Company is committed to building and maintaining high standards of corporate governance to promote corporate accountability, transparency and integrity. The Board recognises that good corporate practices are fundamental to the smooth and effective operation of the Group and protection of the interests of shareholders and other stakeholders.

The Company has applied the principles, and complied with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2013.

THE BOARD

The Board is responsible for promoting the overall success of the Company and delivering long-term value to shareholders. The Board has delegated the management and day-to-day running of the Group to the Company management and certain matters to the Board committees, which are described more fully in the "Board Committees" section of this report. The Board reserved for its consideration and decision certain other matters which include:

- determining the Group's strategic direction;
- approving financial reporting including the annual, half-year and quarterly results;
- approving interim, and recommending final, dividends;
- approving major acquisitions, disposals and capital expenditure;
- approving Board appointments; and
- approving broad policies and systems of internal control and risk management.

As at 31 December 2013, the Board comprised seven Directors — three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Directors have a broad range of expertise and experience, which we believe, contributes significantly to the effectiveness of the Board. The list of Directors and their biographical details are set out on pages 26 to 29.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and continues to consider each of them to be independent.

The roles of Chairman and Chief Executive Officer are performed by separate individuals in accordance with the CG Code. There is a clear division of responsibilities between the Chairman and Chief Executive Officer to ensure a balance of power and authority so that no one individual should have unfettered powers of decision. Mr. Zhou Yong, the Chairman of the Board, is responsible for providing effective leadership of the Board and ensuring that Directors receive relevant and timely information and that all key and appropriate issues are discussed in a timely manner. The Chairman is also responsible for promoting open discussion and constructive debates in the boardroom and ensuring that good corporate practices and procedures are established. Dr. Cheong Chit Sun, the Chief Executive Officer, is responsible for managing the business of the Group, formulating and executing the Group's strategic plan and policies and keeping the Board informed of all relevant matters.

Board meetings shall be held at least once every quarter. Additional meetings of the Board or the Board committee established by it to consider specific matters, can be convened, when necessary. During the year, the Board held 4 regular meetings. Notice of at least 14 days is given to Directors of regular Board meetings and all Directors are given the opportunity to include matters in the agenda for discussion. The Board is supplied with an agenda and supporting documentation at least three days prior to the regular Board and committee meetings. The Board receives briefing from the chairmen of the Audit, Nomination and Remuneration Committees following meetings of these Committees.

The attendance of Directors at general meetings, meetings of the Board and Board committees of which they were members during the year is set out in the table below.

	Meetings attended/eligible to attend				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Chairman and Non-executive Director					
Zhou Yong	4/4	–	2/2	1/1	1/1
Executive Directors					
Cheong Chit Sun	4/4	–	2/2	1/1	1/1
Wang Hai	4/4	–	–	–	1/1
Chan Sim Wang	4/4	–	–	–	1/1
Independent Non-executive Directors					
Zhou Jinsong	4/4	4/4	2/2	1/1	1/1
Hong Winn	4/4	4/4	2/2	1/1	1/1
Kwong Sum Yee Anna (note 1)	2/2	2/2	0/0	0/0	0/0
Yen Homer Shih Hung (note 2)	3/3	3/3	2/2	1/1	1/1

Notes:

1. Ms. Kwong was appointed to the Board and as members of the three Board committees with effect from 1 July 2013.

2. Mr. Yen resigned from the Board and ceased to be members of the three Board committees on 8 August 2013.

Each Director is fully aware of his duties and responsibilities as a Director of the Company and the requirement to give sufficient time and attention to the affairs of the Company. The Board is dominated by Non-executive Directors who can bring independent and objective judgement to bear on Board decisions through regular attendance and active participation in the meetings of the Board and the Board committees on which they serve.

Directors have access to relevant and timely information, and they can ask for further information if necessary. They also have access to the advice and services of the Company Secretary and, if required, can seek independent professional advice at the Company's expense. There is an agreed procedure to enable them to do so which is managed by the Company Secretary. Directors are given sufficient time for discussion at the Board meetings. Where queries are raised by Directors, prompt and full responses will be given if possible.

If a conflict of interest involving a substantial shareholder or a Director arises, the matter will be discussed at a physical meeting, as opposed to being dealt with by written resolution. Independent Non-executive Directors with no material interest in the proposed matter or transaction will be present at the meeting to deal with the conflict.

The Company has in place appropriate directors and officers insurance cover in respect of legal action against Directors. The coverage and sum insured under the directors and officers issuance policy are reviewed annually.

All Non-executive Directors are appointed under letters of appointment for specific terms. Directors appointed by the Board shall hold office until the first general meeting following their appointments in the case to fill a casual vacancy or until the next following annual general meeting in the case as an addition to the Board. Such Directors shall then be eligible for re-election. In addition, all Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate resolutions.

All newly-appointed Directors are briefed on the duties and responsibilities they owe as directors to the Company as well as on the relevant Company policies and key governance issues following their appointments. Directors are encouraged to attend internal and external briefings and courses on aspects of their respective committee specialisms. Training and regular updates on relevant legal, regulatory and corporate governance matters are provided to Directors as appropriate.

All Directors are required to provide training records to the Company on a regular basis and such records are maintained by the Company Secretary.

During the year, the participation of individual Directors in the continuing professional development activities is set out as below:

	Attending seminars, conferences, courses or briefings	Giving talks	Reading relevant materials
Chairman and Non-executive Director			
Zhou Yong	✓	✓	✓
Executive Directors			
Cheong Chit Sun	✓	✓	✓
Wang Hai	✓	✓	✓
Chan Sim Wang	✓	✓	✓
Independent Non-executive Directors			
Zhou Jinsong	✓		✓
Hong Winn			✓
Kwong Sum Yee Anna	✓	✓	✓

BOARD COMMITTEES

The Board currently has three committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee and each of which has specific written terms of reference approved by the Board. The terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are available on the Company's website or, on request, from the Company Secretary. All committees report back to the Board on their decisions and recommendations on a regular basis.

The committees are provided with all necessary resources including access to independent professional advice, if necessary, to enable them to undertake their duties in an effective manner. The Company Secretary acts as secretary to the committees.

Audit Committee

The Audit Committee is composed of the three Independent Non-executive Directors with Mr. Zhou Jinsong as chairman and Mr. Hong Winn and Ms. Kwong Sum Yee Anna as members of the committee. Mr. Zhou Jinsong possesses appropriate professional qualifications and experience in financial matters which is in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee meets at least four times a year and its primary duties include ensuring the Group's financial statements (including annual, half-year and quarterly results) present a true and balanced assessment of the Group's financial position; reviewing the Group's financial reporting process, internal control and risk management systems; reviewing the Group's financial and accounting policies and practices; and recommending the appointment and approving remuneration of external auditor. Other duties of the Audit Committee are set out in its specific terms of reference.

The committee met four times during the year. The Chief Financial Officer and Financial Controller attended each meeting by invitation. External auditors were invited to attend two of those meetings to discuss various accounting issues and findings and the audit plan with the committee.

The work of the committee during the year included reviewing the results announcements and financial statements for the year ended 31 December 2012, and for the first quarter, half-year and third quarter of 2013, the annual report and interim report. To aid its review, the committee considered the reports from the Chief Financial Officer and the report from external auditors on the outcomes of the annual audit. The committee also reviewed the connected transactions and internal control matters, approved the audit strategy and plan for the 2013 year end audit and made recommendation on the re-appointment of auditor.

In addition, the Audit Committee monitors the audit and non-audit services rendered to the Group by its external auditor to ensure that their engagement in non-audit services will not impair their audit independence or objectivity. An independence confirmation has been obtained from PricewaterhouseCoopers which confirms that they are independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by PricewaterhouseCoopers for the financial year ended 31 December 2013 amounted to approximately HK$2,028,000 and HK$172,000 respectively. The non-audit services mainly consist of tax services and other services for ad hoc projects.

The Audit Committee was satisfied with the findings of its review of the audit fees, process and effectiveness, independence and objectivity of PricewaterhouseCoopers and had recommended the Board to propose a resolution of their re-appointment as the Company's external auditor at the 2014 annual general meeting of the Company.

Nomination Committee

The Nomination Committee is chaired by Mr. Zhou Yong, the Chairman of the Board and Non-executive Director and its members include Dr. Cheong Chit Sun, Executive Director and Chief Executive Officer and the three Independent Non-executive Directors, namely, Mr. Zhou Jinsong, Mr. Hong Winn and Ms. Kwong Sum Yee Anna.

The Nomination Committee meets as necessary and is responsible for reviewing the Board structure, size and composition, identifying and nominating to the Board candidates who are appropriate for appointment or reappointment as Directors, assessing the independence of Independent Non-executive Directors and making recommendation to the Board on succession planning.

The Nomination Committee met once during the year. The work of the committee during the year included consideration of the composition of the Board to ensure there was an appropriate balance of skills, knowledge and experience and the independence of Independent Non-executive Directors, and making recommendation concerning the appointment of Ms. Kwong Sum Yee Anna to the Board and the re-appointment of the retiring Directors at the annual general meeting. There has been a formal procedure for the appointment of Directors to the Board which may involve the Nomination Committee meeting candidates proposed by existing Board members, if necessary. Careful consideration is given to ensure appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board is maintained. When the committee has found a suitable candidate, the chairman of the committee will make a proposal to the Board since the appointment is the responsibility of the whole Board following recommendation from the committee.

The Board adopted a policy on Board diversity in August 2013. Differences in background, skills, industry experience, gender, age and other qualities will be considered in determining the optimum composition of the Board and the aim will be to balance them appropriately to ensure that the composition is appropriate to the business of the Company and the range and breadth of markets in which the Group operates. The Company is focused upon increasing Board diversity without compromising on the calibre of directors and the overriding principle is that all appointments to the Board will be based on merit as well as complementing and expanding the skills, knowledge and experience of the Board as a whole. During the annual review of the Board composition and in determining suitable candidates for Board appointment, the committee has paid due regard for the benefits of diversity on the Board.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Zhou Jinsong, an Independent Non-executive Director and its members include Mr. Zhou Yong, the Chairman of the Board and Non-executive Director, Dr. Cheong Chit Sun, Executive Director and Chief Executive Officer and two Independent Non-executive Directors, namely, Mr. Hong Winn and Ms. Kwong Sum Yee Anna.

The Remuneration Committee meets as necessary and is responsible for formulating and making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure and other compensation related issues. The Remuneration Committee determines the remuneration packages of individual Executive Directors and senior management and reviews the adequacy and effectiveness of the Group's remuneration policy. The committee also has the responsibility to make recommendations to the Board on the remuneration of Non-Executive Directors.

The Remuneration Committee held two meetings during the year. The committee reviewed and made recommendation to the Board on the remuneration of Independent Non-executive Director on her appointment which was determined by reference to her job responsibilities in the Company and the prevailing market conditions. The committee also reviewed and approved the annual salary adjustment and discretionary bonus of individual Executive Directors and senior management of the Company which were determined with reference to the Group's overall performance as well as individuals' performance. In addition, the committee considered the appropriateness and relevance of the remuneration policy and structure of the Group by benchmarking its remuneration packages against comparable companies and made recommendation to the Board on proposed changes.

Remuneration of Directors and Senior Management

Information relating to the remuneration of each Director for the year ended 31 December 2013 is set out in note 10 to the consolidated financial statements.

The remuneration of members of the senior management by band for the year end 31 December 2013 is set out below:

	Number of individuals
Nil–HK$1,000,000	1
HK$1,000,001–HK$1,500,000	4
HK$1,500,001–HK$2,000,000	3
HK$2,000,001–HK$2,500,000	1
HK$2,500,001–HK$3,000,000	–
HK$3,000,001–HK$3,500,000	1

CORPORATE GOVERNANCE

The Board has undertaken the responsibility for performing the corporate governance duties pursuant to the CG Code and is committed to ensuring that an effective governance structure is in place to continuously review, monitor and improve the corporate governance practices within the Group with regard to the prevailing legal and regulatory requirements.

During the year, the work of the Board in this area included reviewing the policies and practices on the Group's corporate governance, monitoring the Company's legal and regulatory compliance and training and continuing professional development of Directors and senior management, developing relevant policies to ensure compliance with the latest change in the laws and regulations and reviewing the Company's compliance with the CG Code and the disclosure in this report.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Director's securities transactions. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended 31 December 2013.

ACCOUNTABILITY AND AUDIT

Financial Reporting

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

Management is responsible for providing such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval. All members of the Board are provided with regular updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Director, individually and collectively, to discharge their legal and regulatory duties.

The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable. In preparing the consolidated financial statements, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of Hong Kong Financial Reporting Standards and the applicable laws have been complied with.

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2013. The Directors, having made appropriate enquiries, were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern and on such basis, the Board has prepared the financial statements on a going concern basis.

The responsibilities of external auditors of the Company with respect to financial reporting are set out in the "Independent Auditor's Report".

Internal Controls

The Board is responsible for maintaining appropriate systems of internal control, policies and procedures within the Group and the Audit Committee has the delegated responsibility to assess on an ongoing basis the effectiveness and relevancy of the systems. Processes and procedures have been put in place to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use and for publication and to ensure compliance with applicable laws, rules and regulations.

During the year, the management conducted a review of the financial and treasury control system, project cost management and procurement management in relation to the Group's North America operations and the findings and recommendations were reported to the Audit Committee. Following an annual review of the effectiveness of the financial, operational and compliance controls and risk management functions of the Group and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, the Board confirms that no material control failure was noted and there were adequate resources and expertise in the accounting and financial reporting function.

COMPANY SECRETARY

The Company Secretary is an employee of the Group and the appointment of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Board through the Chairman and the Chief Executive Officer, all Directors have access to the advice and services of the Company Secretary for the ongoing discharge of their duties and responsibilities.

The Company Secretary assists the Chairman in preparing the agenda for the Board meetings, taking into account matters proposed by the Directors and ensures that all applicable rules and regulations regarding the Board meetings are followed. Minutes of meetings of the Board and Board committees are taken and kept by the Company Secretary and are open for inspection by Directors.

During 2013, the Company Secretary undertook no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Shareholders are encouraged to maintain direct communication with the Company. Shareholders who have any questions for the Board may send a letter to:

Company Secretary

Address: Far East Global Group Limited
16th Floor, Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

The Company maintains procedures for Shareholders to propose a person for election as a Director. The details of these procedures are available on the Company's website.

Should shareholders wish to call an extraordinary general meeting, it must be convened according to the Company's Articles of Association, which state as follows:

- Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company can, by written requisition to the Board or the Company Secretary, require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

- Such meeting shall be held within two (2) months after the deposit of such requisition.

- If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

A set of new Articles of Association was adopted by the shareholders at the 2013 Annual General Meeting to bring them in line with the then applicable laws and regulations.

The Board attaches great importance to maintaining good relationships with all shareholders and investors and ensures that shareholders are kept informed of major Company developments.

The Board regards the Company's general meetings as an opportunity to communicate directly with private investors and actively encourages participative dialogue with all the Company's shareholders. The chairmen of the Board committees attend the annual general meeting each year as well as other Directors and are available to answer questions from shareholders. To enhance the communication between the Company and the capital market, the management of the Company meets investors and analysts regularly and irregularly to present the latest development strategies and operation conditions to them in a timely manner. The Company holds briefing sessions to institutional shareholders, brokers and analysts following the announcement of its half-year and annual results. The Company will continue its effort to increase the investor relations service to shareholders and investors in 2014.

The website www.fareastglobal.com is an important source of information on the Group, including press releases, shareholder documentation, annual, half-year and quarterly results and the terms of reference of the principal Board committees.

CORPORATE CITIZENSHIP

The Group proactively participates in various public service and community activities, carries forward the spirit of helping and caring for each other, encourages its staff to act earnestly to serve the society and to benefit the community, and vigorously establishes its image as a good corporate citizen.

Hong Kong and Kowloon Walk (6 January 2013)

On 6 January, the Group participated in "Walks for Millions", a financing activity held by the Community Chest. The Community Chest is a social welfare organization which raises funds to subsidize families and children and encourages its fellow members to proactively participate in public service activities to serve the society and to benefit the community.

"Hike for Hospice" (10 March 2013)

Society for the Promotion of Hospice Care is committed to promoting hospice and caring service, providing guidance service for paying last respects to the deceased, advocating and educating the public to discuss death in a positive way, and giving publicity to cherish and have a positive attitude towards lives. On 10 March, the Group participated in "Hike for Hospice" held by Society for the Promotion of Hospice Care once every year. Both the starting point and the ending point of this activity are in the south of Yuen Long and close to Tai Tong area. The activity is participated in groups of four persons with a length of 8 km.

Charity Dinner held by Society for the Promotion of Hospice Care (22 April 2013)

The senior management of the Group participated in the Charity Dinner held by Society for the Promotion of Hospice Care in 香港鄉村俱樂部 on 22 April with a purpose of raising funds for the construction of hospice centres.

"Charity Walk" Held by in Hong Kong Island Residents Association (26 October 2013)

On 26 October, there were nearly 60 staff of the Group participating in an activity called "charity walk" held by all . In this activity, we can touch with nature, encourage fellow members to proactively participate in social public service activities, carry forward the spirit of helping and caring for each other, and help those in need.

Successfully Applying for and Obtaining the Title of "Caring Company" (2013/2014)

The Group is also committed to fulfilling its social responsibility, caring for the community and staff development and protecting the environment, which has enabled the Group to successfully apply for and obtain the title of "Caring Company".

"Light Up A Life Christmas Concert" (3 December 2013)

The purpose of this activity is to give benediction to relatives, deceased or lying in sickbed, and in the mean time to raise donations for terminal patients and their family members to "light up" their lives. Acting as a volunteer, our fellow members hold music concerts to serve and help manage crowded people and arrange refreshments for guests, in order for the music concert to proceed smoothly.

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2013.

Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are shown in note 18 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 62 and 63 respectively.

An analysis of the Group's performance for the year by segments is set out in note 5 to the consolidated financial statements.

An interim dividend of HK0.5 cent per share was paid to shareholders on 23 September 2013. The Board recommends the declaration of a final dividend of HK0.5 cent per share (2012: Nil) payable on 11 July 2014 to shareholders whose names appear on the register of members of the Company on 17 June 2014. Together with the interim dividend of HK0.5 cent per share (2012: Nil), dividends for the year will amount to a total of HK1 cent per share.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 124.

Property, Plant and Equipment

Particulars of the movements of property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 30 to the consolidated financial statements and the consolidated statement of changes in equity on page 67 respectively.

Directors

The Directors during the year were:

Chairman and Non-executive Director

Mr. Zhou Yong

Executive Directors

Dr. Cheong Chit Sun *(Vice-chairman and Chief Executive Officer)*
Mr. Wang Hai
Mr. Chan Sim Wang

Independent Non-executive Directors

Mr. Zhou Jinsong	
Mr. Hong Winn	
Ms. Kwong Sum Yee Anna	(appointment effective 1 July 2013)
Mr. Yen Homer Shih Hung	(resigned on 8 August 2013)

Notes:

Information of Directors' emoluments is set out in note 10 to the consolidated financial statements.

With effect from 1 February 2014, Dr. Cheong Chit Sun's salary has been increased to HK$2,340,000 per annum from HK$2,241,200 per annum and Mr. Chan Sim Wang's salary (which is inclusive of fixed allowance) has been increased to HK$1,073,900 per annum from HK$1,031,000 per annum. The remuneration of all other Directors remains unchanged.

Biographical Details of Directors and Senior Management

The biographical details of Directors and Senior Management are set out in the "Directors and Organisation" section of this Annual Report.

Confirmation of Independence

The Company received an annual confirmation from each of the Independent Non-executive Directors of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considered each of them to be independent.

Directors' Service Contracts

No Director has any service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this Annual Report, each of Mr. Zhou Yong, Dr. Cheong Chit Sun, Mr. Wang Hai and Mr. Chan Sim Wang held directorships in the Company's holding companies and/or their subsidiaries. These companies are engaged in construction, property development and related business.

The Board is independent of the boards of directors of the Company's holding companies and their subsidiaries. With the presence of appropriate portion of Independent Non-executive Directors in the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of its holding group.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company (the "Model Code") were as follows:

(a) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of ordinary shares held	% of shares in issue(Note)
Chan Sim Wang	Beneficial owner	Personal interest	50,000	0.002

Note: The percentage is based on the total number of ordinary shares of the Company in issue as at 31 December 2013 (i.e. 2,155,545,000 ordinary shares).

(b) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

Long positions in the shares and underlying shares of the associated corporations of the Company

(i) China State Construction International Holdings Limited ("CSCIHL")

Name of Director	Number of ordinary shares held Personal interest[(1)]	Number of underlying shares held Share options[(2)]	Total	% of shares in issue[(3)]
Zhou Yong	2,273,780	959,247	3,233,027	0.083
Cheong Chit Sun	1,915,872	–	1,915,872	0.049
Chan Sim Wang	28,800	–	28,800	0.001

Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests in share options of CSCIHL held by the relevant Director as beneficial owner to subscribe for the relevant underlying ordinary shares pursuant to the share option scheme of CSCIHL (the "CSCIHL Scheme"). Such options were granted on 14 September 2005 with an exercise period from 14 September 2006 to 13 September 2015 and a vesting period from 14 September 2005 to 13 September 2010. The exercise price per option is HK$0.2254.
3. The percentage is based on the total number of ordinary shares of CSCIHL in issue as at 31 December 2013 (i.e. 3,888,744,651 ordinary shares).

(ii) China Overseas Land & Investment Limited ("COLI")

Name of Director	Number of ordinary shares held	Total	% of shares in issue[(2)]
Cheong Chit Sun	54,000[(1)]	54,000	0.000

Notes:

1. Dr. Cheong Chit Sun had a family interest of 54,000 ordinary shares in COLI held by his spouse.
2. The percentage is based on the total number of ordinary shares of COLI in issue as at 31 December 2013 (i.e. 8,172,616,172 ordinary shares).

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. Nor any of the Directors or chief executive of the Company (including their spouses and children under the age of 18), during the year ended 31 December 2013, held any interests in, or was granted any right to subscribe for, the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Share Options

The Company adopted a share option scheme (the "Scheme") on 10 March 2010 and unless otherwise cancelled or amended, is valid and effective for 10 years from 30 March 2010. A summary of the Scheme is as follows:

(a) The purpose of the Scheme is to provide incentives or rewards to the eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

(b) Share options may be granted to any director, employee, supplier and customer of the Group or any entity in which the Group holds an equity interest ("Invested Entity") and any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity.

(c) The total number of shares which may be issued upon exercise of all options granted and to be granted under the Scheme and any other share option schemes of the Group shall not exceed 10% of the shares of the Company in issue immediately following the completion of the Global Offering of the Company (as defined in the Prospectus issued by the Company dated 17 March 2010) unless the Company obtains a fresh approval from the shareholders.

(d) As at the date of this Annual Report, the total number of shares which may be issued under the Scheme is 38,689,000 shares i.e. 1.79% of the Company's shares in issue as at that date.

(e) The maximum entitlement for any participant (other than a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates) under the Scheme is that the total number of shares issued and to be issued upon exercise of all options granted and to be granted in any 12-month period up to and including the date of the proposed grant does not exceed 1% of the shares of the Company for the time being in issue. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

(f) The period within which an option may be exercised under the Scheme will be determined by the Board at its absolute discretion provided that such period shall not be more than ten years from the date of grant of the option.

(g) The exercise price of the share options shall be determined by the Board, at its absolute discretion, but in any case, shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant of such option, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.

(h) Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

No share options were granted to or exercised by any Directors or chief executive of the Company or employees of the Group or other participants, nor were cancelled, or lapsed during the year ended 31 December 2013.

As at 1 January 2013, 31 December 2013 and the date of this Annual Report, the Company had no share options outstanding under the Scheme.

Directors' Rights to Acquire Shares or Debentures

Apart from the Scheme and the CSCIHL Scheme, at no time during the year ended 31 December 2013 was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Contracts of Significance

Except for the connected transactions set out on pages 57 to 59 and the related party transactions set out in note 33 to the consolidated financial statements, there were no contracts of significance in relation to the business of the Company and its subsidiaries to which the Company, its subsidiary, fellow subsidiary or holding company 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.

Management Contracts

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as is known to any Directors or chief executive of the Company, as at 31 December 2013, other than the interests of the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the shares or 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held	Total	% of shares in issue[(1)]
Add Treasure Holdings Limited ("Add Treasure")	Beneficial owner	1,537,983,279	1,537,983,279	71.35
China State Construction International Holdings Limited ("CSCIHL")[(2)]	Interest in controlled corporation	1,596,403,279	1,596,403,279	74.06
China Overseas Holdings Limited ("COHL")[(3)]	Interest in controlled corporation	1,596,403,279	1,596,403,279	74.06
中國建築股份有限公司 (China State Construction Engineering Corporation Limited) ("CSCECL")[(3)]	Interest in controlled corporation	1,596,403,279	1,596,403,279	74.06
China State Construction Engineering Corporation ("CSCEC")[(3)]	Interest in controlled corporation	1,596,403,279	1,596,403,279	74.06

Notes:

1. The percentage is based on the total number of ordinary shares of the Company in issue as at 31 December 2013 (i.e. 2,155,545,000 ordinary shares).

2. Add Treasure is a wholly-owned subsidiary of CSCIHL which, by virtue of the SFO, is taken to be interested in the same 1,537,983,279 shares held by Add Treasure and the 58,420,000 shares of the Company held by another wholly-owned subsidiary of CSCIHL.

3. CSCIHL is owned as to approximately 57.06% by COHL, which in turn, is a wholly-owned subsidiary of CSCECL. CSCECL is, in turn, a subsidiary of CSCEC. By virtue of the SFO, each of COHL, CSCECL and CSCEC is deemed to be interested in the same 1,596,403,279 shares held indirectly by CSCIHL.

Save as disclosed above, as at 31 December 2013, no other person (other than the Directors or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Connected Transactions

The connected and continuing connected transactions required to be disclosed in accordance with Chapter 14A of the Listing Rules, are disclosed on pages 57 to 59.

Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme. During the year, the Group made contribution to MPF Scheme amounting to approximately HK$6 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company, or the laws of Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Public Float

As at the date of this Annual Report, based on publicly available information and within the Directors' knowledge, more than 25 per cent of the Company's issued share capital was held by the public.

Donations

During the year, the Group made charitable and other donations amounted to approximately HK$160,000.

Major Customers and Suppliers

In 2013, the five largest customers of the Group accounted for approximately 45.9% of the Group's turnover and the turnover from the largest customer included therein accounted for approximately 14.8%. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

Other than disclosed above, at no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries has made any purchase, sale or redemption of any of the Company's listed securities.

Auditor

PricewaterhouseCoopers was appointed as auditor of the Company at the 2012 annual general meeting in place of the retiring auditor, RSM Nelson Wheeler, and was re-appointed at the 2013 annual general meeting. Save as disclosed above, there was no other change of the auditor of the Company in the past three years.

The consolidated financial statements for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
FAR EAST GLOBAL GROUP LIMITED
Zhou Yong
Chairman and Non-executive Director

Hong Kong, 11 March 2014

CONNECTED TRANSACTIONS

Continuing Connected Transactions under the Listing Rules

1. FE-CSCECL Sub-construction Engagement Agreement

On 11 June 2012, the Company entered into an agreement with China State Construction Engineering Corporation Limited ("CSCECL", an intermediate holding company of the Company) pursuant to which the Group may act as subcontractor of CSCECL and its subsidiaries (the "CSCECL Group") for provision of contracting service, supply, project consultancy service and project management service in relation to exterior facade work to the construction works of CSCECL Group for the period commencing from 16 July 2012 and ending on 30 June 2015 ("FE-CSCECL Sub-construction Engagement Agreement") provided that the total contract sum that may be awarded by the CSCECL Group to the Group under the FE-CSCECL Sub-construction Engagement Agreement for the period between 16 July 2012 and 31 December 2012 shall not exceed HK$400 million, for each of the two years ending 31 December 2014 shall not exceed HK$800 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK$400 million (i.e. the CSCECL Works Cap).

Since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year/period under the FE-CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Works Cap) exceeded 5%, the transactions contemplated thereunder were subject to the annual review, reporting, announcement and independent shareholders' approval requirements.

A circular dated 19 June 2012 containing details of the FE-CSCECL Sub-construction Engagement Agreement was despatched to the shareholders of the Company. The FE-CSCECL Sub-construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 6 July 2012.

No contracts were awarded to the Group under the FE-CSCECL Sub-construction Engagement Agreement during the year ended 31 December 2013.

2. FE-CSC Sub-construction Engagement Agreement

On 11 June 2012, the Company entered into an agreement with China State Construction International Holdings Limited ("CSCIHL" an intermediate holding company of the Company) pursuant to which the Group may act as subcontractor of CSCIHL and its subsidiaries (the "CSCIHL Group") for provision of contracting and engineering works, project consultancy service and project management service to the construction works of the CSCIHL Group for the period commencing from 16 July 2012 and ending on 30 June 2015 ("FE-CSC Sub-construction Engagement Agreement") provided that the total contract sum that may be awarded by the CSCIHL Group to the Group under the FE-CSC Sub-construction Engagement Agreement for the period between 16 July 2012 and 31 December 2012 shall not exceed HK$400 million, for each of the two years ending 31 December 2014 shall not exceed HK$800 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK$400 million (i.e. the CSC Works Cap).

Since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year/period under the FE-CSC Sub-construction Engagement Agreement (i.e. the CSC Works Cap) exceeded 5%, the transactions contemplated thereunder were subject to the annual review, reporting, announcement and independent shareholders' approval requirements.

A circular dated 19 June 2012 containing details of the FE-CSC Sub-construction Engagement Agreement was despatched to the shareholders of the Company. The FE-CSC Sub-construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 6 July 2012.

The total value of the contracts awarded to the Group under the FE-CSC Sub-construction Engagement Agreement during the year ended 31 December 2013 was HK$153,671,088.

A summary of all related party transactions entered into by the Group during the year ended 31 December 2013 is contained in note 33 to the consolidated financial statements. The construction fees of approximately HK$10,595,286 (out of HK$93,784,709) received from fellow subsidiaries as described in the note relate to the provision of contracting and engineering work to the CSCIHL Group by the Group for a construction project under a sub-contractor agreement which was entered into between the parties in September 2009 and at which time, members of the CSCIHL Group were not connected persons of the Company. Except for the transactions relating to the remaining construction fees of HK$83,189,423 and the service income of HK$10,740,020 which were entered into under the FE-CSC Sub-construction Engagement Agreement, none of the related party transactions described in the note constitute "connected transactions" or "continuing connected transactions" as defined in Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the year ended 31 December 2013.

In respect of the financial year ended 31 December 2013, each of the continuing connected transactions mentioned above has been subject to annual review by the Independent Non-executive Directors pursuant to Rule 14A.37 of the Listing Rules who have concluded that each continuing connected transaction has been entered into:

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

(ii) either on normal commercial terms or, in those instances where there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the work performed, the auditor has confirmed in a letter to the Board that:

a. nothing has come to the attention of the auditor that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the attention of the auditor that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

c. nothing has come to the attention of the auditor that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the attention of the auditor that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value as disclosed in the announcements and circular made by the Company in respect of each of the disclosed continuing connected transactions.

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FAR EAST GLOBAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Far East Global Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 62 to 123, which comprise the consolidated and company statement of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**1,418,808**	1,295,847
Cost of sales	7	**(1,410,365)**	(1,218,716)
Gross profit		**8,443**	77,131
Other income and other gains, net	6	**51,164**	17,395
Administrative expenses	7	**(199,569)**	(185,615)
Distribution and selling expenses		**(21,297)**	(12,804)
Other operating expenses	7	**–**	(73,714)
Finance costs	8	**(6,844)**	(3,382)
Loss before tax		**(168,103)**	(180,989)
Income tax credit	9	**129,220**	26,059
Loss for the year		**(38,883)**	(154,930)
Profit/(loss) for the year attributable to:			
Owners of the Company		**50,463**	(136,273)
Non-controlling interests		**(89,346)**	(18,657)
		(38,883)	(154,930)
Earnings/(losses) per share (HK cents)			
Basic and diluted	13	**2.34**	(6.85)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(38,883)**	(154,930)
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences arising on translation of foreign operations	**(3,969)**	5,607
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments	**–**	(203)
Gain on fair value changes of available-for-sale investments	**60**	329
Other comprehensive income for the year, net of tax	**(3,909)**	5,733
Total comprehensive income for the year	**(42,792)**	(149,197)
Total comprehensive income for the year attributable to:		
Owners of the Company	**48,204**	(131,272)
Non-controlling interests	**(90,996)**	(17,925)
	(42,792)	(149,197)

Consolidated Statement of Financial Position

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current Assets			
Property, plant and equipment	14	**162,624**	159,992
Goodwill	15	**138,149**	138,149
Project backlogs	16	**11,934**	30,510
Deposits and prepayments		**7,216**	5,550
Available-for-sale investments	17	**18,564**	42,283
Deferred tax assets	28	**117,564**	6,000
		456,051	382,484
Current Assets			
Inventories	19	**17,650**	8,601
Amounts due from customers for contract work	20	**563,455**	442,151
Trade and other receivables	21	**356,719**	375,764
Deposits and prepayments		**14,870**	77,248
Amounts due from fellow subsidiaries	22	**4,376**	5,152
Tax recoverable		**936**	4,934
Bank and cash balances	23	**213,404**	340,465
		1,171,410	1,254,315
Current Liabilities			
Bank and other borrowings	24	**157,463**	24,113
Amounts due to customers for contract work	20	**22,550**	86,753
Trade payables, other payables and accruals	25	**206,563**	275,122
Finance lease payables	26	**1,087**	1,158
Current tax payables		**11,470**	15,875
Warranty provisions	27	**17,778**	18,991
Advances from customers for contract work		**–**	31,785
		416,911	453,797
Net Current Assets		**754,499**	800,518
Total Assets less Current Liabilities		**1,210,550**	1,183,002

	Note	2013 HK$'000	2012 HK$'000
Capital and Reserves			
Share capital	29	**21,555**	21,555
Share premium and reserves	30	**1,108,476**	1,072,304
Equity attributable to owners of the Company		**1,130,031**	1,093,859
Non-controlling interests		**(54,465)**	35,277
		1,075,566	1,129,136
Non-current liabilities			
Bank and other borrowings	24	**125,595**	27,390
Finance lease payables	26	**4,280**	4,938
Deferred tax liabilities	28	**5,109**	21,538
		134,984	53,866
		1,210,550	1,183,002

On behalf of the Board

Cheong Chit Sun
Director

Chan Sim Wang
Director

Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current Asset			
Interests in subsidiaries	18	**896,006**	739,849
Current Assets			
Prepayments, deposits and other receivables		**368**	484
Amounts due from subsidiaries	18	**50,000**	–
Bank and cash balances	23	**313**	204,514
		50,681	204,998
Current Liabilities			
Other payables and accruals		**2,421**	1,052
Current tax payables		**800**	–
		3,221	1,052
Net Current Assets		**47,460**	203,946
Total Assets less Current Liabilities		**943,466**	943,795
Capital and Reserves			
Share capital	29	**21,555**	21,555
Share premium and reserves	30	**921,911**	922,240
		943,466	943,795

On behalf of the Board

Cheong Chit Sun
Director

Chan Sim Wang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company										
	Share capital (note 29)	Share premium account (note 30)	Share-based payments reserve	Investment revaluation reserve	Foreign currency translation reserve	Statutory reserves	Special Reserve (note 30)	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	11,129	262,503	16,657	(1,123)	3,288	12	-	281,919	574,385	53,202	627,587
Loss for the year	–	–	–	–	–	–	–	(136,273)	(136,273)	(18,657)	(154,930)
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments	–	–	–	(203)	–	–	–	–	(203)	–	(203)
Gain on fair value changes of available-for-sale investments	–	–	–	329	–	–	–	–	329	–	329
Exchange differences arising on translation of foreign operations	–	–	–	–	4,875	–	–	–	4,875	732	5,607
Total comprehensive income for the year	–	–	–	126	4,875	–	–	(136,273)	(131,272)	(17,925)	(149,197)
Share-based payments	–	–	4,169	–	–	–	–	–	4,169	–	4,169
Settlement of share options by acquirer	–	–	(16,190)	–	–	–	–	16,190	–	–	–
Issue of shares	10,426	636,151	–	–	–	–	–	–	646,577	–	646,577
At 31 December 2012 and 1 January 2013	21,555	898,654	4,636	(997)	8,163	12	–	161,836	1,093,859	35,277	1,129,136
Profit/(loss) for the year	–	–	–	–	–	–	–	50,463	50,463	(89,346)	(38,883)
Gain on fair value changes of available-for-sale investments	–	–	–	60	–	–	–	–	60	–	60
Exchange differences arising on translation of foreign operations	–	–	–	–	(2,319)	–	–	–	(2,319)	(1,650)	(3,969)
Total comprehensive income for the year	–	–	–	60	(2,319)	–	–	50,463	48,204	(90,996)	(42,792)
Change in ownership interests in a subsidiary without change in control	–	–	–	–	–	–	(1,254)	–	(1,254)	1,254	–
2013 interim dividend paid	–	–	–	–	–	–	–	(10,778)	(10,778)	–	(10,778)
At 31 December 2013	21,555	898,654	4,636	(937)	5,844	12	(1,254)	201,521	1,130,031	(54,465)	1,075,566

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Loss before tax	**(168,103)**	(180,989)
Adjustments for:		
Finance costs	**6,844**	3,382
Bank interest income	**(927)**	(4,681)
Loss on disposal of property, plant and equipment	**29**	63
Gain on disposal of investment in a subsidiary	**–**	(6,949)
Gain on acquisition of a subsidiary	**(700)**	–
Loss/(gain) on disposal of available-for-sale investments	**85**	(406)
Warranty provisions, net	**1,882**	4,071
Amortisation of project backlogs	**18,576**	15,256
Depreciation, net of amounts capitalised in contracts in progress	**7,990**	8,879
Provision for impairment of goodwill	**–**	21,558
(Write back)/provision for impairment of trade and other receivables, net	**(19,164)**	18,800
(Write back)/provision for impairment of deposits and prepayments	**(18,720)**	18,720
Reversal of other payables and accruals	**(5,124)**	–
Reversal of provision for impairment of inventories	**–**	(65)
Share-based payments	**–**	4,169
Operating cash flows before working capital changes	**(177,332)**	(98,192)
Increase in inventories	**(9,049)**	(3,751)
Increase in amounts due from/to customers for contract work, net	**(179,144)**	(238,704)
Decrease/(increase) in trade and other receivables	**38,809**	(66,851)
Decrease/(increase) in deposits and prepayments	**79,610**	(64,297)
Decrease/(increase) in amounts due from fellow subsidiaries	**776**	(5,152)
(Decrease)/increase in trade payables, other payables and accruals	**(63,828)**	102,503
Decrease in warranty provisions, net	**(3,100)**	(2,435)
(Decrease)/increase in advances from customers for contract work	**(31,785)**	31,785
Net cash used in operations	**(345,043)**	(345,094)
Income tax refund/(paid), net	**826**	(9,829)
Interest paid	**(6,684)**	(3,382)
Net cash used in operating activities	**(350,901)**	(358,305)

	2013 HK$'000	2012 HK$'000
Cash flows from investing activities		
Acquisition of a subsidiary, net to cash acquired	**344**	–
Purchase of property, plant and equipment	**(18,711)**	(59,775)
Proceeds from disposals of property, plant and equipment	**361**	915
Proceeds from disposal of available-for-sale investments	**23,695**	12,886
Interest received	**927**	4,798
Decrease in pledged time deposits	**–**	44,381
Net cash from investing activities	**6,616**	3,205
Cash flows from financing activities		
Drawdown of bank loans	**262,725**	–
Repayment of bank loans	**(23,771)**	(501)
Trust receipt loans raised/settled, net	**–**	(41,820)
Repayment of finance lease payables	**(772)**	(524)
Issue of shares	**–**	646,577
Dividend paid	**(10,778)**	–
Net cash from financing activities	**227,404**	603,732
Net (decrease)/increase in cash and cash equivalents	**(116,881)**	248,632
Effect of foreign exchange rate changes	**(5,257)**	5,346
Cash and cash equivalents at the beginning of year	**335,542**	81,564
Cash and cash equivalents at the end of year	**213,404**	335,542
Analysis of cash and cash equivalents		
Bank and cash balances	**213,404**	340,465
Bank overdrafts	**–**	(4,923)
	213,404	335,542

1 GENERAL INFORMATION

Far East Global Group Limited (the "Company") and its subsidiaries (together the "Group") involve in the facade contracting business, including the design, engineering, manufacture and installation of curtain wall systems made primarily of fabricated aluminium cladding, stainless steel and glass.

The Company is a limited liability company incorporated in Cayman Islands and under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is 16th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong.

Its immediate holding company is Add Treasure Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of China State Construction International Holdings Limited ("CSCIHL") whose shares are listed on The Stock Exchange of Hong Kong Limited.

Its intermediate holding company is China Overseas Holdings Limited, a company incorporated in Hong Kong which, in turn, is a wholly-owned subsidiary of China State Construction Engineering Corporation Limited ("CSCECL"). CSCECL is a joint stock company established in the People's Republic of China ("PRC") with its shares listed on the Shanghai Stock Exchange. The Company's ultimate holding company is China State Construction Engineering Corporation ("CSCEC") which is a state-owned enterprise established in the PRC.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited since 30 March 2010.

These consolidated financial statements are presented in the thousands of Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 11 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexiting or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

New/revised standards, amendments and improvements

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), HKFRS, amendments and interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA.

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

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's results and financial position except for certain disclosures in respect of amendments to HKAS 1, HKFRS 12 and HKFRS 13.

Standards and amendments which are not yet effective

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Standards and amendments which are not yet effective *(Continued)*

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 January 2016
4 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

The Group has already commenced an assessment of the impact of these new and revised standards, amendments and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure and remeasurement of certain items in the consolidated financial statements.

HKAS 32 (Amendment), 'Offsetting Financial Assets and Liabilities'
This amendment is to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

HKAS 36 (Amendment), 'Recoverable Amount Disclosures for Non-financial Asset'
This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

HKAS 39 (Amendment), 'Novation of Derivatives and Continuation of Hedge Accounting'
This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK (IFRIC)-Int 21, 'Levies'
This is an interpretation of HKAS 37, 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

HKFRS 10, 12 and HKAS 27 (Amendments) — 'Investment Entities'
These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in HKFRS 12 to introduce disclosures that an investment entity needs to make.

HKAS 19 (Amendment), 'Employee Benefits: Defined Benefit Plans — Employee Contributions'
This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Standards and amendments which are not yet effective *(Continued)*

HKFRS 9, 'Financial Instruments'
HKFRS 9 is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on th entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statement.

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses are presented in the income statement within 'other income and other gains, net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, 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, a disposal involving loss of joint control over a joint venture 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 equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, 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 (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(f) Property, plant and equipment

Land and buildings comprise mainly factories and offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Freehold land	Not depreciated
Land and buildings	Over the shorter of the term of the relevant lease or 50 years
Leasehold improvements	4 years
Plant and machinery	5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4–5 years
Tools and moulds	4 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income and other gains, net' in the income statement.

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Project backlogs

Project backlogs arise in business combination are recognised at fair value on initial recognition. Subsequent to initial recognition, project backlogs are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss based on straight-line method over the respective contract period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or project backlogs not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprises 'deposits and prepayments', 'amounts due from fellow subsidiaries', 'trade and other receivables' and 'bank and cash balances' in the statement of financial position.

(ii) Available-for-sale investment

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as 'other income and other gains, net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(j) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of financial assets *(Continued)*

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Construction contracts

When the outcome of a construction contract can be estimated reliably revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract cost, 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.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenue of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Construction contracts *(Continued)*

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as receipt in advance. Amounts billed for work performed, but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

(m) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

(o) Trade payables, other payables and accruals

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables, other payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Current and deferred income tax *(Continued)*

(ii) Deferred income tax *(Continued)*

Outside basis differences

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(u) Leases, the Group as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Leases, the Group as a lessee *(Continued)*

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(v) Employee benefits

(i) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies. The Group has defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(w) Share-based payments

(i) Equity-settled share-based payment transactions

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

At the end of each 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 consolidated income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Share-based payments *(Continued)*

(ii) Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received,unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

(x) Revenue recognition

(i) Construction contracts

When the outcome of a fixed price construction contract can be estimated reliably, revenue is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract, after making due allowances for contingencies. Provisions are made for any foreseeable losses when they are identified. 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 cost-plus construction contract including construction services of the infrastructure under service concession arrangements can be estimated reliably, revenue is recognised by reference to the recoverable costs incurred during the year plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, 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.

(ii) Interest income

Interest income on bank deposits is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iii) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(iv) Service income

Service income is recognised when the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(z) Insurance contracts

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. If the carrying amount of the relevant insurance liabilities is less than the best estimate of the expenditure required to settle the relevant insurance liabilities at the end of the reporting period, the Group recognises the entire difference in the consolidated income statement. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

(aa) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders/directors.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Canadian dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's foreign currency exposures primarily arise from monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency, where these assets and liabilities are mainly denominated in United States dollar, Renminbi, United Arab Emirates Dirham, Canadian dollar, Singapore dollar, Australian dollar and Greater British Pound.

In view of the fact that Hong Kong dollar is pegged to United States dollar, the foreign currency exposure of operating units having Hong Kong dollar as functional currency on United States dollar transactions and balances is minimal.

At 31 December 2013, if Hong Kong dollar had weakened/strengthened 5% against Renminbi, United Arab Emirates Dirham, Canadian dollar, Singapore dollar, Australian dollar and Great British Pound with all other variables held constant, the consolidated loss for the year would have been HK$349,000 lower/higher (2012: HK$2,213,000 higher/lower), HK$227,000 lower/higher (2012: HK$578,000 lower/higher), HK$3,849,000 lower/higher (2012: HK$3,686,000 lower/higher) and HK$445,000 higher/lower (2012: HK$313,000 higher/lower), HK$487,000 lower/higher (2012: Nil) and HK$1,510,000 lower/higher (2012: HK$299,000 lower/higher), respectively.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The Group currently does not have a formal foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale investments. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

At 31 December 2013, if the prices of the respective securities had been 5% higher/lower with all other variables held constant, the consolidated other comprehensive income would increase/decrease by HK$928,000 (2012: HK$2,114,000) as a result of gains/losses on investments classified as available-for-sale.

(iii) Interest rate risk

The Group's interest rate risk arises from bank and other borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2013 and 2012, the Group's borrowings at variable rate were denominated in the Hong Kong dollar, Canadian dollar and United States dollar.

At 31 December 2013, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated loss/profit for the year would have been HK$1,027,000 higher/lower (2012: HK$1,036,000 lower/higher), arising mainly as a result of higher/lower interest expense on bank and other borrowings.

(b) Credit risk

The carrying amount of the bank and cash balances, deposits and prepayments, amounts due from fellow subsidiaries, trade and other receivables and available-for-sale investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers and fellow subsidiaries, with an appropriate credit history. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

The credit risk on pledged time deposits and bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on available-for-sale investments is limited because the counterparties are well-established securities broker firms in Hong Kong.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group					
At 31 December 2013					
Trade payables, other payables and accruals	**206,563**	**–**	**–**	**–**	**206,563**
Bank and other borrowings	**158,839**	**9,689**	**118,856**	**–**	**287,384**
Finance lease payables	**1,116**	**1,031**	**2,451**	**2,022**	**6,620**
	366,518	**10,720**	**121,307**	**2,022**	**500,567**
At 31 December 2012					
Trade payables ,other payables and accruals	275,122	–	–	–	275,122
Bank and other borrowings	30,523	2,033	29,955	–	62,511
Finance lease payables	1,187	1,133	2,692	2,612	7,624
	306,832	3,166	32,647	2,612	345,257

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Company					
At 31 December 2013					
Other payables and accruals	**2,421**	**–**	**–**	**–**	**2,421**
At 31 December 2012					
Other payables and accruals	1,052	–	–	–	1,052

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debts divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current bank and other borrowings' as shown in the consolidated statement of financial position) less bank and cash balances. Total capital is calculated as 'equity attributable to the owners of the Company' as shown in the consolidated statement of financial position.

The gearing ratio is calculated as follows:

	2013 HK$'000
Bank and other borrowings	**283,058**
Add: Finance lease payables	**5,367**
Less: bank and cash balances	**(213,404)**
Net debts	**75,021**
Net assets	**1,075,566**
Gearing ratio	**7.0%**

As at 31 December 2012, the Group has net bank and cash balances of HK$288,962,000. The increase in the gearing ratio was mainly attributable to the increase in new bank loans raised, which have been substantially invested in construction projects.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Available-for-sale investments				
— Investment funds and certificates of deposits	**–**	**–**	**18,564**	**18,564**
Total assets	**–**	**–**	**18,564**	**18,564**

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets				
— Club debenture	–	–	380	380
— Investment funds and certificates of deposits	–	–	41,903	41,903
Total assets	–	–	42,283	42,283

During the year ended 31 December 2013, there were no transfers between the levels.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The change in fair value of available-for-sale investments in level 3 were recognised in other comprehensive income.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group has adopted the indicative market value provided by the issuer as its best estimate of the fair value of the investment.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Deposits
- Bank and cash balances
- Amounts due from fellow subsidiaries
- Trade payables, other payables and accruals
- Bank and other borrowings

As at 31 December 2013 and 2012, all available-for-sale investments are level 3 instruments.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the changes in level 3 instruments for the years ended 31 December 2013 and 2012.

	Available-for-sale investments	
	2013	2012
	HK$'000	HK$'000
Opening balance	**42,283**	54,637
Disposals	**(23,779)**	(12,480)
Net gain on fair value changes recognised in other comprehensive income	**60**	126
Closing balance	**18,564**	42,283

Changing unobservable inputs used in the Level 3 valuation to reasonable alternative assumptions would not change significantly the fair values recognised.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(i) Construction contracts

As explained in note 2(x), revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contract, as well as the work done to date. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of management budgets by comparing the budgeted amounts to the actual amounts incurred.

A considerable amount of judgement is required in estimating the total contract revenue, contract costs, variation works and contract claims which may have an impact in terms of percentage of completion and job profit taken.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(ii) Estimation of foreseeable losses in respect of construction works

Management estimates the amount of foreseeable losses of construction works based on management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic review of management budgets by comparing the budgeted amounts to the actual amounts incurred.

(iii) Impairment of assets

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2(g)(i). The recoverable amount of goodwill is the higher of the assets' fair values less costs to sell and value in use.

A considerable amount of judgement and assumptions are required in estimating the recoverable amount of goodwill, including growth rate, gross margin and weighted average discount rate applied to the discounted cashflows.

Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(iv) Allowances for bad and doubtful debts

The allowances for bad and doubtful debts of the Group are based on the evaluation of collectability and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer.

(v) Fair value of available-for-sale investments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has adopted the indicative market value provided by the issuer as its best estimate of the fair value of the investment.

(vi) Warranty provision

The Group provides a maintenance warranty for a period of 10 years for the projects completed by the Group. The Group undertakes to rectify the product that fail to perform satisfactorily. The warranty provision has been recognised at the year end for expected warranty claims based on past experience of the level of repairs and returns. Management will review the sufficiency of provision and make adjustments, if appropriate, at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(vii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts and relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

The Group has exercised significant accounting judgement on recognition of deferred tax assets in respect of losses in the North America division. The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement regarding the future financial performance of the North America division. Those significant estimations and judgement include gross profit margin, overhead and capital expenditure applied to the profit forecasts.

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the facade contracting business. The Group's revenue/turnover represents revenue from construction contracts.

The executive directors of the Company are the Group's chief operating decision-makers ("CODM"). Management has determined the geographical segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The CODM considers the business from a geographic perspective.

The Group has three reportable segments principally based on the geographical locations of the projects and are determined as follows:

— North America includes projects in the United States of America and Canada.

— Greater China includes projects in the People's Republic of China (the "PRC"), Hong Kong and Macau.

— Asia and others includes projects in Japan, Singapore, the United Arabs of Emirates, Chile, Australia, the United Kingdom and maintenance projects in all segments.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

The trade, other receivables and deposits of HK$37,884,000, which was impaired in full in 2012, was fully recovered in 2013 resulting in a reversal of the impairment loss. The reversal of the impairment amounting HK$5,576,000, HK$13,588,000 and HK$18,720,000 was included in the segment results of North America, Greater China and Asia and Others respectively.

The CODM assesses the performance of the operating segments based on a measure of adjusted profit or loss before interest and tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, if any such as legal expenses and impairment on goodwill. The measurement also excludes the effects of share-based payments, interest income and expenses resulting from the central treasury function, other unallocated administrative expenses and other operating expenses.

An analysis of the Group's financial results by territory is as follows:

	Revenue		Gross profit		Segment result	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
North America	**684,350**	771,147	**(185,057)**	69,232	**(283,879)**	(24,385)
Greater China	**545,169**	451,152	**104,368**	(940)	**108,118**	(10,311)
Asia and Others	**189,289**	73,548	**89,132**	8,839	**96,123**	(2,184)
Total	**1,418,808**	1,295,847	**8,443**	77,131	**(79,638)**	(36,880)
Unallocated administrative expenses					**(66,626)**	(66,197)
Distribution and selling expenses					**(21,297)**	(12,804)
Other income and other gains, net					**6,302**	11,988
Other operating expenses					**–**	(73,714)
Finance costs					**(6,844)**	(3,382)
Loss before tax					**(168,103)**	(180,989)

Amounts included in the measurement of segment result:

	North America		Greater China		Asia and Others		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation of property, plant and equipment and amortisation of project backlogs	**22,885**	19,832	**3,534**	4,171	**68**	132	**26,487**	24,135
Loss/(gain) on disposal of property, plant and equipment	**37**	55	**–**	4	**(8)**	4	**29**	63

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

An analysis of the Group's financial position by territory is as follows:

	Non-current assets*		Addition to property, plant and equipment	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
North America	**245,789**	257,985	**14,143**	55,516
Greater China	**73,880**	76,091	**4,511**	9,139
Asia and Others	**254**	125	**36**	32
Total	**319,923**	334,201	**18,690**	64,687

* Other than available-for-sales investments and deferred tax assets

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the CODM for performance assessment and resource allocation. Accordingly, no segment assets and liabilities are presented.

Major customer information

Revenue from one (2012: two) customer(s) in Greater China (2012: Greater China and North America) amounted to approximately HK$210,116,000 (2012: HK$212,222,000 and HK$209,927,000), which represents more than 10 per cent of the Group's total revenue.

6 OTHER INCOME AND OTHER GAINS, NET

	2013	2012
	HK$'000	HK$'000
Write back of provision for impairment on trade and other receivables	**19,164**	–
Write back of provision for impairment on deposits	**18,720**	–
Bank interest income	**927**	4,681
Gain on disposal of investment in a subsidiary	**–**	6,949
Gain on acquisition of a subsidiary	**700**	–
(Loss)/gain on disposal of available-for-sale investments	**(85)**	406
Reversal of other payables and accruals	**5,124**	–
Rental income	**566**	573
Service income	**740**	921
Sundry income	**5,337**	3,928
Loss on disposal of property, plant and equipment	**(29)**	(63)
	51,164	17,395

7 EXPENSES BY NATURE

	2013 HK$'000	2012 HK$'000
Cost of sales		
Cost of contracting works performed	**1,436,640**	1,199,389
Warranty provisions, net	**1,882**	4,071
Amortisation of project backlogs	**18,576**	15,256
Reversal of provision for project losses	**(46,733)**	–
	1,410,365	1,218,716
Administrative expenses		
Staff costs, including directors' emoluments:		
Salaries, bonuses and allowances	**540,793**	425,759
Share-based payments	**–**	4,169
Retirement benefits scheme contributions	**5,649**	5,193
Less: amounts included in cost of contracting works performed	**(432,763)**	(324,748)
	113,679	110,373
Depreciation	**14,351**	18,629
Less: amounts included in cost of contracting works performed	**(6,440)**	(9,750)
	7,911	8,879
Operating lease charges — land and buildings	**28,148**	25,034
Less: amounts included in cost of contracting works performed	**(17,500)**	(14,450)
	10,648	10,584
Reversal of provision for impairment of inventories	**–**	(65)
Auditors' remuneration		
— Provision for the year	**2,028**	2,322
— Over-provision in prior years	**–**	(38)
	2,028	2,284
Others	**65,303**	53,560
	199,569	185,615
Other operating expenses		
Provision for impairment of goodwill	**–**	21,558
Provision for impairment of deposits	**–**	18,720
Provision for impairment of trade and other receivables, net	**–**	18,800
Cost of setting up a subsidiary	**–**	14,636
	–	73,714

8 FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**6,224**	3,259
Interest on other loans wholly repayable within five years	**295**	553
Finance lease charges	**325**	74
Total finance cost incurred	**6,844**	3,886
Less: amounts included in cost of contracting works performed	**–**	(504)
	6,844	3,382

During the year, no borrowing costs were capitalised. For the year ended 31 December 2012, the Group has capitalised borrowing costs on qualifying assets at a weighted average rate of its general borrowings of 2.71%.

9 INCOME TAX CREDIT

(a) The amount of taxation charged/(credited) to the consolidated income statement represents:

	2013 HK$'000	2012 HK$'000
Current tax — Hong Kong profits tax		
Provision for the year	**272**	–
Overprovision in prior years	**(101)**	(8,346)
	171	(8,346)
Current tax — overseas		
Provision for the year	**1,974**	674
Overprovision in prior years	**(3,419)**	(12,286)
	(1,445)	(11,612)
Deferred tax, net (note 28)	**(127,946)**	(6,101)
Income tax credit for the year	**(129,220)**	(26,059)

Hong Kong profits tax has been provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year.

The Group's subsidiary in the PRC was approved as a new and high technology enterprise pursuant to which the PRC subsidiary can enjoy a preferential income tax rate of 15% effective from 2012 to 2014.

Tax charge on estimated assessable profits elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

9 INCOME TAX CREDIT *(Continued)*

(b) The taxation on the Group's loss before tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2013 HK$'000	2012 HK$'000
Loss before tax	**(168,103)**	(180,989)
Taxation at Hong Kong profits tax rate at 16.5%	**(27,737)**	(29,863)
Effect of different taxation rates in other countries	**(98,949)**	480
Income not subject to taxation	**(13,480)**	(1,294)
Expenses not deductible for taxation purposes	**2,381**	6,539
Temporary differences not recognised	**(415)**	900
Recognition of previously unrecognised temporary differences	**–**	5,015
Tax losses not recognised	**18,084**	12,796
Recognition of previously unrecognised tax losses	**(3,522)**	–
Utilisations of tax losses not recognised	**(2,062)**	–
Overprovision in prior years	**(3,520)**	(20,632)
Income tax credit	**(129,220)**	(26,059)

10 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The remuneration of individual director and the chief executive were as follows:

For the year ended 31 December 2013

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Zhou Yong	800	–	–	–	800
Cheong Chit Sun	–	2,697	628	15	3,340
Wang Hai	–	949	840	42	1,831
Chan Sim Wang	–	1,031	207	15	1,253
Hong Winn	120	–	–	–	120
Yen Shih Hung Homer (i)	80	–	–	–	80
Zhou Jinsong	143	–	–	–	143
Kwong Sum Yee Anna (ii)	60	–	–	–	60
	1,203	4,677	1,675	72	7,627

10 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2012

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Zhou Yong (iii)	665	–	–	–	665
Cheong Chit Sun (iv)	–	1,975	938	12	2,925
Wang Hai (v)	–	390	910	–	1,300
Chan Sim Wang (iii)	–	764	400	12	1,176
Ko Chuk Kin Herbert (vi)	–	2,487	79	120	2,686
Huang Brad (vii)	55	–	–	–	55
Chiu Lok Man (viii)	–	79	–	1	80
Hong Winn	120	–	–	–	120
Yen Shih Hung Homer	120	–	–	–	120
Zhou Jinsong	120	–	–	–	120
Hung Cheung Shew (vii)	80	–	–	–	80
	1,160	5,695	2,327	145	9,327

Notes:

(i) Resigned on 8 August 2013.

(ii) Appointment effective 1 July 2013.

(iii) Appointed on 2 March 2012.

(iv) Appointed on 2 March 2012 as Executive Director and Chief Executive Officer.

(v) Appointed on 15 August 2012.

(vi) Resigned on 2 November 2012.

(vii) Resigned on 15 August 2012.

(viii) Removed on 30 January 2012.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

10 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Five highest paid individuals

The five highest paid individuals in the Group during the year included 2 (2012: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2012: 3) individuals are set out below:

	2013 HK$'000	2012 HK$'000
Basic salaries and allowances	**6,009**	5,686
Discretionary bonuses	**1,178**	840
Retirement benefit scheme contributions	**153**	64
	7,340	6,590

The emoluments fell within the following band:

	2013 HK$'000	2012 HK$'000
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
	3	3

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11 PROFIT/LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit for the year attributable to owners of the Company included a profit of approximately HK$10,449,000 (2012: loss of HK$8,514,000) which has been dealt with in the financial statements of the Company.

12 DIVIDENDS

	2013 HK$'000	2012 HK$'000
Interim dividend paid of HK0.5 cent (2012: Nil) per ordinary share	**10,778**	–
Final dividend proposed of HK0.5 cent (2012: Nil) per ordinary share	**10,778**	–
	21,556	–

The final dividend proposed after 31 December 2013 was not recognised as a liability at 31 December 2013 and is subject to approval by shareholders in the forthcoming annual general meeting.

13 EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share attributable to the owners of the Company is based on the following:

	2013 HK$'000	2012 HK$'000
Earnings/(losses)		
Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings/(losses) per share calculation	**50,463**	(136,273)
Number of shares	**'000**	'000
Weighted average number of ordinary shares used in basic earnings/(losses) per share calculation	**2,155,545**	1,990,326
Basic earnings/(losses) per share (HK cents)	**2.34**	(6.85)

No diluted earnings/(losses) per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2013 (2012: Nil).

14 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Tools and mould HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2012	100,925	11,083	29,657	25,495	4,718	1,484	4,770	178,132
Exchange difference	408	17	224	87	63	–	–	799
Additions	36,597	1,419	15,793	9,698	832	–	348	64,687
Disposals	–	(10,694)	(16,392)	(4,918)	(1,258)	(1,484)	–	(34,746)
At 31 December 2012 and 1 January 2013	137,930	1,825	29,282	30,362	4,355	–	5,118	208,872
Exchange difference	(1,770)	(100)	(873)	(256)	(279)	–	11	(3,267)
Additions	62	858	8,169	8,866	626	–	109	18,690
Disposals	–	–	(276)	(1,442)	(806)	–	–	(2,524)
At 31 December 2013	136,222	2,583	36,302	37,530	3,896	–	5,238	221,771
Accumulated depreciation and impairment								
At 1 January 2012	15,276	9,317	18,209	12,241	2,368	1,484	4,770	63,665
Exchange difference	67	16	171	45	55	–	–	354
Charge for the year	2,683	1,773	7,377	5,946	850	–	–	18,629
Disposals	–	(10,694)	(16,348)	(4,087)	(1,155)	(1,484)	–	(33,768)
At 31 December 2012 and 1 January 2013	18,026	412	9,409	14,145	2,118	–	4,770	48,880
Exchange difference	(932)	(75)	(674)	(97)	(193)	–	–	(1,971)
Charge for the year	2,626	648	5,542	4,747	809	–	–	14,372
Disposals	–	–	(276)	(1,362)	(496)	–	–	(2,134)
At 31 December 2013	19,720	985	14,001	17,433	2,238	–	4,770	59,147
Net book value as at								
At 31 December 2013	116,502	1,598	22,301	20,097	1,658	–	468	162,624
At 31 December 2012	119,904	1,413	19,873	16,217	2,237	–	348	159,992

An analysis of the cost of the Group's land and buildings is as follows:

	2013 HK$'000	2012 HK$'000
Located in:		
Hong Kong, under medium-term leases	**50,645**	50,645
Mainland China, under medium-term leases	**7,306**	7,306
Canada, freehold	**21,844**	23,552
The United States of America, freehold	**56,427**	56,427
	136,222	137,930

At 31 December 2013, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities amounted to HK$20,234,000 (2012: HK$22,386,000) (Note 24).

At 31 December 2013, the carrying amount of property and motor vehicles held under finance lease is HK$37,410,000 (2012: HK$38,417,000) (Note 26).

15 GOODWILL

	2013 HK$'000	2012 HK$'000
At 1 January	**138,149**	159,707
Impairment	**–**	(21,558)
At 31 December	**138,149**	138,149

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit ("CGU") that is expected to benefit from that business combination.

The carrying amount of goodwill had been allocated to the CGU relating to the operations of Gamma North America, Inc. and its subsidiaries within the North America segment.

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. These rates do not exceed the average long-term growth rate for the relevant markets. The pre-tax rates used to discount the forecast cash flows are ranging from 20.12% to 21.27%. The recoverable amount calculated based on value in use exceeded carrying value by HK$22,232,000. With all other variables held constant, if the revenue growth rates used in the value-in-use calculation had been 0.5% lower/higher than management estimates as at 31 December 2013, the headroom would be lower/higher by HK$1,937,000 respectively. If the pre-tax discount rate used in the value-in-use calculation had been 0.5% higher/lower than management estimates as at 31 December 2013, the headroom would be lower/higher by HK$13,078,000 respectively.

16 PROJECT BACKLOGS

	2013 HK$'000	2012 HK$'000
Cost		
At 1 January and 31 December	**47,737**	47,737
Accumulated amortisation		
At 1 January	**17,227**	1,971
Amortisation for the year	**18,576**	15,256
At 31 December	**35,803**	17,227
Carrying amount		
At 31 December	**11,934**	30,510

The project backlogs were acquired through business combination, which represent construction projects not yet commenced on the acquisition date.

17 AVAILABLE-FOR-SALE INVESTMENTS

	2013 HK$'000	2012 HK$'000
Unlisted investments, at fair value:		
Club debenture	–	380
Investment funds and certificates of deposits	18,564	41,903
	18,564	42,283

The investment funds and certificate of deposits were designated as available-for-sale investments on initial recognition. These investments are capital guaranteed.

The fair value of unlisted available-for-sale investments is determined by reference to the quoted market price or secondary market redemption price as provided by the issuer of the underlying investments.

The investment funds and certificates of deposits were arranged at floating rates and maturity dates range between October 2015 and February 2016. The maximum exposure to credit risk at the reporting date is the carrying value of the investment funds and certificates of deposits. None of these financial assets is either past due or impaired. No impairment loss on investment funds and certificates of deposits is recognised as the issuers of the securities are with high credit ratings and no default interest payment was noted in the past records. The balances are denominated in United States dollar.

18 INTERESTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	2013 HK$'000	2012 HK$'000
Unlisted investments, at cost	43,652	43,652
Capital contribution relating to share-based payment	12,793	12,793
Amounts due from subsidiaries		
— Non-current portion	839,561	683,404
— Current portion	50,000	–
	946,006	739,849

The capital contribution relating to share based payment relates to share options granted by the Company to employees of its subsidiaries in prior years, of which all were settled or lapsed in 2012.

The amounts due from subsidiaries are unsecured, interest free and have no specific repayment terms. The balances are denominated in Hong Kong dollar. The balances including HK$50,000,000 which are considered by the directors to be repaid by subsidiaries within one year.

18 INTERESTS IN SUBSIDIARIES *(Continued)*

(a) Investments in subsidiaries *(Continued)*

The following is a list of the principal subsidiaries at 31 December 2013:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
Far East Aluminium (B.V.I.) Limited	British Virgin Islands	6,000 ordinary shares of US$1 each	100%	–	Investment holding
Far East Aluminium Works Company Limited	Hong Kong	900,000 ordinary shares of HK$100 each 5,000 non-voting deferred shares of HK$100 each	–	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Facade (UK) Limited	United Kingdom	1 ordinary share of GBP1	–	100%	Installation of curtain walls, aluminium windows and other related products
Far East Facade (UAE) Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	–	100%	Investment holding
World Eastern Cladding Works (LLC)	United Arab of Emirates	100 ordinary shares of AED3,000 each	–	100%	Installation of curtain walls, aluminium windows and other related products
Far East Facade, Inc.	United States of America	100,000 common shares of US$0.01 each	–	100%	Installation of curtain walls, aluminium windows and other related products
Far East Facade (HK) Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	–	100%	Investment holding
Heng Fai International Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Venture Synergy Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Netfortune Limited	Hong Kong	500,000 ordinary shares of HK$1 each	–	100%	Investment holding
Netfortune Enterprise Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Netfortune Facade Limited	Hong Kong	5,000,000 ordinary share of HK$1 each	–	100%	Investment holding
Willbert Limited	British Virgin Islands	1 ordinary shares of US$1	–	100%	Property holding

18 INTERESTS IN SUBSIDIARIES *(Continued)*

(a) Investments in subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest Direct	Indirect	Principal activities
Far East Aluminium Works (Guangzhou) Company Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Property holding
FEA Engineering Limited	British Virgin Islands	100 ordinary shares of US$1 each	–	100%	Investment holding
FEA Investments Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Better View Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Property holding
FEA Corporate Services Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of company secretarial services to Group companies
Far East Global Investment Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Far East Global Construction Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Building construction and project management
Far East Aluminium Works (Singapore) Pte. Ltd.	Singapore	700,000 ordinary shares of SGD1 each	–	100%	Installation of curtain walls, aluminum windows and other related products
上海力進鋁質工程有限公司	The People's Republic of China	Registered capital of RMB10,000,000	–	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Netfortune Engineering (FEA) Macau Limited	Macau	25,000 ordinary shares of MOP1 each	–	100%	Installation of curtain walls, aluminum windows and other related products
Far East Aluminum Works (U.S.) Corporation	United States of America	200,000,000 common stock of US$0.001 each	–	100%	Installation of curtain walls, aluminium windows and other related products
Far East Facade Investments Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	–	100%	Investment holding
Far East Aluminium Works Canada Corp.	Canada	100 common stock of CAD1 each	–	100%	Installation of curtain walls, aluminium windows and other related products

18 INTERESTS IN SUBSIDIARIES *(Continued)*

(a) Investments in subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
Far East Aluminium Works Chile Limitada	Chile	Registered share capital of PESO10,000,000	–	100%	Installation of curtain walls, aluminium windows and other related products
遠東幕牆制品 (深圳) 有限公司	The People's Republic of China	Registered capital of HK$20,000,000	–	100%	Manufacture of curtain walls, aluminium windows and other related products
Gamma Buffalo, Inc.	United States of America	1 share of US$1	–	100%	Property holding
Gamma North America, Inc. (formerly known as Red Holdings Group, Inc.)	United States of America	1,000 shares of US$0.001 each	–	55%	Investment holding
Gamma USA, Inc.	United States of America	1,000 shares of US$0.001 each	–	55%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Gamma Installations Inc.	United States of America	100 shares of US$0.001 each	–	55%	Installation of curtain walls, aluminium windows and other related products
Gamma Windows and Walls International Inc.	Canada	100 common shares of CAD53,362.36 each	–	55%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Gamma North Corporation	United States of America	1 share of US$1	–	55%	Manufacture of curtain walls, aluminium windows and other related products

18 INTERESTS IN SUBSIDIARIES *(Continued)*

(b) Material non-controlling interests

The total non-controlling interest as at 31 December 2013 of HK$54,465,000 is for Gamma North America, Inc. and its subsidiaries ("Gamma Group") within the North America division. As at 31 December 2012, the non-controlling interest in respect of 上海力進鋁質工程有限公司 is not material.

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	Gamma Group	
	2013	2012
	HK$'000	HK$'000
Current		
Assets	**385,495**	460,288
Liabilities	**(655,181)**	(406,192)
Total current net (liabilities)/assets	**(269,686)**	54,096
Non-current		
Assets	**175,772**	45,684
Liabilities	**(34,958)**	(37,617)
Total non-current net assets	**140,814**	8,067
Net (liabilities)/assets	**(128,872)**	62,163

Summarised income statement

	Gamma Group	
	2013	2012
	HK$'000	HK$'000
Revenue	**674,078**	695,084
Loss before tax	**(312,021)**	(6,128)
Income tax credit	**124,155**	4,770
Other comprehensive income	**(3,670)**	1,415
Total comprehensive income	**(191,536)**	57
Other comprehensive income allocated to non-controlling interests	**(1,651)**	637

18 INTERESTS IN SUBSIDIARIES *(Continued)*

(b) Material non-controlling interests *(Continued)*

Summarised cash flow

	Gamma Group	
	2013	2012
	HK$'000	HK$'000
Operating cash flows		
Cash (used in)/generated from operations	**(115,180)**	109,105
Interest paid	**4,205**	2,956
Income tax (refund)/paid	**(2,205)**	163
Net cash (used in)/generated from operating activities	**(113,180)**	112,224
Net cash used in investing activities	**(13,848)**	(18,199)
Net cash from/(used in) financing activities	**78,764**	(43,174)
Net (decrease)/increase in cash and cash equivalents	**(48,264)**	50,851
Cash, cash equivalents and bank overdrafts at beginning of year	**55,563**	3,901
Effect of foreign exchange rate changes	**(2)**	811
Cash and cash equivalents and bank overdrafts at end of year	**7,297**	55,563

The information above is amount before inter-company eliminations.

19 INVENTORIES

	2013	2012
	HK$'000	HK$'000
Raw materials	**10,166**	8,484
Consumables	**7,484**	117
	17,650	8,601

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately HK$229,130,000 (2012: HK$80,590,000).

20 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2013 **HK$'000**	2012 HK$'000
Contract costs incurred plus recognised profits less foreseeable losses	**5,961,243**	1,139,196
Less: progress billings	**(5,420,338)**	(783,798)
	540,905	355,398
Amounts due from contract customers	**563,455**	442,151
Amounts due to contract customers	**(22,550)**	(86,753)
	540,905	355,398

21 TRADE AND OTHER RECEIVABLES

	2013 **HK$'000**	2012 HK$'000
Trade receivables	**143,474**	218,523
Retention receivables	**173,651**	180,359
	317,125	398,882
Less: Provision for impairment	**(17,820)**	(37,880)
	299,305	361,002
Other receivables	**57,414**	14,762
Trade and other receivables	**356,719**	375,764

The Group's trade receivables mainly represent progress billings receivables from facade building contracting works. The Group adopts credit policies which are consistent with the trade practices prevalent in the building industry in countries which the Group has operations. The Group recognises its trade receivables when the value of the subcontract works is certified by the architect. Pursuant to the trade practices, the main contractor from time to time makes applications for payment certificates which include the certified value of the nominated subcontract works.

Retention receivables represents certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum. No aging analysis of retention receivables is presented as the retentions are released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects in question.

21 TRADE AND OTHER RECEIVABLES *(Continued)*

The analysis of trade and other receivables, including the aging analysis of trade receivables, based on the invoice date, and net of provisions, is as follows:

	2013 HK$'000	2012 HK$'000
Trade receivables:		
0 to 30 days	**58,628**	110,712
31 to 60 days	**55,538**	46,438
61 to 90 days	**9,764**	22,629
More than 90 days	**14,171**	17,713
	138,101	197,492
Retention receivables	**161,204**	163,510
	299,305	361,002
Other receivables	**57,414**	14,762
Trade and other receivables	**356,719**	375,764

At 31 December 2013, the amount of retention receivables expected to be recovered after more than twelve months is HK$90,499,000 (2012: HK$128,593,000).

Except for the receivable arising from construction contracts which are billed and immediately payable in accordance with the terms of the relevant agreement, the Group generally allows an average credit period not exceeding 90 days (2012: 90 days) to its customers and the retention receivables are repayable approximately one year after the expiry of the defect liability period of construction projects.

As of 31 December 2013, trade receivables of HK$14,171,000 (2012: HK$17,713,000) were past due based on credit terms but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2013 HK$'000	2012 HK$'000
90 to 365 days	**13,359**	13,095
over 365 days	**812**	4,618
	14,171	17,713

As at 31 December 2013, trade and retention receivables of approximately HK$17,820,000 (2012: HK$37,880,000) were impaired and fully provided.

The individually impaired trade and retention receivables relate to contracts under disputes with customers and are expected not to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

21 TRADE AND OTHER RECEIVABLES *(Continued)*

Movements of provision for impairment of the trade and retention receivables are as follows:

	2013	2012
	HK$'000	HK$'000
At 1 January	**37,880**	19,080
Reversal of provisions	**(19,164)**	(525)
Provision for impairment	**–**	19,325
Exchange difference	**(896)**	–
At 31 December	**17,820**	37,880

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2013	2012
	HK$'000	HK$'000
United States dollar	**141,800**	166,295
Hong Kong dollar	**66,386**	91,498
Canadian dollar	**61,035**	77,195
Renminbi	**59,022**	24,599
Great British Pound	**15,185**	41
United Arab Emirates Dirham	**9,527**	10,022
Others	**3,764**	6,114
	356,719	375,764

There is no concentration of credit risk with respect to trade and retention receivables, as the Group has a large number of customers.

The carrying amounts of the Group's trade and other receivables approximate the fair value of these balances.

22 AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amount due from fellow subsidiaries is unsecured, interest-free and repayable on demand. The amount is denominated in Hong Kong dollar.

23 BANK AND CASH BALANCES

Bank and cash balances of the Group and the Company are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar	**88,062**	47,869	**14**	3,900
Canadian dollar	**54,993**	59,280	**–**	–
Hong Kong dollar	**27,197**	214,342	**299**	200,614
Renminbi	**22,460**	15,847	**–**	–
Australian dollar	**11,669**	–	**–**	–
Others	**9,023**	3,127	**–**	–
	213,404	340,465	**313**	204,514

In respect of the Renminbi of the Group's subsidiaries incorporated in the PRC amounting to approximately HK$22,460,000 (2012: HK$15,847,000), conversion of this into foreign currencies is subject to the Foreign Exchange Administrative Regulations of the People's Republic of China.

24 BANK AND OTHER BORROWINGS

	2013	2012
	HK$'000	HK$'000
Bank loans, secured	**18,339**	20,136
Bank loans, unsecured	**256,919**	18,644
Loans from non-controlling interests	**7,800**	7,800
Unsecured bank overdrafts	**–**	4,923
	283,058	51,503
The borrowings are repayable as follows:		
On demand or within one year	**157,463**	24,113
In the second year	**8,378**	581
In the third to fifth years, inclusive	**117,217**	26,809
	283,058	51,503
Less: amount due for settlement within twelve months	**(157,463)**	(24,113)
Amount due for settlement after twelve months	**125,595**	27,390

At 31 December 2013, bank loans are secured by the Group's land and buildings (Note 14).

24 BANK AND OTHER BORROWINGS *(Continued)*

The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	Hong Kong dollar HK$'000	Canadian dollar HK$'000	United States dollar HK$'000	Total HK$'000
2013				
Bank loans	**140,000**	**62,537**	**72,721**	**275,258**
Loans from non-controlling interests	**–**	**–**	**7,800**	**7,800**
	140,000	**62,537**	**80,521**	**283,058**
2012				
Bank loans	–	38,780	–	38,780
Loans from non-controlling interests	–	–	7,800	7,800
Unsecured bank overdrafts	–	4,923	–	4,923
	–	43,703	7,800	51,503

The average interest rates at 31 December were as follows:

	2013	2012
Bank loans	**3.24%**	5.05%
Loans from non-controlling interests	**3.30%**	3.30%
Unsecured bank overdrafts	**N/A**	4.25%

All bank and other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 31 December 2013, the Group had available and unutilised banking facilities of HK$1,207,694,000 (2012: HK$1,044,278,000).

The carrying amounts of bank and other borrowings approximate the fair value of these balances.

25 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The analysis of trade payables, other payables and accruals, including the aging analysis of trade payables, based on invoice date, is as follows:

	2013	2012
	HK$'000	HK$'000
Trade payables:		
0 to 30 days	**83,646**	147,904
31 to 60 days	**24,140**	19,112
More than 60 days	**15,426**	15,649
	123,212	182,665
Retention payables	**32,523**	34,420
	155,735	217,085
Other payables and accruals	**50,828**	58,037
Trade payables, other payables and accruals	**206,563**	275,122

As at 31 December 2013, the amount of retention payables expected to be due after more than twelve months was approximately HK$3,295,000 (2012: HK$19,377,000).

The carrying amounts of the Group's trade payables, other payables and accruals are denominated in the following currencies:

	2013	2012
	HK$'000	HK$'000
Hong Kong dollar	**48,774**	113,929
Canadian dollar	**56,571**	62,029
Renminbi	**42,824**	53,683
United States dollar	**39,819**	39,261
Great British Pound	**11,662**	608
Others	**6,913**	5,612
	206,563	275,122

The carrying amounts of trade payables, other payables and accruals approximate the fair value of these balances.

26 FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,116**	1,187	**1,087**	1,158
In the second to fifth years, inclusive	**3,482**	3,825	**2,976**	3,302
Over five years	**2,022**	2,612	**1,304**	1,636
	6,620	7,624	**5,367**	6,096
Less: Future finance charges	**(1,253)**	(1,528)		
Present value of lease obligations	**5,367**	6,096		
Less: Amount due for settlement within twelve months			**(1,087)**	(1,158)
Amount due for settlement after twelve months			**4,280**	4,938

The average lease term is 7 years. At 31 December 2013, the average effective borrowing rate was 5.6% (2012: 2.5%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the property and motor vehicles at nominal prices.

All finance lease payables are denominated in the following currencies:

	2013	2012
	HK$'000	HK$'000
United States dollar	**5,028**	5,365
Canadian dollar	**300**	615
Hong Kong dollar	**39**	116
	5,367	6,096

The Group's finance lease payables are secured by the lessor's title to the leased assets (Note 14).

27 WARRANTY PROVISIONS

	2013	2012
	HK$'000	HK$'000
At 1 January	**18,991**	17,356
Addition	**3,467**	4,071
Reversal	**(1,585)**	–
Exchange differences	**6**	25
Utilisation	**(3,101)**	(2,461)
At 31 December	**17,778**	18,991

27 WARRANTY PROVISIONS *(Continued)*

The Group provides warranties to its customers on facade contracting works in accordance with terms and conditions as stipulated in contracts, under which defective works are rectified or replaced.

The amount of the warranty provision is estimated based on the past experience of the level of defective works and the estimation basis is reviewed on an ongoing basis and revised where appropriate.

28 DEFERRED TAXATION

The analysis of the Group's deferred tax liabilities and (assets) is as follows:

	2013	2012
	HK$'000	HK$'000
Deferred tax liabilities to be crystalised after more than twelve months	**–**	15,335
Deferred tax liabilities to be crystalised within twelve months	**5,109**	6,203
	5,109	21,538
Deferred tax assets to be recovered after more than twelve months	**(79,566)**	(6,000)
Deferred tax assets to be recovered within twelve months	**(37,998)**	–
	(117,564)	(6,000)

The following are the major deferred tax liabilities and (assets) recognised by the Group.

	Accelerated tax depreciation	**Recognition of intangible assets on business combination**	**Revaluation of land and buildings**	**Tax losses**	**Others** (note)	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	3,029	18,608	753	–	(823)	21,567
Exchange difference	72	–	–	–	–	72
(Credited)/charged to consolidated income statement (note 9)	(1,111)	(6,203)	–	(6,000)	7,213	(6,101)
At 31 December 2012	1,990	12,405	753	(6,000)	6,390	15,538
Exchange difference	–	294	–	–	(341)	(47)
Credited to consolidated income statement (note 9)	–	(7,590)	–	(120,356)	–	(127,946)
At 31 December 2013	1,990	5,109	753	(126,356)	6,049	(112,455)

Note:

The balance mainly represents the deferred tax arising from the accrued income to the construction work in progress.

28 DEFERRED TAXATION *(Continued)*

The following is the analysis of the net deferred tax balances for statement of financial position purposes:

	2013	2012
	HK$'000	HK$'000
Deferred tax liabilities	**5,109**	21,538
Deferred tax assets	**(117,564)**	(6,000)
	(112,455)	15,538

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$159,610,000 (2012: HK$77,552,000) to be carried forward in offsetting the future taxable income. The expiry dates of these tax losses are subject to the tax ruling of respective jurisdictions.

29 SHARE CAPITAL

	Authorised		**Issued and fully paid**	
	Number of shares	**Amount**	**Number of shares**	**Amount**
	'000	HK$'000	'000	HK$'000
Ordinary share of HK$0.01 each				
At 1 January 2012	10,000,000	100,000	1,112,878	11,129
Issue of shares upon exercise of share options	–	–	4,117	41
Issue of shares	–	–	1,038,550	10,385
At 1 January 2013 and 31 December 2013	10,000,000	100,000	2,155,545	21,555

Note: On 2 February 2012, the Company entered into a subscription agreement with Add Treasure Holdings Limited ("Add Treasure"), a wholly-owned subsidiary of CSCIHL pursuant to which Add Treasure conditionally agreed to subscribe from the Company 1,038,550,000 new shares of the Company (the "Subscription") for a total consideration of HK$643,901,000. Completion of the Subscription took place on 28 February 2012. Subsequently, CSCIHL became the holding company of the Company.

30 RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

The amounts of the Company's reserves and the movements therein are presented below.

	Share premium HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2012	262,503	16,657	11,274	290,434
Loss for the year	–	–	(8,514)	(8,514)
Share-based payments	–	4,169	–	4,169
Settlement of share options by acquirer	–	(16,190)	16,190	–
Issue of shares	636,151	–	–	636,151
At 31 December 2012 and 1 January 2013	898,654	4,636	18,950	922,240
Profit for the year	–	–	10,449	10,449
2013 interim dividend paid	–	–	(10,778)	(10,778)
At 31 December 2013	898,654	4,636	18,621	921,911

(c) Nature and purpose of reserves

(i) Share premium account and retained profits

Under the Companies Law of the Cayman Islands, the funds in the share premium account and retained profits of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The distributable reserves of the Company amounted to approximately HK$917,275,000 (2012: HK$917,604,000).

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2 to the financial statements.

(iii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 2 to the financial statements.

30 RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(iv) Share-based payment reserve

The share-based payment reserve represents the fair value of the equity instruments granted to directors and employees of the Group, recognised in accordance with the accounting policy adopted for share-based payments in note 2 to the financial statements.

(v) Statutory reserves

The statutory reserves, which are non-distributable, are appropriated from the profit after taxation of the Group's PRC and Macau subsidiaries under the applicable laws and regulations in the PRC and Macau respectively.

(vi) Special reserve

During the year, the Group acquired the remaining equity interest in 上海力進鋁質工程有限公司 which then became a wholly-owned subsidiary of the Company. The step acquisition was accounted for as an equity transaction. Accordingly, the excess of approximately HK$1,254,000, representing the difference between the fair value of consideration paid for the acquisition and the related carrying value of non-controlling interest acquired at the acquisition date, was charged to the special reserve.

(vii) Included in retained profits as at 31 December 2013 are proposed 2013 final dividend of approximately HK$10,778,000.

31 LEASE COMMITMENTS

At 31 December 2013 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	**22,900**	23,200
In the second to fifth years inclusive	**77,573**	88,803
After fifth year	**52,874**	53,242
	153,347	165,245

Operating lease payments represents rentals payable by the Group for certain of its offices, factories and staff quarters. Leases are negotiated for a term ranging from one to ten years and rentals are fixed over the lease terms and do not include contingent rentals.

32 Guarantees

The Company has corporate guarantees given in respect of bank loan facilities extended to certain subsidiaries of approximately HK$256,919,000 (2012: HK$23,567,000).

33 RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

(a) Transactions with related parties

	2013 **HK$'000**	2012 HK$'000
Construction fees received from fellow subsidiaries	**93,785**	847
Service income received from fellow subsidiaries	**10,740**	314

Transactions with other state-controlled entities in the PRC

Certain of the Group's business are operated in an economic environment currently predominated by entities directly or indirectly owned, controlled or significantly influenced by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC.

Apart from transactions with its fellow subsidiaries, the Group has transaction with other state-controlled entities, mainly interest income.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

(b) Balances with related parties

	2013 **HK$'000**	2012 HK$'000
Other loans:		
Loans from non-controlling shareholders of a subsidiary who have significant influence over that subsidiary (Note)	**7,800**	7,800

Note: The loans are unsecured, interest-bearing at U.S. prime rate plus 0.5% per annum compounded daily and repayable on 15 November 2015.

(c) Compensation of key management personnel

	2013 **HK$'000**	2012 HK$'000
Short term employee benefits	**23,514**	10,702
Post-employment benefits	**345**	160

34 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year presentation. There is no impact on net profit, net assets or net cash flows as result of the reclassification.

FIVE-YEAR FINANCIAL SUMMARY

The table set out below summarizes the results and the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Group's published consolidated financial statements of the respective years and restated/reclassified as appropriate. This summary is not part of the audited consolidated financial statements.

CONSOLIDATED RESULTS

	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,418,808**	1,295,847	847,622	866,664	860,192
Gross profit	**8,443**	77,131	194,919	226,448	192,153
(Loss)/profit before tax	**(168,103)**	(180,989)	89,087	137,487	98,416
Profit/(loss) attributable to owners of the Company	**50,463**	(136,273)	76,634	110,113	74,288
Basic earnings/(losses) per share (HK cents) (Note)	**2.34**	(6.85)	6.88	10.45	8.74
Diluted earnings/(losses) per share (HK cents)	**2.34**	(6.85)	6.80	10.37	N/A

Note: For comparison purpose, the basic earnings per share for each of the years from 2008 to 2009 as indicated is derived by dividing the profit attributable to owners of the Company by 850,000,000 shares, being the number of shares in issue after the capitalization issue immediately before the global offering of the shares of the Company in March 2010.

CONSOLIDATED NET ASSETS

	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**456,051**	382,484	375,664	83,279	72,910
Current assets	**1,171,410**	1,254,315	694,524	749,843	729,276
Current liabilities	**416,911**	453,797	391,123	311,807	462,217
Non-current liabilities	**134,984**	53,866	51,478	–	–
Net asset	**1,075,566**	1,129,136	627,587	521,315	339,969

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