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 **2014**

Expanding New Future

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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128 Five-Year Financial Summary

About Far East Global

Global Presence

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.

1. **New York** *(USA)*
   - 605 42nd Street
   - United Nations HQ
   - New York Police Academy
   - World Trade Center
   - Sanitation Garage
2. **Boston** *(USA)*
   - Millennium Tower
3. **Montreal** *(Canada)*
   - L'Avenue
   - Roccabella
   - 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. **Vancouver** *(Canada)*
   - Vancouver Stock Exchange
6. **Calgary** *(Canada)*
   - SAIT Trades & Technology Complex
7. **San Francisco** *(USA)*
   - Trinity Plaza – Block A
8. **Las Vegas** *(USA)*
   - Mandarin Oriental Hotel
   - Veer Towers
   - Cosmopolitan Resort Hotel & Casino
9. **Hawaii** *(USA)*
   - Allure Waikiki Condominium
10. **Toronto** *(Canada)*
    - Trump International Hotel & Tower
    - Shangri-la Toronto
11. **Miami** *(USA)*
    - Miami Int'l Airport Renovation
    - Brickell City Center
12. **Chile**
    - Costanera Center (Tower 2)

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)*
   - Queen's Road East 373 Hotel
   - Kai Tak Cruise Terminal
   - St. Paul's Hospital Block B
   - Shatin Communication and Technology Centre
   - 1 Ede Road, Kowloon Tong
6. **Macau** *(China)*
   - Wynn Palace Cotai
   - MGM Cotai
   - Louis XIII
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

Far East Global Group Limited

Asia Pacific & Others Division

North America Division

Major Events of the Year 2014

January
Volunteer Team for Flag Day — Hong Kong Island

January
Hong Kong and Kowloon Walks for Millions 2014 by The Community Chest

March
Hike for Hospice 2014

May
Volunteer Team for "Children's Dream • Children's Art" Workshop

July
HKFA cum Hilti 40th Anniversary Table-Tennis Tournament

September
HKFA — 921 Charity Walk

October
Green Rider 2014 by the Conservancy Association

Board of Directors and Committees

BOARD OF DIRECTORS

Chairman and Non-executive Director
ZHOU Yong

Executive Directors
ZHANG Yifeng *(Vice Chairman and Chief Executive Officer)*
ZHU Yijian *(Vice Chairman)*
WANG Hai *(Associate Chief Executive Officer)*
CHAN Sim Wang
QIN Jidong

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
ZHANG Yifeng
HONG Winn
KWONG Sum Yee Anna

Nomination Committee
ZHOU Yong *(Chairman)*
ZHANG Yifeng
ZHOU Jinsong
HONG Winn
KWONG Sum Yee Anna

Corporate Information

AUTHORISED REPRESENTATIVES

ZHOU Yong
ZHANG Yifeng

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
China Guangfa Bank Macau Branch
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Macau) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

00830

CORPORATE WEBSITE

www.fareastglobal.com

FINANCIAL CALENDAR

Annual Results Announcement

17 March 2015

Closure of register of members for Annual General Meeting

22–27 May 2015 (both days inclusive)

Annual General Meeting

27 May 2015

Closure of register of members for Final Dividend

15–16 June 2015 (both days inclusive)

Payment of Final Dividend

6 July 2015

Major Projects in Progress Overview

Project Name[1]	Project Type
Mainland China	
New World International Convention and Exhibition Centre (Podium roofing), Shenyang	Exhibition centre
Hong Kong & Macau	
Queen's Road East 373 Hotel, Hong Kong	Hotel
K.I.L 11111 Hung Leung Road, Hong Kong	Commercial
Louis XIII, Macau	Hotel
MGM Cotai, Macau	Hotel
Wynn Palace Cotai, Macau	Hotel
North America	
605 42nd Street New York, USA	Commercial
World Trade Center Site Retail Fit Out, New York, USA	Public building
Millennium Tower, Boston, USA	Commercial
Brickell City Center, Miami, USA	Multipurpose complex
Vancouver Stock Exchange, Vancouver, Canada	Public building
L'Avenue, Montreal, Canada	Multipurpose complex
University of Montreal Hospital Centre, Montreal, Canada	Hospital
Jewish General Hospital, Montreal, Canada	Hospital
St. Justin Hospital, Montreal, Canada	Hospital
U Condos, Montreal, Canada	Residential
Museum Beaux Arts, Montreal, Canada	Multipurpose complex
Roccabella, Montreal, Canada	Residential
Asia[2] & Others	
One The Elephant, London, United Kingdom	Residential

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 Queen's Road East 373 Hotel which is a general contracting project.*

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

	Estimated Contract Sum HK$ million	Year of Estimated Project Completion
	98.1	2015
	530.0	2017
	176.9	2015
	293.8	2016
	544.4	2016
	399.4	2015
	101.4	2016
	209.8	2017
	296.4	2016
	192.2	2016
	94.2	2017
	137.0	2016
	471.9	2015
	78.3	2015
	103.9	2015
	17.8	2015
	86.5	2015
	114.3	2015
	131.7	2015

Chairman's Statement

Far East Global now has the

strategy, resources, and adherence

to transform into a multi-discipline global enterprise.

Chairman's Statement

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

In 2014, Far East Global Group Limited and its subsidiaries (collectively referred to as the "Group") saw orderly implementation of group strategies, and refined and innovated management and governance policies. The Group achieved stable growth in its curtain wall business, a strong start in its general contracting business, and a milestone in implementation of its investment business. The Group accomplished strategic governance targets with the creation of a regional management platform and a decision-making committee for significant operational matters. As a result, the Group laid a solid foundation for improving operating results and optimizing business structure.

RESULTS

During the year ended 31 December 2014, the Group's principal activities recorded a revenue of HK$1,682 million, representing a year-on-year increase of 18.5%; profit attributable to the owners of the Company was HK$58 million, representing a year-on-year increase of 14.5%; and earnings per share was HK2.68 cents, representing a year-on-year increase of 14.5%.

Mr. ZHOU Yong
Chairman and Non-executive Director

Chairman's Statement

REVIEW OF OPERATION

Market conditions

In 2014, divergence in trend of economies increased in regions where the Group's business operations are located. In the United States, favorable economic conditions continued, significantly bolstering market confidence. In Hong Kong, the economic conditions were relatively stable. In Europe, easing policies continued, with growth yet to appear. In the PRC, the economy maintained a relatively high growth rate, but such growth rate slowed down due to many factors including the transformation of economy's structure.

1. **In North America: Completed adjustments to management structure, all aspects of business consistent with expectations of the Board.**

   In line with the overall economic conditions, the construction market in North America had an apparent recovery. The Group continued to focus on profitable premium developer projects with favorable contract terms. During the year, the total value of newly awarded contracts amounted to HK$341 million, including successful bids for L'Avenue, Montreal, Canada; the Vancouver Stock Exchange; and 605 42nd Street, New York.

   In 2013, the Group experienced challenges amid its business in North America. The Group proactively researched and adjusted its organizational management structure in North America, and dispatched senior management to reinforce the team and implement specific measures of structural adjustment. In addition to optimizing the distribution of production capacity in North America, the Group enhanced its supervision and decision-making efficiency in the region, while continuing to enjoy localization advantages. With half a year of hard work, initial results began to appear. Value of newly awarded contracts in 2014 decreased slightly as compared against last year. Despite such decrease, to succeed in advancing its structural adjustments in North America, the Board believed that proper reduction in the scale of new contracts in North America would help with the business development of the Group in North America. Following completion of the structural adjustments in North America in the fourth quarter of 2014, the Group secured a residential housing project in New York City, United States in December. As at 31 December 2014, the contractual value of over HK$876 million for uncompleted projects in the North American market support the Group's steady and constant development in the region.

2. **Asia-Pacific and Greater China regions: constant breakthroughs with significant contributions.**

   The curtain wall market in general appeared robust in the Hong Kong and Macau and the Group's business continues to grow in the region. During the year, several new curtain wall contracts including MGM Resorts and Louis XIII hotel in Macau and K.I.L Hung Luen Road project in Hong Kong were awarded. As a recognized premium service provider for curtain wall projects in the market, Far East Global could fully coordinate the departments of interior design, production, and engineering, and cope with multi-party concerns including owners and general contractors. By demonstrating its excellent bidding capabilities, the Group constantly consolidates its market share in Hong Kong and Macau. In addition, the Board and the management team believe that sustainable competitive advantages depend on highly efficient performance of contracts for a long period. Therefore, the Group constantly focuses on managing the work schedule, quality, safety, cash, efficiency, and other aspects of the projects in progress, while mobilizing and maximizing the initiative of the project team through result based incentive scheme.

Pricing wars and a few disorderly competitions are commonly seen in the curtain wall market in the PRC, which require further regulations. In view of such conditions, the Group always maintains a prudent attitude towards biddings in the PRC market. In addition, the PRC economy slowed down its growth pace due to domestic transformation of the economic structure and weak international consumption. During the year, the Group successfully bid for many relatively premium projects in relation to the installation of glass curtain walls for Apple specialty stores. In consideration of the number of high-rise buildings to be constructed in the next few years in the PRC market and the country's likely core position in the global curtain wall market, Far East Global has researched and formulated development strategies, and prepared deployment of brand promotion and market expansion efforts in the PRC market.

Other markets in the Asia-Pacific region developed smoothly. The Group will be exploring premium projects in the UK and Australian markets, increasing local market share and delivering a satisfactory results.

3. New business expansion

Under vigorous support of the Parent Company during 2014, the Group implemented its new business expansion and development plans, successfully acquiring Treasure Construction Engineering Limited (hereinafter referred to as "Treasure Construction") from the Controlling Shareholder China State Construction International Holdings Limited (hereinafter referred to as "CSCIHL"). Treasure Construction is a Hong Kong-based company with the Class I registered construction qualification. In addition, the Group succeeded entering into a general contracting project with Emperor International Hotel in the Hong Kong market during the year with a contractual value of HK$530 million. Such great achievement resulted from the full coordination between the Group and the Parent Company. Without prejudicing interests of their respective shareholders, both parties effectively differentiated their market shares, while reinforcing their collaboration and proactively creating win-win opportunities in terms of talent cultivation, managerial experience, markets, and other aspects. The Group will continue focusing on the construction market for the small private housing projects through Treasure Construction. In the opinions of the Group and CSCIHL, this collaboration will be conducive to creating greater values for the shareholders of both parties. Both parties have the intention to continue such collaborative effects. Based on such collaboration, the Group will develop the general contracting business in Hong Kong both confidently and proactively.

In 2014, Far East Global established its investment and development department, facilitating the development plan for investment businesses in the PRC market. The vice chairman of the Board directly led the implementation of this plan, and proactively researched new businesses suitable for the development of the Company. Some milestone developments were achieved during the exploration phase.

New Projects Awarded

During the year ended 31 December 2014, Far East Global undertook 12 additional contracts in total, representing a contractual value of approximately HK$1,955 million. Amongst which, the North American region was HK$341 million, accounting for 17%, whereas the Asia-Pacific region and the Greater China area amounted to HK$1,614 million, accounting for 83%.

Chairman's Statement

Projects in Progress

During the year ended 31 December 2014, the Group's total contractual value of the projects in progress amounted to approximately HK$3,769 million, among which the contractual value attributable to the uncompleted projects was approximately HK$2,584 million.

Financial Management

During 2014, the Group continued to enhance its financial management. Under the principle of stringent financial management, the Group improved the utilization of its capital as part of the core financial management work for the year. In addition, the Group focused on expediting its collection of payments due from projects, therefore improving working capital turnover rates. As at 31 December 2014, the Group's bank deposits amounted to a total of HK$242 million. The total borrowings amounted to HK$335 million, and the net gearing ratio was 9.5%. At the same time, the group had unutilized credit facilities and other facilities like construction performance bond facility of HK$931 million in aggregate to meet the need of its future business development.

Human Resource Management

By persisting in the "people-oriented" managerial philosophy, Far East Global emphasizes on attraction, retention, and cultivation of all levels of talent that recognize adheres to its corporate vision. Far East Global strives to create a fair selection and employment platform, providing multi-dimensional training and performance assessment mechanisms. In addition, the Group provides a healthy environment for professional competition and development amongst its employees. During the year, the Group launched a lecturer system to enrich training and exchanging of ideas. The Group also continued to improve its KPI assessment for the purposes of establishing a scientific assessment system. By creating a variety of systems that cover an employee's recruitment, training, performance assessment, remuneration, and others, the Group will improve employee satisfaction and work efficiency. As at 31 December 2014, the Group's total number of employees was 1,519.

PROSPECTS

For 2015, many risks remain that affect regional economic trends, including a declining price of crude oil, unstable geopolitical conditions, Greek debt crisis, etc. It is expected that global economic development will be faced with uncertainties. In Hong Kong, a favorable construction market will continue. In United States, the market will maintain its growth momentum arising from 2014. For the UK market, the recovery sustains with some fluctuation risks. As to the PRC economy, it is expected that a relatively high growth rate will be maintained due to stimulation policies. In the next few years, as a result of PRC's "new model of urbanization", reforms and innovation in the public services, and the "one belt and one road" policies, enormous business opportunities are expected to arise in PRC, Asian countries, and European markets involved in public services, infrastructure, and housing construction.

Development Strategies

Far East Global will continue focus on the work schedule, quality, safety, cash, and cost-effective management of projects, while improving the synergies created during in design, production, and installation processes. The Group will sharpen its integrated competitive edges in its curtain wall business. By integrating resources, the Group will increase its market shares in three major markets, including Hong Kong and Macau, North America, and the PRC. Meanwhile, the Group will explore other overseas markets, while maintaining satisfactory profitability. For Hong Kong and Macau and the PRC markets, the Group will continue to wield the advantages of CSCIHL as well as CSCECL's larger platform, while innovating collaborative models. As to the North American market, the Group will constantly explore premium developer projects, while expanding the scale of new contracts.

In addition to constantly crystallizing achievements of from integration, the Group will gauge certain critical issues and determine the proper timing for deepening and expanding the level and scope of integration work. Being able to identify and acknowledge all kinds of issues appearing over the course of integration work, the Board wishes to establish and maintain a healthy system through continuous exploration and attempts. This system will promote multilateral benefits for shareholders, the Board, the management, the employees, and clients, while continuing the growth of the Group's profitability.

In exploring new businesses, the Group will learn from its Controlling Shareholder CSCIHL's rich experience in project management, in particular general contracting and investment fields. In addition to developing its general contracting business in Hong Kong, the Group will facilitate its pace of investment and transformation, weigh the market conditions and government policies, and closely study new development opportunities surfacing or arising from the economic upgrade in the PRC. In doing so, the Group will maximize the synergic effects of developing a dual core businesses.

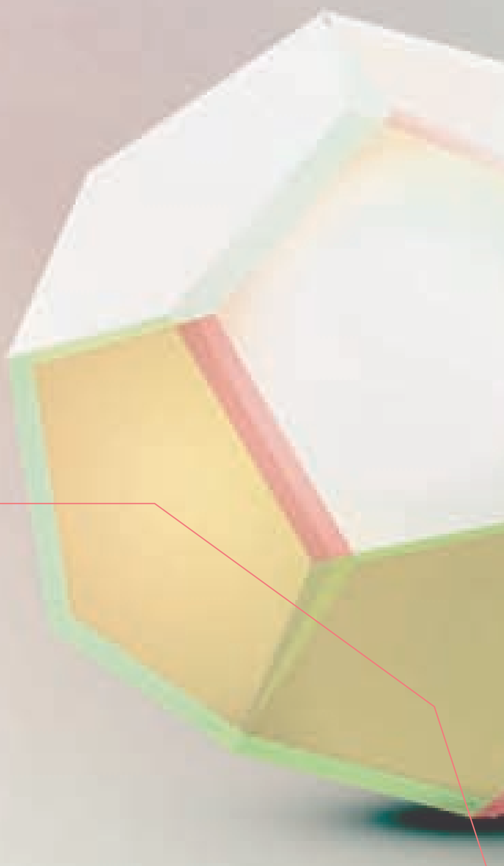
ACKNOWLEDGEMENT

I hereby express my heartfelt appreciation towards all Shareholders, Directors, employees, and customers for their support over the year.

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

Hong Kong, 17 March 2015

Management Discussion and Analysis



Management Discussion and Analysis

OVERALL PERFORMANCE

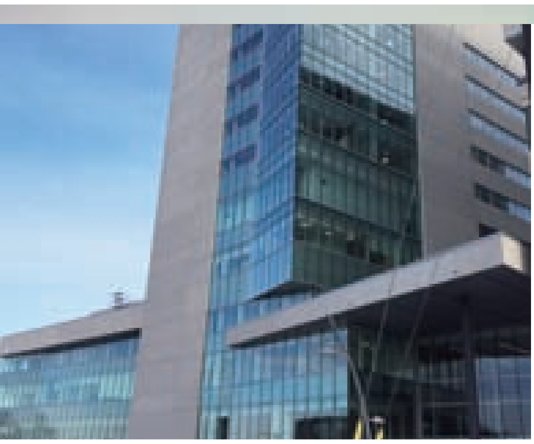
The Group recorded aggregate revenue of HK$1,682 million for the year ended 31 December 2014 (2013: HK$1,419 million), an increase of 18.5% as compared to last year. The gross profit margin has been improved significantly from 0.6% last year to 10.4% this year. The profit attributable to owners of the Company slightly increased from HK$50 million for the year ended 31 December 2013 to HK$58 million for the year ended 31 December 2014. The basic earnings per share was HK2.68 cents (2013: HK2.34 cents), representing the growth of 14.5% over last year. The Board of Directors recommends the payment of a final dividend of HK0.5 cent per share and together with the interim dividend of HK0.5 cent per share paid in the year, the total dividends for the year amounted to HK1 cent per share, representing 37.3% payout of the distributable profit for the year.

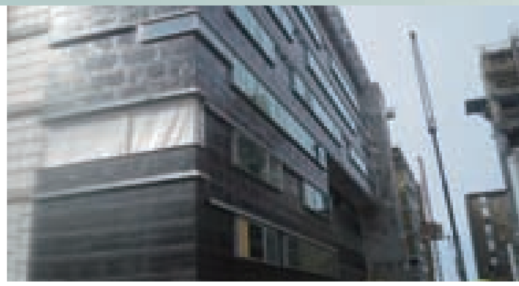
During the year, the Group acquired 100% of equity interests in Treasure Construction Engineering Limited ("Treasure Construction") from Barkgate Enterprises Limited, a wholly owned subsidiary of China State Construction International Holdings Limited ("CSCIHL") for a cash consideration of HK$2 million. The acquisition was treated as common control combination and merger accounting was adopted as if Treasure Construction had been combined from the date when Treasure Construction first came under the control of the controlling party. The comparative figures of the consolidated financial statements have been restated. In the third quarter of the year, Treasure Construction has undertaken a new main contract works for Queen's Road East 373 Hotel, a hotel development project with an attributable contract value of HK$530 million.

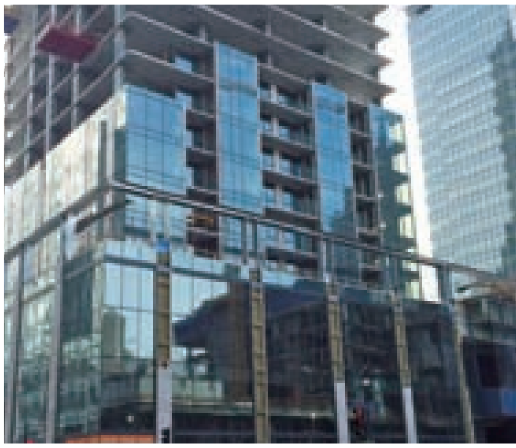
SEGMENT ANALYSIS

North America Division achieved a turnover of HK$818 million (31 December 2013: HK$684 million) during the year, representing an increase of about 19.6% compared to last year. This turnover contributed about 49% of the Group's revenue. During the year, North America focused on execution of its existing projects and restructuring of senior management in the region. Hong Kong headquarter has transferred a few senior staff to be stationed in North America, to supplement the region's needs in management, claim settlement, and cost control. New management team has stemmed losses from old projects and secured new projects during later half of 2014. New management also implemented sizable reductions in overhead costs. North America Division largely reduced a gross loss to HK$38 million (31 December 2013: gross loss of HK$185 million) during the year.

North America Division has completed most of its old problematic projects that incurred more manufacturing, design, and installation costs than expected. The region has secured a few new contracts during latter half of 2014 and will continue these efforts going forward. North America Division expects continued efforts in overhead reductions and operating efficiency improvements. Future projects shall undergo rigorous review prior to tender, thereby ensuring increasing probability of higher margins and smoother execution.







* *Major new contacts as of 31 December 2014 at a glance*

Revenue derived from Greater China recorded an increase of 20.2% from HK$545 million for the year ended 31 December 2013 to HK$655 million for the year ended 31 December 2014 as a result of the commencement of contract works of casinos and integrated resorts projects in Macau like Wynn Palace Cotai, MGM Cotai and Louis XIII. In addition, certain projects in Hong Kong and Mainland China made steady progress during the year under review. Riding on the contribution from Macau projects, the gross profit increased by 36.5% from HK$104 million for the year ended 31 December 2013 to HK$142 million for the year ended 31 December 2014.

With the continuous contribution from projects in Australia and UK, revenue derived from Asia and Others was increased by HK$20 million from HK$189 million for the year ended 31 December 2013 to HK$209 million for the year ended 31 December 2014 whereas the Group recorded a gross profit of HK$72 million, a decrease in gross profit of HK$17 million as compared with last year.

Administrative expenses

Further cost efficiency as a result of structural reorganisation of divisions was observed over our overhead expenses. During the year ended 31 December 2014, administrative expenses decreased by 3.5% to HK$193 million (2013: HK$200 million).

Management Discussion and Analysis

Finance costs

For the year ended 31 December 2014, the Group's finance costs were HK$11 million (2013: HK$14 million of which the Group included the amount of HK$7 million from Treasure Construction). The decrease in bank borrowings reduced the finance costs during the year.

New contract awarded

As of 31 December 2014, the Group has secured new contracts with an aggregate value of approximately HK$1,955 million. Major new contracts include the following:

1. Queen's Road East 373 Hotel
2. K.I.L 11111 Hung Luen Road, Hong Kong
3. MGM Cotai, Macau
4. Louis XIII, Macau
5. Vancouver Stock Exchange, Vancouver, Canada
6. L' Avenue, Montreal, Canada
7. 605 42nd Street, New York

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 2014, the Group had bank balances and cash of HK$242 million (31 December 2013 (restated): HK$310 million of which the Group included the amount of HK$97 million from Treasure Construction), total borrowings of the Group were HK$335 million (31 December 2013 (restated): HK$783 million of which the Group included the amount of HK$500 million from Treasure Construction). The Group's net gearing ratio (net debt to net total capital) as at 31 December 2014 was approximately 9.5% (31 December 2013 (restated): 7% after excluding the impact on the net borrowings of HK$403 million from Treasure Construction). Furthermore, the Group had unutilised banking facilities (including performance guarantee facilities, working capital facilities and loan facilities) of approximately HK$931 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 2014 and 31 December 2013 are set out as follows:

	31 December 2014 **HK$'000**	31 December 2013 HK$'000 (restated)
On demand or within one year	**119,585**	157,463
More than one year but not exceeding two years	**200,564**	8,378
More than two years but not more than five years	**15,214**	617,217
Total borrowings	**335,363**	783,058

The portfolio of the currencies of bank deposits of the Group as at 31 December 2014 and 31 December 2013 is set out as follows:

	31 December 2014	31 December 2013
	%	%
		(restated)
United States Dollars	**5**	28
Hong Kong Dollars	**18**	40
Renminbi	**12**	7
United Arab Emirates Dirham	**37**	1
Canadian Dollars	**5**	18
Australian Dollars	**5**	4
Macau Pataca	**16**	1
Others	**2**	1

As at 31 December 2014, the Group's equity attributable to owners of the Company amounted to HK$1,155 million (31 December 2013 (restated): HK$1,136 million), comprising issued capital of HK$22 million (31 December 2013: HK$22 million) and reserves of HK$1,133 million (31 December 2013 (restated): HK$1,114 million).

TREASURY POLICY

The Group adopts a 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 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 2014, the Group employed a total of 1,519 (31 December 2013: 1,462) 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, United Arab Emirates Dirham, Pound Sterling and Macau Pataca. 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 44, was appointed as Chairman of the Board and a Non-executive Director on 2 March 2012. Mr. Zhou graduated from Changsha Academy of Military Engineering and University of South Australia. He 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 China State Construction International Holdings Limited ("CSCIHL", listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) in 1996. He 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. He 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 22 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.

Mr. ZHANG Yifeng
Vice Chairman, Executive Director and Chief Executive Officer
Member of the Nomination Committee
Member of the Remuneration Committee

Aged 60, was appointed as Vice Chairman of the Board and an Executive Director on 11 March 2014 and has been Chief Executive Officer since 16 July 2014. Mr. Zhang is also a director of the Company's subsidiaries. He graduated from Logistical Engineering University of PLA and Murdoch University (Australia). Mr. Zhang is a member of the Hong Kong Institute of Engineers. He joined the COHL in 1993 and was appointed deputy general manager of CSCIHL in September 2005. Mr. Zhang has been a director of certain subsidiaries of CSCIHL since 2004. He was an executive director of CSCIHL between October 2009 and March 2013. Mr. Zhang has over 37 years' experience in construction engineering and project management.

Directors and Organisation

Mr. ZHU Yijian
Vice Chairman and Executive Director

Aged 48, was appointed as Vice Chairman of the Board and an Executive Director on 16 July 2014. Mr. Zhu is also a director of the Company's subsidiaries. He graduated from the Xi'an University of Architecture and Technology and Hong Kong Open University, holder of master degree, senior economist. Mr. Zhu joined CSCEC in 1988 and was seconded to COHL in 1994. He was deputy general manager of CSCIHL from February 2002 to December 2004, and general manager of Human Resources Department of COHL from April 2003 to July 2012. Mr. Zhu has been assistant general manager of COHL since 2005. He was an executive director of China Overseas Land & Investment Ltd. (shares of which are listed on the Main Board of the Stock Exchange) between March 2007 and August 2009 and vice president of COHL Investment Developing Holdings Limited between July 2012 and June 2014. Mr. Zhu has about 27 years' experience in corporate human resources management, staff training and project investment.

Mr. WANG Hai
Executive Director and Associate Chief Executive Officer

Aged 42, was appointed as an Executive Director on 15 August 2012. Mr. Wang joined the Group in March 2012 and was appointed as Chief Executive Officer on 30 May 2014. He was re-designated as Associate Chief Executive Officer on 16 July 2014. Mr. Wang is also a director of the Company's subsidiaries. He 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. He is a director of certain subsidiaries of CSCIHL. Mr. Wang has over 21 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 46, was appointed as an Executive Director and Chief Financial Officer of the Company on 2 March 2012. Mr. Chan is also a director of the Company's subsidiaries. He 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. He joined the CSCIHL Group in 1997 and is a director of certain subsidiaries of CSCIHL. Prior to joining the Company, Mr. Chan was deputy general manager of Finance and Treasury Department of CSCIHL. He has over 22 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. QIN Jidong
Executive Director

Aged 46, was appointed as an Executive Director on 11 March 2014. Mr. Qin is also a director of the Company's subsidiaries. He joined the Group as Vice President in 2012 overseeing the Group's overseas construction business and has been the President of Gamma North America, Inc. and Chairman of Gamma USA, Inc. since June 2014. Mr. Qin graduated from Tianjin University and the Loughborough University, UK. He joined the CSCIHL Group in 1996 and has been a director of certain subsidiaries of CSCIHL since 2004. Mr. Qin has over 22 years' experience in international construction project management.

Directors and Organisation

Mr. ZHOU Jinsong
Independent Non-executive Director
Chairman of the Audit Committee
Member of the Nomination Committee
Chairman 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. 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. He 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. He 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 45, 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. He graduated from the University of Chicago with a Master of Business Administration degree in 2005. Mr. Hong is a Senior Director for Technology and Business Development 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. He has over 15 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 65, was appointed as an Independent Non-executive Director on 1 July 2013. Ms. Kwong is managing director of Anna Kwong Architects & Associates. She 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. She 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. She has over 37 years of professional experience in the architectural field.

Directors and Organisation

SENIOR MANAGEMENT

Mr. SUN Xinggen
Deputy General Manager

Aged 58, joined the Group in July 2013 and is responsible for overseeing the Group's projects in Hong Kong and Macau and contract and procurement management of the Group. Mr. Sun joined the CSCIHL Group in 1994 and has over 31 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. HO Wai Man, Raymond
Deputy General Manager

Aged 53, joined the Group in April 2012 and is responsible for the Group's curtain wall and general contracting business development, facade system design and technology development in the Asia Pacific region. Mr. Ho is also responsible for the overall management of the UK operation. He 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. He joined the CSCIHL Group in 1994 and has over 29 years' experience in engineering, construction, contract administration, project management, tendering and business development in Hong Kong and overseas.

Mr. HOU Jun
Assistant General Manager

Aged 44, joined the Group in November 2012 and is responsible for the general management of the Group's projects in Macau. Mr. Hou graduated from Tianjian Civil Engineering College with a Bachelor's degree in Management Engineering. He joined the CSCIHL Group in 1999 and has 15 years of experience in construction engineering management. Mr. Hou has been in charge of the implementation of several large construction projects.

Mr. ZHU Jian
Assistant General Manager

Aged 41, joined the Group in December 2014 and is responsible for the day-to-day management of the UK operation. Mr. Zhu graduated from Tianjin University with a Bachelor's degree in Electrical Engineering. He joined the CSCIHL Group in 2001 and has been a director of certain subsidiaries of CSCIHL since 2014. Mr. Zhu has over 14 years of experience in international construction project management.

Mr. HONG Jianping

General Manager, Far East Facade Manufacturing (Shenzhen) Company Limited

Aged 49, joined the Group in September 2014 and is responsible for the general management of Far East Facade Manufacturing (Shenzhen) Company Limited. Mr. Hong graduated from Xi'an Institute of Metallurgical Construction with a Bachelor of Engineering degree and from Nankai University with a Master of Business Administration degree. He joined the COHL Group in 1998 and the CSCIHL Group in 2008. Mr. Hong has over 25 years of experience in investment, mergers and acquisitions, and plant management.

Mr. Edward M. BOYLE, III

President, Gamma USA, Inc.

Aged 54, joined the Group in September 2012 and is responsible for the general management of Gamma USA, Inc. 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. He has over 31 years of industry experience.

Mr. LAU Sai Ying, Alan

Marketing Director

Aged 54, 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. He received his Bachelor of Science degree in Civil Engineering from the University of Manitoba, Canada in 1981. Mr. Lau has over 25 years of construction, engineering and facade system project management and marketing experience in Canada and Hong Kong.

Mr. LI Xuguang

General Manager, Netfortune (Shanghai) Aluminium Works Co., Ltd.

Aged 49, joined the Group in 2008 and is responsible for operation management and market development of Netfortune (Shanghai) Aluminium Works Co., Ltd. Mr. Li received his Bachelor of Engineering degree from Wuhan Polytechnic University in 1987. He has over 27 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 2014, save for the following deviation:

Code Provision A.6.7 — this code provision stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Mr. Zhou Yong, Chairman of the Board and Non-executive Director, was unable to attend the extraordinary general meeting held on 12 December 2014 due to other business engagement and Mr. Zhang Yifeng, Vice Chairman and Chief Executive Officer chaired the meeting in his stead. The Vice Chairman reported back to the Chairman the views of shareholders after the meeting.

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, and certain material contracts;
- approving Board appointments;
- approving broad policies and systems of internal control and risk management (supported by the Audit Committee); and
- approving the Group's corporate governance and compliance arrangements.

As at 31 December 2014, the Board comprised nine Directors — five 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 25 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. The Chairman of the Board, Mr. Zhou Yong, 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. The Chief Executive Officer, Mr. Zhang Yifeng, 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	–	3/3	2/2	1/2
Executive Directors					
Zhang Yifeng (note 1)	3/3	–	–	–	2/2
Cheong Chit Sun (note 2)	2/2	–	3/3	2/2	1/1
Zhu Yijian (note 3)	1/2	–	–	–	1/1
Wang Hai	4/4	–	–	–	2/2
Chan Sim Wang	4/4	–	–	–	2/2
Qin Jidong (note 4)	2/3	–	–	–	2/2
Independent Non-executive Directors					
Zhou Jinsong	4/4	4/4	3/3	2/2	2/2
Hong Winn	4/4	4/4	3/3	2/2	2/2
Kwong Sum Yee Anna	4/4	4/4	3/3	2/2	2/2

Corporate Governance Report

Notes:

1. Mr. Zhang joined the Board on 11 March 2014 and was appointed to the Remuneration Committee and Nomination Committee with effect from the conclusion of the annual general meeting held on 30 May 2014.

2. Dr. Cheong retired from the Board and ceased to member of the Remuneration Committee and Nomination Committee after conclusion of the annual general meeting held on 30 May 2014.

3. Mr. Zhu joined the Board on 16 July 2014.

4. Mr. Qin joined the Board on 11 March 2014.

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 Non-executive Directors provide a strong, independent element on the Board and collectively 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			
Zhang Yifeng	✓	✓	✓
Zhu Yijian	✓	✓	✓
Wang Hai	✓	✓	✓
Chan Sim Wang	✓	✓	✓
Qin Jidong	✓	✓	✓
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. All the members served on the committee throughout the year. 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.

Corporate Governance Report

The committee met four times during the year. The Chief Financial Officer and Financial Controller were also regular attendees at the meetings of the committee. 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 2013, and for the first quarter, half-year and third quarter of 2014, 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 2014 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 and other firms of its worldwide network for the financial year ended 31 December 2014 amounted to approximately HK$2,177,000 and HK$370,000 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 agreed that it is appropriate to recommend to the Board that PricewaterhouseCoopers be re-appointed as auditor for a further year and, accordingly a resolution will be put to shareholders at the 2015 annual general meeting of the Company recommending their reappointment.

Nomination Committee

The Nomination Committee is chaired by Mr. Zhou Yong, the Chairman of the Board and Non-executive Director and its other members include Mr. Zhang Yifeng, 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. Mr. Zhang Yifeng was appointed to the committee after the conclusion of the annual general meeting on 30 May 2014 following the stepping down of Dr. Cheong Chit Sun from the committee. All other members served on the committee throughout the year.

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 twice 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 considering and making recommendation to the Board on the appointment of three Executive Directors 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 has adopted a Board diversity policy. 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 the three Board appointments during the year, 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 other members include Mr. Zhou Yong, the Chairman of the Board and Non-executive Director, Mr. Zhang Yifeng, Executive Director and Chief Executive Officer and two Independent Non-executive Directors, namely, Mr. Hong Winn and Ms. Kwong Sum Yee Anna. Mr. Zhang Yifeng was appointed to the committee after the conclusion of the annual general meeting on 30 May 2014 following the stepping down of Dr. Cheong Chit Sun from the committee. All other members served on the committee throughout the year.

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.

Corporate Governance Report

The Remuneration Committee held three meetings during the year. The committee determined the remuneration package for three Executive Directors on their appointment which were determined with reference to their job responsibilities in the Company and the then 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 based on the Group's overall performance as well as individuals' performance. In addition, the committee reviewed and considered the appropriateness and relevance of the remuneration policy and structure of the Group with reference to the construction market practices, the Group's performance and remuneration offered by peer companies.

Remuneration of Directors and Senior Management

Information relating to the remuneration of each Director for the year ended 31 December 2014 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 2014 is set out in note 11 to the consolidated financial statements.

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 2014.

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 judgements 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 2014. 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 Company, through the intendance and audit department of its holding group, conducted a review of the internal control system, financial and operational management mechanisms of one of the Group's operations in China 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 and removal of the Company Secretary is a matter for the whole Board. 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 2014, 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

The Board attaches great importance to maintaining good relationships with all shareholders and investors and ensures that shareholders and investors 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 2015.

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

Information of the Group's social corporate responsibilities and its employee activities in 2014

1) Flag Day on Hong Kong Island

On 4 January 2014 (Saturday), the Group participated in the Flag Day charity campaign on Hong Kong Island. The Flag Day charity campaign was initiated by social service funds of all forms and their volunteers. All proceeds raised from the Flag Day campaign will be applied to the development of the following three areas: community development, family and child welfare services, and children and youth services.

2) Hong Kong and Kowloon Walk

On 5 January 2014, the Group participated in the Hong Kong and Kowloon Walk sponsored by the Community Chest of Hong Kong for fundraising purposes. Proceeds raised will assist social welfare organizations in providing family and child welfare services. Meanwhile, the Group encouraged its colleagues to take the initiative to participate in public welfare activities, and contribute to communities, thus benefiting communities and social groups.

3) "Hike for Hospice" Hiking Activity

The Society for the Promotion of Hospice Care (hereinafter referred to as the "Society") is committed to promoting hospice and palliative care and providing bereavement support. Through various forms of life and death education, the Society encourages positive discussions of death among the public and educates them, while promoting messages to cherish life and live a positive life. On 9 March 2014, the Group participated in the annual "Hike for Hospice" sponsored by the Society in Tai Lam Country Park. On the same day, the Group's representative team of four claimed the championship title for the short-trip group.

4) Hong Kong Volunteer Workshop for Mainland + Hong Kong Art Creation Exchange Program of "Kids' Dream"

On 31 May 2014, the Group participated in the fifth Hong Kong volunteer workshop for the Mainland + Hong Kong Art Creation Exchange Program of 2014 "China Overseas X TREATS", jointly sponsored by China Overseas and TREATS. This program took place in Shatin Public School, attracting 11 employees of the headquarters of Far East Global, along with their family members and friends. In addition, volunteer college students from the University of Hong Kong and Hong Kong Polytechnic University participated in this program. Together, they led the art creation exchange between 27 pupils from Shatin Public School and Chiu Yang Por Yen Primary School.

Corporate Citizenship

5) Hilti 40th Anniversary Table-Tennis Tournament

On 6 July 2014, the Group participated in the Hilti 40th Anniversary Table-Tennis Tournament sponsored by Hong Kong FACADE Association in South China Athletic Association to promote friendship and communication. This friendship tournament aimed to promote friendship and communication between members and advocate the development of physical and mental health rather than work. In line with this aim, the tournament was also a fundraising activity for the Lighthouse Club Hong Kong. On the same day, the Group's representative team of six won third prize in the group contest.

6) Charity Walk

On 21 September 2014, the Group participated in the "HKFA – 921 Charity Walk" sponsored by Hong Kong FACADE Association on Lugard Road of Victoria Peak. This charity campaign aimed to raise funds for the "Sowers Action Long March for Education 2014 – Jiangxi Route".

7) 2014 Badminton Championship of China Overseas

On 17 and 18 October 2014, the Group participated in the 2014 Badminton Championship of China Overseas held by the friendship association of China Overseas Holding Limited in Chengdu, China. The Group had a representative team of five participate in this event, and they were from Shenzhen and Shanghai branches.

8) "Green Rider 2014" by the Conservancy Association

On 19 October 2014, the Group participated in the "Green Rider 2014" organized by the Conservancy Association in Lantau South Country Park. This round of "Green Rider" introduced a fundraising event to the particular element of "bike adventure", which brought our colleagues closer to nature and promoted the public awareness of environmental protection.

9) Awarded "Caring Company 2013 – 2015" After Our Successful Application

The Group is committed to fulfilling its social corporate responsibility, demonstrating care to public communities, while caring for its employees. In addition, the Group embraces a strong sense of environmental protection. Therefore, the Group was awarded as "Caring Company 2013 – 2015" after its successful application.

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 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of corporate management services. The activities of the Company's principal subsidiaries are shown in note 19 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 59 and 60 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 22 September 2014. The Board recommends the declaration of a final dividend of HK0.5 cent per share (2013: HK0.5 cent) payable on 6 July 2015 to shareholders whose names appear on the register of members of the Company on 16 June 2015. Together with the interim dividend of HK0.5 cent per share (2013: HK0.5 cent), 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 128.

PROPERTY, PLANT AND EQUIPMENT

Particulars of the movements of property, plant and equipment of the Group during the year are set out in note 15 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 64 respectively.

DIRECTORS

The Directors during the year and up to the date of this Annual Report are:

Chairman and Non-executive Director

Mr. Zhou Yong

Executive Directors

Mr. Zhang Yifeng *(Vice Chairman and Chief Executive Officer)*	(appointed as Vice Chairman and Executive Director on 11 March 2014)
Dr. Cheong Chit Sun *(Vice Chairman and Chief Executive Officer)*	(retired on 30 May 2014)
Mr. Zhu Yijian *(Vice Chairman)*	(appointed on 16 July 2014)
Mr. Wang Hai *(Associate Chief Executive Officer)*	
Mr. Chan Sim Wang	
Mr. Qin Jidong	(appointed on 11 March 2014)

Independent Non-executive Directors

Mr. Zhou Jinsong
Mr. Hong Winn
Ms. Kwong Sum Yee Anna

Notes:

Pursuant to article 84(1) of the Articles of Association of the Company, Messrs. Zhou Yong, Wang Hai and Hong Winn will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Pursuant to article 83(3) of the Articles of Association of the Company, Mr. Zhu Yijian, who was appointed by the Board after the 2014 annual general meeting shall hold office until the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

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

With effect from 1 February 2015, Mr. Chan Sim Wang's salary (inclusive of fixed allowance) has been increased to HK$1,125,900 per annum. Due to relocation to the North America, the salary (inclusive of fixed allowance) of Mr. Wang Hai and Mr. Qin Jidong has been increased to HK$1,694,580 per annum and HK$1,253,106 per annum respectively. 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.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a 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, Messrs. Zhou Yong, Zhang Yifeng, Zhu Yijian, Wang Hai, Chan Sim Wang and Qin Jidong held directorships and/or senior management positions 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 2014, 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)
Zhu Yijian	Beneficial owner	Personal interest	1,000,000	0.046
Chan Sim Wang	Beneficial owner	Personal interest	50,000	0.002
Qin Jidong	Beneficial owner	Personal interest	900,000	0.042

Note: The percentage is based on the total number of ordinary shares of the Company in issue as at 31 December 2014 (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 Engineering Corporation Limited ("CSCECL")

Name of Director	Number of shares held	Total	% of shares in issue[(2)]
Zhang Yifeng	15,000[(1)]	15,000	0.000

Notes:

1. Mr. Zhang Yifeng had a family interest of 15,000 A-shares in CSCECL held by his spouse.

2. The percentage is based on the total number of A-shares of CSCECL in issue as at 31 December 2014 (i.e. 30,000,000,000 shares).

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

	Number of ordinary shares held	Number of underlying shares held		
Name of Director	Personal interest[(1)]	Share options[(2)]	Total	% of shares in issue[(3)]
Zhou Yong	3,233,027	–	3,233,027	0.081
Zhang Yifeng	296,000	61	296,061	0.007
Zhu Yijian	1,322,211	–	1,322,211	0.033
Chan Sim Wang	28,800	–	28,800	0.001
Qin Jidong	250,000	–	250,000	0.006

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 2014 (i.e. 4,012,417,632 ordinary shares).

Save as disclosed above, as at 31 December 2014, 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 2014, 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 and 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 share 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 2014.

As at 1 January 2014, 31 December 2014 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 2014 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 54 to 56 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 2014, 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

Report of the Directors

Notes:

1. The percentage is based on the total number of ordinary shares of the Company in issue as at 31 December 2014 (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 58.22% 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 2014, 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 54 to 56.

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 this scheme is to make the required contributions under the scheme. The Group’s employees outside Hong Kong are primarily covered by the respective defined contribution schemes in accordance with local legislation and practices. During the year, the Group made contribution to these schemes amounting to approximately HK$11 million. No forfeited contribution under these schemes are 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$42,968.

MAJOR CUSTOMERS AND SUPPLIERS

In 2014, the five largest customers of the Group accounted for approximately 36.2% of the Group's turnover and the turnover from the largest customer included therein accounted for approximately 11.9%. 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 and 2014 annual general meetings. 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 2014 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, 17 March 2015

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 the 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 2014.

As the FE-CSCECL Sub-construction Engagement Agreement would expire on 30 June 2015, the Company entered into a new agreement with CSCECL on 28 October 2014 to replace the FE-CSCECL Sub-construction Engagement Agreement with effect from 1 January 2015 and the new agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 12 December 2014. Details of the new agreement were disclosed in the announcement dated 28 October 2014 and the circular dated 18 November 2014.

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 2014 was HK$620,915,106.

As the FE-CSC Sub-construction Engagement Agreement would expire on 30 June 2015, the Company entered into a new agreement with CSCIHL on 28 October 2014 to replace the FE-CSC Sub-construction Engagement Agreement with effect from 1 January 2015 and the new agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 12 December 2014. Details of the new agreement were disclosed in the announcement dated 28 October 2014 and the circular dated 18 November 2014.

3. Operational Services Agreements with CSCIHL

On 14 October 2014, the Company entered into three letter agreements, namely the Operational Services (Hotel Development) Agreement, the Operational Services (Property Development) Agreement and the Operational Services (Maintenance) Agreement, with CSCIHL to confirm the engagement of the CSCIHL Group to provide operational services to the Group. The operational services comprise services in respect of mechanical and electrical engineering works, leasing of machineries, provision of insurance services and supply of building materials.

3.1 Operational Services (Hotel Development) Agreement

The Company and CSCIHL agreed and confirmed that the CSCIHL Group shall provide the operational services to the Group. Such operational services would be used by the Group to perform main contract works for a hotel development project. The total amount of fees payable by the Group to the CSCIHL Group under the Operational Services (Hotel Development) Agreement shall be not more than HK$25,000,000 and shall be settled pursuant to the payment terms set out in specific contracts in respect of the particular type of operational services which are negotiated on an arm's length basis between the parties.

As at 31 December 2014, the total amount of fees paid by the Group under the Operational Services (Hotel Development) Agreement was HK$185,610.

3.2. Operational Services (Property Development) Agreement

The Company and CSCIHL agreed and confirmed that the CSCIHL Group shall provide the operational services to the Group. Such operational services would be used by the Group to perform the design, supply and installation of curtain wall and glass wall works for a property development project. The total amount of fees payable by the Group to the CSCIHL Group under the Operational Services (Property Development) Agreement shall be not more than HK$2,800,000 and shall be settled pursuant to the payment terms set out in specific contracts in respect of the particular type of operational services which are negotiated on an arm's length basis between the parties.

As at 31 December 2014, the total amount of fees paid by the Group under the Operational Services (Property Development) Agreement was HK$802,996.

3.3. Operational Services (Maintenance) Agreement

The Company and CSCIHL agreed and confirmed that the CSCIHL Group shall provide the operational services to the Group. Such operational services would be used by the Group to perform facade and curtain wall repair and maintenance works for certain maintenance projects. The total amount of fees payable by the Group to the CSCIHL Group under the Operational Services (Maintenance) Agreement shall be not more than HK$500,000 and shall be settled pursuant to the payment terms set out in specific contracts in respect of the particular type of operational services which are negotiated on an arm's length basis between the parties.

As at 31 December 2014, the total amount of fees paid by the Group under the Operational Services (Maintenance) Agreement was HK$474,897.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the total fees payable under the Operational Services (Hotel Development) Agreement, the Operational Services (Property Development) Agreement and the Operational Services (Maintenance) Agreement were more than 0.1% but less than 5%, the transactions contemplated thereunder were subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement.

Connected Transactions

Details of the Operational Services (Hotel Development) Agreement, the Operational Services (Property Development) Agreement and the Operational Services (Maintenance) Agreement were disclosed in the announcement dated 14 October 2014.

In order to streamline the continuing connected transactions in respect of each type of operational services provided by the CSCIHL Group to the Group, the Company entered into a new operational services agreement with CSCIHL on 28 October 2014 to replace the Operational Services (Hotel Development) Agreement, the Operational Services (Property Development) Agreement and the Operational Services (Maintenance) Agreement with effect from 1 January 2015 and the new operational services agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 12 December 2014. Details of the new operational services agreement were disclosed in the announcement dated 28 October 2014 and the circular dated 18 November 2014.

A summary of all related party transactions entered into by the Group during the year ended 31 December 2014 is contained in note 33 to the consolidated financial statements. Except for the construction fees of HK$209,287,000 (out of HK$209,754,000) received from fellow subsidiaries, the service income of HK$89,012,000 and the service fees of HK$1,464,000 related to transactions which were entered into pursuant to the FE-CSC Sub-construction Engagement Agreement and the operational services agreements with CSCIHL, 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 2014.

In respect of the financial year ended 31 December 2014, each of the continuing connected transactions mentioned above has been subject to annual review by the Independent Non-executive Directors pursuant to Rule 14A.55 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 Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreement governing it 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 Group;

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 caps and annual caps set by the Company.

Independent Auditor's Report

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 59 to 127, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, 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, 17 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000 (restated)
Revenue	5	**1,682,149**	1,418,808
Cost of sales	7	**(1,506,811)**	(1,410,365)
Gross profit		**175,338**	8,443
Other income and other gains, net	6	**13,674**	58,914
Administrative expenses	7	**(192,709)**	(199,727)
Distribution and selling expenses		**(17,581)**	(21,297)
Finance costs	8	**(11,419)**	(14,501)
Loss before tax		**(32,697)**	(168,168)
Income tax credit	9	**22,503**	129,220
Loss for the year		**(10,194)**	(38,948)
Profit/(loss) for the year attributable to:			
Owners of the Company		**57,738**	50,398
Non-controlling interests		**(67,932)**	(89,346)
		(10,194)	(38,948)
Earnings per share (HK cents)			
Basic and diluted	14	**2.68**	2.34

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 **HK$'000**	2013 HK$'000 (restated)
Loss for the year	**(10,194)**	(38,948)
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences arising on translation of foreign operations	**(9,859)**	(3,969)
Gain on fair value changes of available-for-sale investments	**289**	60
Other comprehensive income for the year, net of tax	**(9,570)**	(3,909)
Total comprehensive income for the year	**(19,764)**	(42,857)
Total comprehensive income for the year attributable to:		
Owners of the Company	**48,359**	48,139
Non-controlling interests	**(68,123)**	(90,996)
	(19,764)	(42,857)

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000 (restated)
Non-current Assets			
Property, plant and equipment	15	**154,525**	162,627
Goodwill	16	**138,149**	138,149
Project backlogs	17	**–**	11,934
Deposits and prepayments		**1,654**	7,216
Available-for-sale investments	18	**18,853**	18,564
Deferred tax assets	28	**154,801**	117,564
		467,982	456,054
Current Assets			
Inventories	20	**12,551**	17,650
Amounts due from customers for contract work	21	**672,474**	563,455
Trade and other receivables	22	**468,832**	356,719
Deposits and prepayments		**30,739**	14,870
Amount due from an intermediate holding company		**–**	96,470
Amounts due from fellow subsidiaries	23	**–**	396,248
Tax recoverable		**4,760**	936
Bank and cash balances	24	**242,030**	310,452
		1,431,386	1,756,800
		1,899,368	2,212,854
Current Liabilities			
Bank and other borrowings	25	**119,585**	157,463
Amounts due to customers for contract work	21	**33,864**	22,550
Trade payables, other payables and accruals	26	**329,462**	258,650
Finance lease payables	27	**998**	1,087
Current tax payables		**23,824**	11,470
Amounts due to fellow subsidiaries	23	**59,311**	45,255
Deposits received and advances from customers		**80,497**	–
		647,541	496,475
Net Current Assets		**783,845**	1,260,325
Total Assets less Current Liabilities		**1,251,827**	1,716,379

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000 (restated)
Capital and Reserves			
Share capital	29	**21,555**	21,555
Share premium and reserves	30	**1,133,309**	1,114,305
Equity attributable to owners of the Company		**1,154,864**	1,135,860
Non-controlling interests		**(122,588)**	(54,465)
		1,032,276	1,081,395
Non-current liabilities			
Bank and other borrowings	25	**215,778**	625,595
Finance lease payables	27	**3,480**	4,280
Deferred tax liabilities	28	**293**	5,109
		219,551	634,984
		1,251,827	1,716,379

On behalf of the Board

Zhang Yifeng
Director

Chan Sim Wang
Director

Statement of Financial Position

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current Asset			
Interests in subsidiaries	19	**875,426**	896,006
Current Assets			
Deposits, prepayments and other receivables		**377**	368
Amounts due from subsidiaries	19	**50,000**	50,000
Tax recoverable		**1,986**	–
Bank and cash balances	24	**206**	313
		52,569	50,681
Current Liabilities			
Other payables and accruals		**1,582**	2,421
Current tax payables		**400**	800
		1,982	3,221
Net Current Assets		**50,587**	47,460
Total Assets less Current Liabilities		**926,013**	943,466
Capital and Reserves			
Share capital	29	**21,555**	21,555
Share premium and reserves	30	**904,458**	921,911
		926,013	943,466

On behalf of the Board

Zhang Yifeng
Director

Chan Sim Wang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital (note 29) HK$'000	Share premium account (note 30) HK$'000	Special reserve HK$'000	Share-based payments reserve HK$'000	Investment revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory reserves (note 30) HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013											
As previously stated	21,555	898,654	–	4,636	(997)	8,163	12	161,836	1,093,859	35,277	1,129,136
Effect of combination under common control (note 2(a))	–	–	(2,000)	–	–	–	–	21,894	19,894	–	19,894
As restated	21,555	898,654	(2,000)	4,636	(997)	8,163	12	183,730	1,113,753	35,277	1,149,030
Profit/(loss) for the year (restated)	–	–	–	–	–	–	–	50,398	50,398	(89,346)	(38,948)
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)	–	50,398	48,139	(90,996)	(42,857)
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)
Distribution to a former shareholder (note 2(a))	–	–	(14,000)	–	–	–	–	–	(14,000)	–	(14,000)
At 31 December 2013 and 1 January 2014	21,555	898,654	(17,254)	4,636	(937)	5,844	12	223,350	1,135,860	(54,465)	1,081,395
Effect of combination under common control (note 2(a))	–	–	30	–	–	–	–	–	30	–	30
Profit/(loss) for the year	–	–	–	–	–	–	–	57,738	57,738	(67,932)	(10,194)
Gain on fair value changes of available-for-sale investments	–	–	–	–	289	–	–	–	289	–	289
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(9,668)	–	–	(9,668)	(191)	(9,859)
Total comprehensive income for the year	–	–	–	–	289	(9,668)	–	57,738	48,359	(68,123)	(19,764)
2013 final dividend paid	–	–	–	–	–	–	–	(10,778)	(10,778)	–	(10,778)
2014 interim dividend paid	–	–	–	–	–	–	–	(10,778)	(10,778)	–	(10,778)
Distribution to a former shareholder (note 2(a))	–	–	(7,829)	–	–	–	–	–	(7,829)	–	(7,829)
At 31 December 2014	21,555	898,654	(25,053)	4,636	(648)	(3,824)	12	259,532	1,154,864	(122,588)	1,032,276

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000 (restated)
Loss before tax	**(32,697)**	(168,168)
Adjustments for:		
Finance costs	**11,419**	14,501
Bank interest income	**(1,415)**	(1,013)
Loss on disposal of property, plant and equipment	**424**	21
Gain on acquisition of a subsidiary	**–**	(700)
Loss on disposal of available-for-sale investments	**–**	85
Warranty provisions, net	**13,476**	1,882
Amortisation of project backlogs	**11,934**	18,576
Depreciation expenses	**9,977**	7,990
Write back of provision for impairment of trade and other receivables, net	**(4,483)**	(19,164)
Provision/(write back) for impairment of deposits and prepayments	**6,567**	(18,720)
Reversal of other payables and accruals	**(2,700)**	(5,124)
Operating cash flows before working capital changes	**12,502**	(169,834)
Decrease/(increase) in inventories	**5,099**	(9,049)
Increase in amounts due from/to customers for contract work, net	**(90,913)**	(179,144)
(Increase)/decrease in trade and other receivables	**(109,329)**	38,809
(Increase)/decrease in deposits and prepayments	**(16,873)**	79,610
Decrease in amounts due from fellow subsidiaries	**65,687**	776
Increase/(decrease) in trade payables, other payables and accruals	**59,535**	(66,928)
Increase/(decrease) in deposits received and advances from customers	**80,497**	(31,785)
Net cash generated from/(used in) operations	**6,205**	(337,545)
Income tax (paid)/refund, net	**(10,013)**	872
Net cash used in operating activities	**(3,808)**	(336,673)
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired	**–**	344
Purchase of property, plant and equipment	**(11,947)**	(18,711)
Proceeds from disposals of property, plant and equipment	**493**	386
Proceeds from disposal of available-for-sale investments	**–**	23,695
Interest received	**1,415**	1,013
Net cash (used in)/from investing activities	**(10,039)**	6,727

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000 (restated)
Cash flows from financing activities		
Finance costs paid	**(11,419)**	(14,340)
(Repayment)/drawdown of bank loans	**(442,469)**	738,954
Repayment of loan from a fellow subsidiary	**–**	(100,000)
Repayment/(advance) to an intermediate holding company	**96,470**	(108,174)
Repayment/(advance) to fellow subsidiaries	**346,617**	(278,859)
Repayment of finance lease payables	**(889)**	(772)
Payment to a fellow subsidiary pursuant to common control combination (note 2(a))	**(2,000)**	–
Distribution to a former shareholder (note 2(a))	**(7,800)**	(14,000)
Dividends paid	**(21,556)**	(10,778)
Net cash (used in)/from financing activities	**(43,046)**	212,031
Net decrease in cash and cash equivalents	**(56,893)**	(117,915)
Effect of foreign exchange rate changes	**(11,529)**	(5,257)
Cash and cash equivalents at the beginning of year	**310,452**	433,624
Cash and cash equivalents at the end of year	**242,030**	310,452
Analysis of cash and cash equivalents		
Bank and cash balances	**242,030**	310,452

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1 GENERAL INFORMATION

Far East Global Group Limited (the "Company") and its subsidiaries (together the "Group") involve in the general contracting business and 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 17 March 2015.

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 consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosures in Note 4.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Common control combinations

On 11 March 2014, the Group acquired 100% of equity interests in Treasure Construction Engineering Limited ("Treasure Construction") from Barkgate Enterprises Limited, a wholly owned subsidiary of China State Construction International Holdings Limited ("CSCIHL"), which is the intermediate holding company of the Company, at a cash consideration of HK$2,000,000.

The transfer of the equity interests in Treasure Construction (the "Acquired Company") was regarded as common control combination. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2014 had been prepared using the principle of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Acquired Company had been combined from the date when the Acquired Company first came under the control of the controlling party of the Group and Acquired Company. The comparative figures of the consolidated financial statements have been restated accordingly.

The effect of the combination of Acquired Company on the result of the Group for the year ended 31 December 2014 and the position of the Group as at 31 December 2014 are considered as insignificant.

The effect of the combination of Acquired Company on the result of the Group for the year ended 31 December 2013 and the position of the Group as at 31 December 2013 are summarised below:

	For the year ended 31 December 2013 (previously stated) HK$'000	Combination of Acquired Company HK$'000	Combination Adjustment HK$'000	For the year ended 31 December 2013 (restated) HK$'000
Revenue	1,418,808	–	–	1,418,808
Cost of sales	(1,410,365)	–	–	(1,410,365)
Gross profit	8,443	–	–	8,443
Other income and other gains, net	51,164	7,750	–	58,914
Administrative expenses	(199,569)	(158)	–	(199,727)
Distribution and selling expenses	(21,297)	–	–	(21,297)
Loss/profit from operation	(161,259)	7,592	–	(153,667)
Finance costs	6,844	7,657	–	14,501
Loss before tax	(168,103)	(65)	–	(168,168)
Income tax credit	129,220	–	–	129,220
Loss for the year	(38,883)	(65)	–	(38,948)
Profit/(loss) for the year attributable to:				
Owners of the Company	50,463	(65)	–	50,398
Non-controlling interests	(89,346)	–	–	(89,346)
	(38,883)	(65)	–	(38,948)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Common control combination *(Continued)*

	31 December 2013 (previously stated) HK$'000	Combination of Acquired Company HK$'000	Combination Adjustment (Note) HK$'000	31 December 2013 (restated) HK$'000
Non-current Assets				
Property, plant and equipment	162,624	3	–	162,627
Goodwill	138,149	–	–	138,149
Project backlogs	11,934	–	–	11,934
Deposits and prepayments	7,216	–	–	7,216
Available-for-sale investments	18,564	–	–	18,564
Deferred tax assets	117,564	–	–	117,564
	456,051	3	–	456,054
Current Assets				
Inventories	17,650	–	–	17,650
Amounts due from customers for contract work	563,455	–	–	563,455
Trade and other receivables	356,719	–	–	356,719
Deposits and prepayments	14,870	–	–	14,870
Amount due from an intermediate holding company	–	96,470	–	96,470
Amounts due from fellow subsidiaries	4,376	391,872	–	396,248
Tax recoverable	936	–	–	936
Bank and cash balances	213,404	97,048	–	310,452
	1,171,410	585,390	–	1,756,800
Current Liabilities				
Bank and other borrowings	157,463	–	–	157,463
Amounts due to customers for contract work	22,550	–	–	22,550
Trade payables, other payables and accruals	224,341	34,309	–	258,650
Finance lease payables	1,087	–	–	1,087
Current tax payables	11,470	–	–	11,470
Amounts due to fellow subsidiaries	–	43,255	2,000	45,255
	416,911	77,564	2,000	496,475
Net Current Assets	754,499	507,826	(2,000)	1,260,325
Total Assets less Current Liabilities	1,210,550	507,829	(2,000)	1,716,379
Capital and reserve	1,130,031	7,829	(2,000)	1,135,860
Non-controlling interests	(54,465)	–	–	(54,465)
Non-current liabilities	134,984	500,000	–	634,984
	1,210,550	507,829	(2,000)	1,716,379

Note: The combination adjustment represents the excess of consideration paid over share capital of the acquired company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of amendments and interpretation to existing standards

In the current year, the Group has applied the following amendments and interpretation to existing Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), (hereinafter collectively referenced to as the "new HKFRSs") issued by the HKICPA.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HK(IFRIC)-Int 21	Levies

The application of the above new HKFRSs in the current year has had no material impact on the Group's results and financial position.

New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

New standards, amendments and improvements to existing standards not yet effective

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

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

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

The Group has not early adopted the above new standards, amendments and improvements to existing standards, and is not yet in a position to state whether there are substantial changes to the Group's accounting policies and presentation of the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

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

(i) Subsidiaries

A subsidiary is an entity (including structured entity) 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.

Business combinations — common control combinations

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 'Merger Accounting for Common Control Combinations'. In applying merger accounting, the consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated income statement also takes into account the profit or loss attributable to the non-controlling interests of the controlling party. Upon the completion of common control combinations, the retained profit of the combining entities or business is transferred to the retained profits of the Group.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

Business combinations —acquisition method

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(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 amount 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

(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 currency translation 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.

(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 consolidated income statement.

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 currency translation 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 consolidated income statement.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets *(Continued)*

(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.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill is not subject to amortisation and is 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', '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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

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'.

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Construction contracts *(Continued)*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(q) Borrowing costs

Relevant 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits *(Continued)*

(i) Pension obligations *(Continued)*

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

(a) 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.

(b) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 on accrual basis when the services are rendered.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Contingent liabilities and contingent assets *(Continued)*

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 Great 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

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.

At 31 December 2014, if Hong Kong dollar had weakened/strengthened 5% against Renminbi, United Arab Emirates Dirham, Canadian dollar, Singapore dollar and Australian dollar with all other variables held constant, the consolidated loss for the year would have been HK$2,074,000 lower/higher (2013: HK$349,000 lower/higher), HK$121,000 lower/higher (2013: HK$227,000 lower/higher), HK$1,241,000 lower/higher (2013: HK$3,849,000 lower/higher), HK$355,000 higher/lower (2013: HK$445,000 higher/lower) and HK$549,000 lower/higher (2013: HK$487,000 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.

(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 2014, 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$943,000 (2013: HK$928,000) as a result of gains/losses on investments classified as available-for-sale.

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For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(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 2014 and 2013, the Group's borrowings at variable rate were denominated in the Hong Kong dollar, Canadian dollar and United States dollar.

The sensitivity analyses below have been determined based on the exposure to interest rates for floating interest debt securities and variable-rate trade and other receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2013: 50) basis points increase or decrease representing management's assessment of the reasonably possible change in interest rates is used.

At 31 December 2014, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated loss for the year would have been HK$1,215,000 higher/lower (2013 (restated): 2,870,000 higher/lower), 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, 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.

The credit risk on 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(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 table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	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 2014					
Trade payables, other payables and accruals	**280,312**	**32,823**	**–**	**–**	**313,135**
Amounts due to fellow subsidiaries	**59,311**	**–**	**–**	**–**	**59,311**
Bank and other borrowings	**125,700**	**206,005**	**15,757**	**–**	**347,462**
Finance lease payables	**1,026**	**988**	**2,012**	**1,402**	**5,428**
	466,349	**239,816**	**17,769**	**1,402**	**725,336**
At 31 December 2013 (restated)					
Trade payables, other payables and accruals	201,965	38,854	53	–	240,872
Amounts due to fellow subsidiaries	45,255	–	–	–	45,255
Bank and other borrowings	169,895	20,744	640,967	–	831,606
Finance lease payables	1,116	1,031	2,451	2,022	6,620
	418,231	60,629	643,471	2,022	1,124,353

	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 2014					
Other payables and accruals	**1,582**	**–**	**–**	**–**	**1,582**
At 31 December 2013					
Other payables and accruals	2,421	–	–	–	2,421

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For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT *(Continued)*

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:

	2014 **HK$'000**	2013 HK$'000 (restated)
Bank and other borrowings	**335,363**	783,058
Add: finance lease payables	**4,478**	5,367
Less: bank and cash balances	**(242,030)**	(310,452)
Net debts	**97,811**	477,973
Net assets	**1,154,864**	1,135,860
Gearing ratio	**8%**	42%

The gearing ratio for 2013 was restated as a result of the common control combinations disclosed in Note 2(a). Without taking into account of the common control combinations the gearing ratio for 2014 and 2013 was 8% and 7%, respectively.

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).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Assets				
Available-for-sale investments				
— Certificate of deposits	**–**	**–**	**18,853**	**18,853**
Total assets	**–**	**–**	**18,853**	**18,853**

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				
— Certificate of deposits	–	–	18,564	18,564
Total assets	–	–	18,564	18,564

During the year ended 31 December 2014, there was no transfers between the levels.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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 and prepayments
- Bank and cash balances
- Amounts due to fellow subsidiaries
- Deposits received and advances from customers
- Trade payables, other payables and accruals
- Bank and other borrowings

As at 31 December 2014 and 2013, all available-for-sale investments are level 3 instruments.

The following table presents the changes in level 3 instruments for the years ended 31 December 2014 and 2013.

	Available-for-sale investments	
	2014	2013
	HK$'000	HK$'000
Opening balance	**18,564**	42,283
Disposals	**–**	(23,779)
Net gain on fair value changes recognised in other comprehensive income	**289**	60
Closing balance	**18,853**	18,564

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 within the next financial year 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.

(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 fair values less costs of disposal 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.

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For the year ended 31 December 2014

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iii) Impairment of assets *(Continued)*

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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(vii) Income taxes *(Continued)*

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 and utilisation 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 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 façade contracting business. The Group's revenue represents revenue from construction contracts.

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 Singapore, the United Arab Emirates, Chile, Australia, the United Kingdom and maintenance projects in all segments.

The executive directors of the Company are the Group's chief operating decision-maker ("CODM"). 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 restructuring costs, legal expenses and impairment of goodwill. The measurement also excludes the effects of share-based payments and unrealised gains/losses on financial instruments. Interest income and expenses resulting from the central treasury function are not allocated to segments. Comparative figures for the distribution and selling expenses have been reclassified in the segment results of North America, Greater China and Asia and Others to conform to the current year's presentation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment results for the years ended 31 December 2014 and 2013 are as follows:

	Revenue		Gross profit		Segment result	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
						(restated)
North America	**817,741**	684,350	**(38,517)**	(185,057)	**(134,005)**	(296,356)
Greater China	**655,244**	545,169	**141,859**	104,368	**122,161**	107,440
Asia and Others	**209,164**	189,289	**71,996**	89,132	**51,913**	95,572
Total	**1,682,149**	1,418,808	**175,338**	8,443	**40,069**	(93,344)
Unallocated administrative expenses					**(62,180)**	(66,625)
Other income and other gains, net					**833**	6,302
Finance costs					**(11,419)**	(14,501)
Loss before tax					**(32,697)**	(168,168)

Amounts included in the measurement of segment result:

	North America		Greater China		Asia and Others		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
				(restated)				(restated)
Depreciation of property, plant and equipment and amortisation of project backlogs	**17,492**	22,885	**3,795**	3,534	**613**	68	**21,900**	26,487
(Gain)/loss on disposal of property, plant and equipment	**(5)**	37	**429**	(8)	**–**	(8)	**424**	21

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

	Non-current assets*		Addition to property, plant and equipment	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		
North America	**226,295**	245,789	**4,592**	14,143
Greater China	**64,674**	73,883	**3,632**	4,511
Asia and Others	**3,359**	254	**3,723**	36
	294,328	319,926	**11,947**	18,690

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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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 (2013: one) customer in North America (2013: Greater China) amounted to approximately HK$199,324,000 (2013: HK$210,116,000), which represents more than 10 per cent (2013: 10 per cent) of the Group's total revenue.

6 OTHER INCOME AND OTHER GAINS, NET

	2014 **HK$'000**	2013 HK$'000 (restated)
Write back of provision for impairment on trade and other receivables	**4,483**	19,164
Write back of provision for impairment on deposits	**–**	18,720
Bank interest income	**1,415**	1,013
Gain on acquisition of a subsidiary	**–**	700
Loss on disposal of available-for-sale investments	**–**	(85)
Reversal of other payables and accruals	**2,700**	5,124
Rental income	**300**	566
Service income	**1,700**	740
Sundry income	**3,500**	5,337
Recharge of finance costs to a fellow subsidiary	**–**	7,656
Loss on disposal of property, plant and equipment	**(424)**	(21)
	13,674	58,914

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7 EXPENSES BY NATURE

	2014 HK$'000	2013 HK$'000 (restated)
Cost of sales		
Cost of contracting works performed	**1,481,401**	1,436,640
Warranty provisions, net	**13,476**	1,882
Amortisation of project backlogs	**11,934**	18,576
Reversal of provision for project losses	**–**	(46,733)
	1,506,811	1,410,365
Administrative expenses		
Staff costs, including directors' emoluments:		
Salaries, bonuses and allowances	**490,196**	540,793
Retirement benefits scheme contributions	**10,523**	5,649
Less: amounts included in cost of contracting works performed	**(410,833)**	(432,763)
	89,886	113,679
Depreciation	**16,770**	14,452
Less: amounts included in cost of contracting works performed	**(6,793)**	(6,462)
Less: amounts included in distribution and selling expenses	**(11)**	(79)
	9,966	7,911
Operating lease charges — land and buildings	**31,804**	28,148
Less: amounts included in cost of contracting works performed	**(18,954)**	(17,500)
	12,850	10,648
Auditor's remuneration	**2,177**	2,128
Others	**77,830**	65,361
	192,709	199,727

8 FINANCE COSTS

	2014 HK$'000	2013 HK$'000 (restated)
Interest on bank loans and overdrafts wholly repayable within five years	**11,073**	6,224
Interest on other loans wholly repayable within five years	**74**	5,142
Finance lease charges	**272**	325
Others	**–**	2,810
	11,419	14,501

9 INCOME TAX CREDIT

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

	2014 HK$'000	2013 HK$'000
Current tax — Hong Kong profits tax		
Provision for the year	**400**	272
Overprovision in prior years	**(1,239)**	(101)
	(839)	171
Current tax — overseas		
Provision for the year	**21,921**	1,974
Overprovision in prior years	**(820)**	(3,419)
	21,101	(1,445)
Deferred tax, net (note 28)	**(42,765)**	(127,946)
Income tax credit for the year	**(22,503)**	(129,220)

Hong Kong profits tax has been provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year.

The Group's subsidiaries in the Mainland China were approved as new and high technology enterprises pursuant to which the Mainland China subsidiaries can enjoy a preferential income tax rate of 15% effective from 2014 to 2016.

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9 INCOME TAX CREDIT *(Continued)*

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

(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:

	2014	2013
	HK$'000	HK$'000
		(restated)
Loss before tax	**(32,697)**	(168,168)
Taxation at Hong Kong profits tax rate at 16.5%	**(5,395)**	(27,747)
Effect of different taxation rates in other countries	**(52,385)**	(98,949)
Income not subject to taxation	**(8,767)**	(13,494)
Expenses not deductible for taxation purposes	**4,132**	2,381
Temporary differences not recognised	**(172)**	(415)
Tax losses not recognised	**42,308**	18,093
Recognition of previously unrecognised tax losses	**–**	(3,522)
Utilisation of tax losses not recognised	**(165)**	(2,062)
Overprovision in prior years	**(2,059)**	(3,520)
Others	**–**	15
Income tax credit	**(22,503)**	(129,220)

10 DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

The remuneration of every director and the chief executive was as follows:

For the year ended 31 December 2014

Name of director	Fees	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Zhou Yong	800	–	–	–	800
Zhang Yifeng (i)	–	1,010	2,581	17	3,608
Cheong Chit Sun (ii)	–	1,398	–	6	1,404
Zhu Yijian (iii)	–	693	1,751	–	2,444
Wang Hai (iv)	–	1,401	1,331	8	2,740
Chan Sim Wang	–	1,070	230	17	1,317
Qin Jidong (v)	–	1,044	1,184	–	2,228
Zhou Jinsong	150	–	–	–	150
Hong Winn	120	–	–	–	120
Kwong Sum Yee Anna	120	–	–	–	120
	1,190	6,616	7,077	48	14,931

10 DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

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
Zhou Jinsong	143	–	–	–	143
Hong Winn	120	–	–	–	120
Yen Shih Hung Homer (vi)	80	–	–	–	80
Kwong Sum Yee Anna (vii)	60	–	–	–	60
	1,203	4,677	1,675	72	7,627

Notes:

(i) Appointed as Executive Director on 11 March 2014 and as Chief Executive Officer on 16 July 2014.

(ii) Retired as Executive Director and Chief Executive Officer on 30 May 2014.

(iii) Appointment effective on 16 July 2014.

(iv) Appointed as Chief Executive Officer on 30 May 2014 and redesignated as Associate Chief Executive Officer on 16 July 2014.

(v) Appointment effective on 11 March 2014.

(vi) Resigned on 8 August 2013.

(vii) Appointment effective on 1 July 2013.

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

Five highest paid individuals

The five highest paid individuals in the Group during the year included 4 (2013: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 1 (2013: 3) individual is set out below:

	2014 HK$'000	2013 HK$'000
Basic salaries and allowances	**2,450**	6,009
Discretionary bonuses	**–**	1,178
Retirement benefit scheme contributions	**123**	153
	2,573	7,340

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10 DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	2014 HK$'000	2013 HK$'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
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$3,500,000	–	–
	1	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. SENIOR MANAGEMENT EMOLUMENTS

The emoluments of the senior management for the years ended 31 December 2014 and 2013 were as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	10,971	23,514
Contributions to retirement benefit schemes	159	345
	11,130	23,859

The emoluments of the senior management for 2014 and 2013 were within the following bands:

	2014 No. of employees	2013 No. of employees
HK$1,000,000 or less	3	1
HK$1,000,001 to HK$1,500,000	1	4
HK$1,500,001 to HK$2,000,000	3	3
HK$2,000,001 to HK$2,500,000	1	1
More than HK$2,500,000	–	1
	8	10

12 PROFIT 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$4,103,000 (2013: profit of HK$10,449,000) which has been dealt with in the financial statements of the Company.

13 DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim dividend paid of HK0.5 cent (2013: HK0.5 cent) per ordinary share	**10,778**	10,778
Final proposed dividend of HK0.5 cent (2013: HK0.5 cent) per ordinary share	**10,778**	10,778
	21,556	21,556

The final dividend proposed after 31 December 2014 was not recognised as a liability at 31 December 2014 and is subject to approval by shareholders in the forthcoming general meeting. The final dividend for 2013 was recognised and paid during the year.

14 EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000 (restated)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**57,738**	50,398
Number of shares	**'000**	'000
Weighted average number of ordinary shares used in diluted earnings per share calculation	**2,155,545**	2,155,545
Basic earnings per share (HK cents)	**2.68**	2.34

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2014 (2013: Nil).

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15 PROPERTY, PLANT AND EQUIPMENT

Cost	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013 (restated)	137,930	1,825	29,282	30,813	4,485	5,118	209,453
Exchange difference	(1,770)	(100)	(873)	(256)	(279)	11	(3,267)
Additions	62	858	8,169	8,866	626	109	18,690
Disposals	–	–	(276)	(1,620)	(806)	–	(2,702)
At 31 December 2013 (restated)	136,222	2,583	36,302	37,803	4,026	5,238	222,174
Exchange difference	(2,173)	(130)	(1,412)	(966)	(16)	(2)	(4,699)
Additions	–	93	2,902	8,471	481	-	11,947
Disposals	–	–	(4)	(1,952)	(270)	(466)	(2,692)
At 31 December 2014	134,049	2,546	37,788	43,356	4,221	4,770	226,730
Accumulated depreciation and impairment							
At 1 January 2013 (restated)	18,026	412	9,409	14,516	2,208	4,770	49,341
Exchange difference	(932)	(75)	(654)	(97)	(193)	–	(1,951)
Charge for the year	2,626	648	5,522	4,807	849	–	14,452
Disposals	–	–	(276)	(1,523)	(496)	–	(2,295)
At 31 December 2013 (restated)	19,720	985	14,001	17,703	2,368	4,770	59,547
Exchange difference	(20)	(244)	(1,402)	(495)	(176)	–	(2,337)
Charge for the year	2,864	571	6,052	6,575	708	–	16,770
Disposals	–	–	(4)	(1,501)	(270)	–	(1,775)
At 31 December 2014	22,564	1,312	18,647	22,282	2,630	4,770	72,205
Net book value as at							
At 31 December 2014	111,485	1,234	19,141	21,074	1,591	–	154,525
At 31 December 2013 (restated)	116,502	1,598	22,301	20,100	1,658	468	162,627

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	2014	2013
	HK$'000	HK$'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	**19,671**	21,844
The United States of America, freehold	**56,427**	56,427
	134,049	136,222

At 31 December 2014, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities amounted to HK$17,934,000 (2013: HK$20,234,000) (Note 25).

At 31 December 2014, the carrying amount of property and motor vehicles held under finance lease is HK$36,249,000 (2013: HK$37,410,000) (Note 27).

16 GOODWILL

	HK$'000
Cost, at 31 December 2014 and 31 December 2013	159,707
Impairment, at 31 December 2014 and 31 December 2013	(21,558)
Carrying values, at 31 December 2014 and 31 December 2013	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. ("Gamma Group") 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 the 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 of market development.

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16 GOODWILL *(Continued)*

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 16.1% to 18.3%. 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 2014, the headroom would be lower/higher by 1,131,000 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 2014, the headroom would be lower/higher by HK$15,418,000 respectively.

17 PROJECT BACKLOGS

	HK$'000
Cost	
At 1 January and 31 December	47,737
Accumulated amortisation	
At 1 January 2013	17,227
Amortisation for the year	18,576
At 31 December 2013	35,803
Amortisation for the year	11,934
At 31 December 2014	47,737
Carrying amount	
At 31 December 2014	–
At 31 December 2013	11,934

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

18 AVAILABLE-FOR-SALE INVESTMENTS

	2014	2013
	HK$'000	HK$'000
Unlisted investments, at fair value:		
Certificate of deposits	**18,853**	18,564

The 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 certificate of deposits were arranged at floating rates and maturity date is on February 2016. The maximum exposure to credit risk at the reporting date is the carrying value of the certificate of deposits. None of these financial assets is either past due or impaired. No impairment loss on certificate 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.

19 INTERESTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	2014	2013
	HK$'000	HK$'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	**818,981**	839,561
— Current portion	**50,000**	50,000
	925,426	946,006

The capital contribution relating to share based payment was related 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 include HK$50,000,000 which is considered by the directors to be repayable by the subsidiaries within one year.

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19 INTERESTS IN SUBSIDIARIES *(Continued)*

(a) Investments in subsidiaries *(Continued)*

The following is a list of the principal subsidiaries at 31 December 2014:

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$188,952,242 5,000 non-voting deferred shares of HK$500,000	–	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Treasure Construction Engineering Limited (note)	Hong Kong	2 ordinary shares of HK$2	–	100%	Building construction
Far East Facade (UK) Limited	United Kingdom	1 ordinary share of GBP1	–	100%	Design, manufacture and 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$500,000	–	100%	Investment holding
Netfortune Enterprise Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding

19 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 Global Investment (China) Limited (formerly known as Netfortune Facade Limited)	Hong Kong	5,000,000 ordinary shares of HK$5,000,000	–	100%	Investment holding
Willbert Limited	British Virgin Islands	1 ordinary shares of US$1	–	100%	Property holding
Far East Aluminium Works (Guangzhou) Company Limited	Hong Kong	2 ordinary shares of HK$2	–	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$2	–	100%	Property holding
FEA Corporate Services Limited	Hong Kong	2 ordinary shares of HK$2	–	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 Property Development Limited (formerly known as 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, aluminium 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

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19 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
Netfortune Engineering (FEA) Macau Limited	Macau	25,000 ordinary shares of MOP1 each	–	100%	Installation of curtain walls, aluminium 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
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.	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

19 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
Gamma Windows and Walls International Inc.	Canada	100 common shares of CAD 53,362.36 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

Note: Newly acquired subsidiaries by business combination under common control during the year (Note 2(a)).

(b) Material non-controlling interests

The total non-controlling interest as at 31 December 2014 of HK$122,588,000 (2013: HK$54,465,000) is for Gamma North America, Inc. and its subsidiaries ("Gamma Group") within the North America division.

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

Summarised statement of financial position

	Gamma Group	
	2014	2013
	HK$'000	HK$'000
Current		
Assets	**460,243**	385,495
Liabilities	**(901,473)**	(655,181)
Total current net liabilities	**(441,230)**	(269,686)
Non-current		
Assets	**184,530**	175,772
Liabilities	**(16,438)**	(34,958)
Total non-current net assets	**168,092**	140,814
Net liabilities	**(273,138)**	(128,872)

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19 INTERESTS IN SUBSIDIARIES *(Continued)*

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

Summarised income statement

	Gamma Group	
	2014	2013
	HK$'000	HK$'000
Revenue	**817,561**	674,078
Loss before tax	**(167,690)**	(312,021)
Income tax credit	**23,850**	124,155
Other comprehensive income	**(425)**	(3,670)
Total comprehensive income	**(144,265)**	(191,536)
Other comprehensive income allocated to non-controlling interests	**(191)**	(1,651)

Summarised cash flow

	Gamma Group	
	2014	2013
	HK$'000	HK$'000
Operating cash flows		
Cash used in operations	**(16,066)**	(115,180)
Interest paid	**6,133**	4,205
Income tax refund	**(318)**	(2,205)
Net cash used in operating activities	**(10,251)**	(113,180)
Net cash used in investing activities	**(4,592)**	(13,848)
Net cash from financing activities	**12,649**	78,764
Net decrease in cash and cash equivalents	**(2,194)**	(48,264)
Cash and cash equivalents at beginning of year	**7,297**	55,563
Effect of foreign exchange rate changes	**(3)**	(2)
Cash and cash equivalents at end of year	**5,100**	7,297

The information above is before inter-company eliminations.

20 INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	**8,875**	10,166
Consumables	**3,676**	7,484
	12,551	17,650

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately HK$298,350,000 (2013: HK$229,130,000).

21 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2014 HK$'000	2013 HK$'000
Contract costs incurred plus recognised profits less foreseeable losses	**6,319,725**	5,961,243
Less: progress billings	**(5,681,115)**	(5,420,338)
	638,610	540,905
Amounts due from contract customers	**672,474**	563,455
Amounts due to contract customers	**(33,864)**	(22,550)
	638,610	540,905

22 TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**247,559**	143,474
Retention receivables	**183,699**	173,651
	431,258	317,125
Less: Provision for impairment	**(13,444)**	(17,820)
	417,814	299,305
Other receivables	**51,018**	57,414
Trade and other receivables	**468,832**	356,719

The Group's trade receivables mainly represent progress billing 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 in 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.

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22 TRADE AND OTHER RECEIVABLES *(Continued)*

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.

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:

	2014	2013
	HK$'000	HK$'000
Trade receivables:		
0 to 30 days	**114,500**	58,628
31 to 60 days	**89,666**	55,538
61 to 90 days	**4,187**	9,764
More than 90 days	**34,612**	14,171
	242,965	138,101
Retention receivables	**174,849**	161,204
	417,814	299,305
Other receivables	**51,018**	57,414
Trade and other receivables	**468,832**	356,719

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 (2013: 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 2014, trade receivables of HK$34,612,000 (2013: HK$14,171,000) 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:

	2014	2013
	HK$'000	HK$'000
90 to 365 days	**27,956**	13,359
Over 365 days	**6,656**	812
	34,612	14,171

As at 31 December 2014, trade and retention receivables of approximately HK$13,444,000 (2013: HK$17,820,000) were impaired and fully provided.

22 TRADE AND OTHER RECEIVABLES *(Continued)*

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.

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

	2014 **HK$'000**	2013 HK$'000
At 1 January	**17,820**	37,880
Reversal of provisions	**(4,483)**	(19,164)
Exchange difference	**107**	(896)
At 31 December	**13,444**	17,820

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

	2014 **HK$'000**	2013 HK$'000
United States dollar	**160,174**	141,800
Hong Kong dollar	**108,387**	66,386
Canadian dollar	**85,982**	61,035
Renminbi	**62,870**	59,022
Great British Pound	**17,650**	15,185
United Arab Emirates Dirham	**13,121**	9,527
Macau Pataca	**16,632**	–
Others	**4,016**	3,764
	468,832	356,719

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.

23 AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

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

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24 BANK AND CASH BALANCES

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)
Hong Kong dollar	**44,208**	124,245	**193**	299
Macau Pataca	**38,582**	1,614	**–**	-
Renminbi	**29,023**	22,460	**–**	-
United Arab Emirates Dirham	**89,845**	1,962	**–**	-
Australian dollar	**13,140**	11,669	**–**	-
Canadian dollar	**10,959**	54,993	**–**	-
United States dollar	**11,159**	88,062	**13**	14
Others	**5,114**	5,447	**–**	-
	242,030	310,452	**206**	313

In respect of the Renminbi of the Group's subsidiaries incorporated in the PRC amounting to approximately HK$29,023,000 (2013: HK$22,460,000), conversion of this into foreign currencies is subject to the Foreign Exchange Administrative Regulations of the People's Republic of China.

25 BANK AND OTHER BORROWINGS

	2014	2013
	HK$'000	HK$'000
		(restated)
Bank loans, secured	**16,308**	18,339
Bank loans, unsecured	**319,055**	756,919
Loans from non-controlling interests	**–**	7,800
	335,363	783,058
The borrowings are repayable as follows:		
On demand or within one year	**119,585**	157,463
In the second year	**200,564**	8,378
In the third to fifth years, inclusive	**15,214**	617,217
	335,363	783,058
Less: amounts due for settlement within twelve months	**(119,585)**	(157,463)
Amounts due for settlement after twelve months	**215,778**	625,595

At 31 December 2014, bank loans are secured by the Group's land and buildings (Note 15).

25 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
31 December 2014				
Bank loans	**200,000**	**17,008**	**118,355**	**335,363**
31 December 2013 (restated)				
Bank loans	640,000	62,537	72,721	775,258
Loans from non-controlling interests	–	–	7,800	7,800
	640,000	62,537	80,521	783,058

The average interest rates at 31 December were as follows:

	2014	2013 (restated)
Bank loans	**3.16%**	2.58%
Loans from non-controlling interests	**N/A**	3.30%

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

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

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26 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:

	2014 **HK$'000**	2013 HK$'000 (restated)
Trade payables:		
0 to 30 days	**184,724**	117,664
31 to 60 days	**20,403**	24,140
More than 60 days	**14,501**	15,426
	219,628	157,230
Retention payables	**36,414**	32,523
	256,042	189,753
Other payables and accruals	**73,420**	68,897
Trade payables, other payables and accruals	**329,462**	258,650

As at 31 December 2014, the amount of retention payables expected to be due after more than twelve months was approximately HK$5,137,000 (2013: HK$3,295,000).

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

	2014 **HK$'000**	2013 HK$'000 (restated)
United States dollar	**77,268**	43,949
Hong Kong dollar	**72,649**	92,972
Renminbi	**65,197**	42,824
Canadian dollar	**64,433**	59,504
Macau Pataca	**42,124**	1,902
Great British Pound	**6,666**	11,662
Others	**1,125**	5,837
	329,462	258,650

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

26 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS *(Continued)*

Movement of warranty provisions included in other payables and accruals are as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	**17,778**	18,991
Addition	**13,867**	3,467
Reversal	**(391)**	(1,585)
Exchange differences	**501**	6
Utilisation	**(15,428)**	(3,101)
At 31 December	**16,327**	17,778

The Group provides warranties to its customers on façade 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.

27 FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Within one year	**1,026**	1,116	**998**	1,087
In the second to fifth years, inclusive	**3,000**	3,482	**2,545**	2,976
Over five years	**1,402**	2,022	**935**	1,304
	5,428	6,620	**4,478**	5,367
Less: Future finance charges	**(950)**	(1,253)		
Present value of lease obligations	**4,478**	5,367		
Less: Amount due for settlement within 12 months			**(998)**	(1,087)
Amount due for settlement after 12 months			**3,480**	4,280

The average lease term is 6 years. At 31 December 2014, the average effective borrowing rate was 5.8% (2013: 5.6%). 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

27 FINANCE LEASE PAYABLES *(Continued)*

All finance lease payables are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
United States dollar	**4,295**	5,028
Canadian dollar	**183**	300
Hong Kong dollar	**–**	39
	4,478	5,367

The Group's finance lease payables are secured by the lessor's title to the leased assets (Note 15).

28 DEFERRED TAXATION

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

	2014 HK$'000	2013 HK$'000
Deferred tax liabilities to be crystalised after more than twelve months	**3,036**	–
Deferred tax liabilities to be crystalised within twelve months	**–**	5,109
	3,036	5,109
Deferred tax assets to be recovered after more than twelve months	**(124,440)**	(79,566)
Deferred tax assets to be recovered within twelve months	**(33,104)**	(37,998)
	(157,544)	(117,564)

28 DEFERRED TAXATION *(Continued)*

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

	Accelerated tax depreciation HK$'000	Recognition of intangible assets on business combination HK$'000	Revaluation of land and buildings HK$'000	Tax losses HK$'000	Others (note) HK$'000	Total HK$'000
At 1 January 2013	1,990	12,405	753	(6,000)	6,390	15,538
Exchange difference	–	294	–	–	(341)	(47)
(Credited)/charged 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)
Exchange difference	–	–	–	712	–	712
Credited to consolidated income statement (note 9)	293	(5,109)	–	(31,900)	(6,049)	(42,765)
At 31 December 2014	**2,283**	**–**	**753**	**(157,544)**	**–**	**(154,508)**

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

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

	2014 HK$'000	2013 HK$'000
Deferred tax liabilities	**293**	5,109
Deferred tax assets	**(154,801)**	(117,564)
	(154,508)	(112,455)

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$417,020,000 (2013: HK$159,601,000) to be carried forward in offsetting future taxable income. The expiry dates of these tax losses are subject to the tax ruling of the respective jurisdictions.

29 SHARE CAPITAL

	Authorised		**Issued and paid up**	
	Number of shares '000	**Amount** HK$'000	**Number of shares** '000	**Amount** HK$'000
Ordinary shares of HK$0.01 each				
At 1 January 2013, 1 January 2014 and 31 December 2014	10,000,000	100,000	2,155,545	21,555

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 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 and 1 January 2014	898,654	4,636	18,621	921,911
Profit for the year	–	–	4,103	4,103
2013 final dividend paid	–	–	(10,778)	(10,778)
2014 interim dividend paid	–	–	(10,778)	(10,778)
At 31 December 2014	**898,654**	**4,636**	**1,168**	**904,458**

(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$899,822,000 (2013: HK$917,275,000).

(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

On 11 March 2014, the Group acquired 100% of equity interests in Treasure Construction from Barkgate Enterprises Limited, a wholly owned subsidiary of China State Construction International Holdings Limited ("CSCIHL"), which is the intermediate holding company of the Company, at a cash consideration of HK$2,000,000. The excess of approximately HK$1,970,000, representing the difference between the fair value of consideration paid for the acquisition and the net asset value of Treasure Construction at the acquisition date, was charged to special reserve.

(vii) Included in retained profits as at 31 December 2014 is the proposed 2014 final dividend of approximately HK$10,778,000.

31 LEASE COMMITMENTS

At 31 December 2014 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**27,724**	22,900
In the second to fifth years inclusive	**73,963**	77,573
After fifth year	**53,278**	52,874
	154,965	153,347

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

32 GUARANTEES

The Company has corporate guarantees given in respect of bank loan facilities extended to certain subsidiaries of approximately HK$319,055,000 (2013: HK$256,919,000).

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

	2014	2013
	HK$'000	HK$'000
Construction fees received from fellow subsidiaries	**209,754**	93,785
Service income received from fellow subsidiaries	**89,012**	10,740
Service fees paid to fellow subsidiaries	**1,464**	–

Transactions with other state-controlled entities in the Mainland China

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 government of the Mainland China. 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

	2014	2013
	HK$'000	HK$'000
Other loans:		
Loans from non-controlling shareholders of a subsidiary		
who have significant influence over that subsidiary (Note)	**–**	7,800

Note: The loans are unsecured, interest-bearing at U.S. prime rate plus 0.5% per annum compounded daily.

33 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2014	2013
	HK$'000	HK$'000
Short term employee benefits	**25,854**	31,069
Post-employment benefits	**207**	417
	26,061	31,486

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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 a 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

	2014 **HK$'000**	2013 HK$'000 (restated)	2012 HK$'000 (restated)	2011 HK$'000 (restated)	2010 HK$'000 (restated)
Revenue	**1,682,149**	1,418,808	1,860,615	1,533,185	1,032,541
Gross profit	**175,338**	8,443	93,606	207,536	228,381
(Loss)/profit before tax	**(32,697)**	(168,168)	(181,529)	91,458	134,274
Profit/(loss) attributable to owners of the Company	**57,738**	50,398	(136,813)	79,005	106,897
Basic earnings/(losses) per share (HK cents)	**2.68**	2.34	(6.87)	7.09	10.14
Diluted earnings/(losses) per share (HK cents)	**2.68**	2.34	(6.87)	7.01	10.07

CONSOLIDATED NET ASSETS

	2014 **HK$'000**	2013 HK$'000 (restated)	2012 HK$'000 (restated)	2011 HK$'000 (restated)	2010 HK$'000 (restated)
Non-current assets	**467,982**	456,054	382,605	376,012	83,845
Current assets	**1,431,386**	1,756,800	1,609,897	1,179,294	986,048
Current liabilities	**647,541**	496,475	689,606	855,808	430,515
Non-current liabilities	**219,551**	634,984	153,866	51,478	100,000
Net asset	**1,032,276**	1,081,395	1,149,030	648,020	539,378

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